2020
PERIODIC REPORT

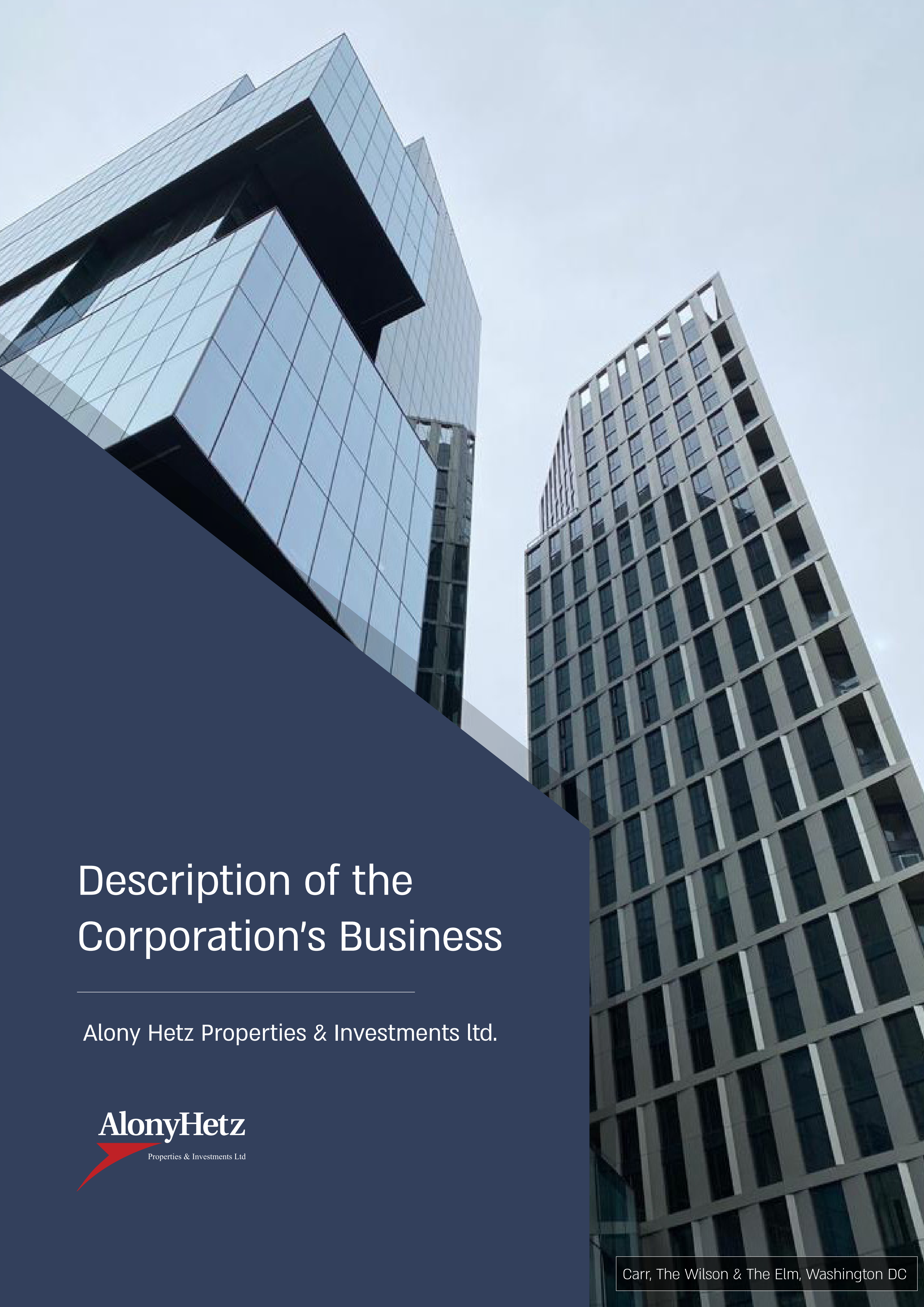
Alony Hetz Properties & Investments ltd.

Carr, Midtown Center, Washington DC

2020 PERIODIC REPORT

AlonyHetz Properties & Investments Ltd

Carr, 100 congress, Austin, Texas



Carr, The Wilson & The Elm, Washington DC

Description of the Corporation's Business

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Description of the Corporation's Business

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

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

Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") was incorporated on December 20, 1989, and on November 14, 1990 it changed its name to its current name. In November 1990, the Company commenced operations and in January 1993, the Company's shares were first listed for trading on the Tel Aviv Stock Exchange Ltd. ("**the TASE**").
The Company does not have a controlling shareholder.

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

2. Area of Activity

The Group focuses on holdings that have significant influence over leading companies operating in the income-generating property sector (including real estate development and betterment) in Israel and in western countries.

As of the reporting date, the Group is active mainly in the following markets: Israel, the U.S. and the UK.

The Group also has activity in the renewable energy sector.

2.1 The following is a description of the Group's main holdings as of December 31 2020

Main investments in the income-generating property segment:

Activity in Israel

Holdings of 57.06% in Amot Investments Ltd. (hereinafter: "**Amot**"). Amot is a public company listed for trading on the Tel Aviv Stock Exchange Ltd. ("**the TASE**") that operates directly and indirectly through corporations under its control, renting, managing and maintaining income-generating properties in Israel, as well as purchasing, planning and developing land for rental purposes. Amot owns, directly and indirectly, real estate that includes office buildings, malls, commercial centers, independent supermarkets, logistic centers and industrial parks. Close to the date of publication of this report, the Company's rate of holdings in Amot is 57%. For additional information regarding Amot, see Chapter B below.

Activity in the United States

Carr – 44.19% holdings in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, a private income-generating property company (REIT) whose assets are located in the Washington DC area and in Boston, USA. Carr engages directly and indirectly, through wholly or partly owned companies, in investments in income-generating properties for rental purposes, including the management and maintenance of office buildings under its ownership in the Washington DC and Boston metropolitan areas, and in the acquisition and development of land for rental purposes in those areas.[1] For additional information on Carr see Chapter C1 below.

AH Boston – Holdings of 55% in the capital and 50% in the control of three property companies in the Boston metropolitan area, two of in the Boston CBD and one in East Cambridge.[2] For additional information regarding the investment in the Boston properties through the three property companies, see Chapter C2 below.

1 The holding in Carr is through joint control with an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**").
2 The holding is through joint control with Oxford, which holds the remaining rights in the assets. Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).

Activity in Europe

In the UK – Holdings of 96.02% in **Brockton Everlast Inc. ("BE")**, which engages directly and indirectly through corporations under its control, in the leasing, management and maintenance of income-generating properties, as well as in the initiation and development for rental purposes mainly in the London metropolitan area, Oxford and Cambridge. For information regarding the investment in properties in London, see Chapter D below and in Notes 4(c) and 6(d) to the financial statements.

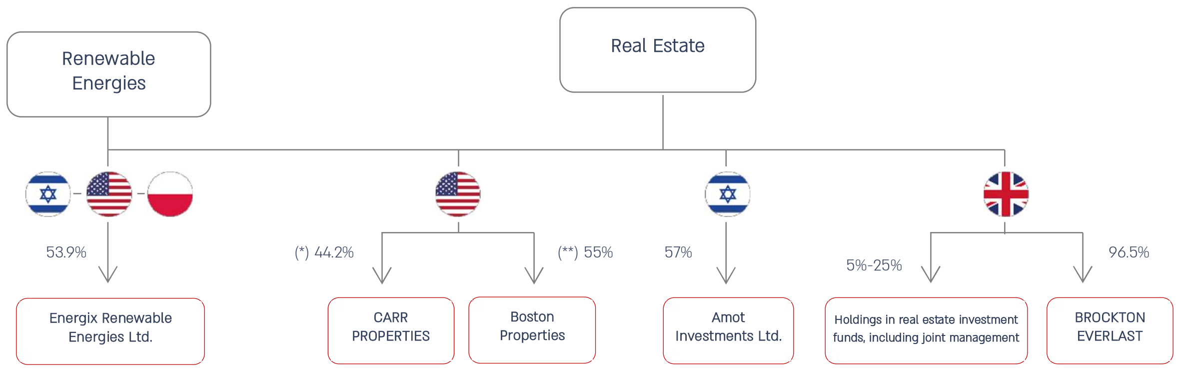
In addition, the Group owns real estate investment funds in the UK by the name of **Brockton Capital** which are engaged in the initiation, development, betterment and management of real estate investments in the UK. The Funds (Funds III, II, I) are expected to realize all their assets by the end of 2022. For additional information on the Brockton Funds, see Chapter D below and Note 5(1) to the financial statements.

Switzerland – Investment in PSP Swiss Property Ltd.
PSP is a company traded on the Stock Exchange in Zurich, Switzerland, engaged in income-generating property in Zurich and Geneva, Switzerland, in which the Company had invested since 2006. During 2020 and until the date of publication of the report, the Company realized PSP shares for the amount of NIS 1.4 billion (in 2019, it realized shares for NIS 0.4 billion).
As of the date of publication of the report, the Company holds PSP at a rate of 0.9% and the value of the investment therein as of that date amounts to approx. NIS 0.2 billion. The Company intends to complete the realization of the investment during 2021.

Renewable Energy Investments:

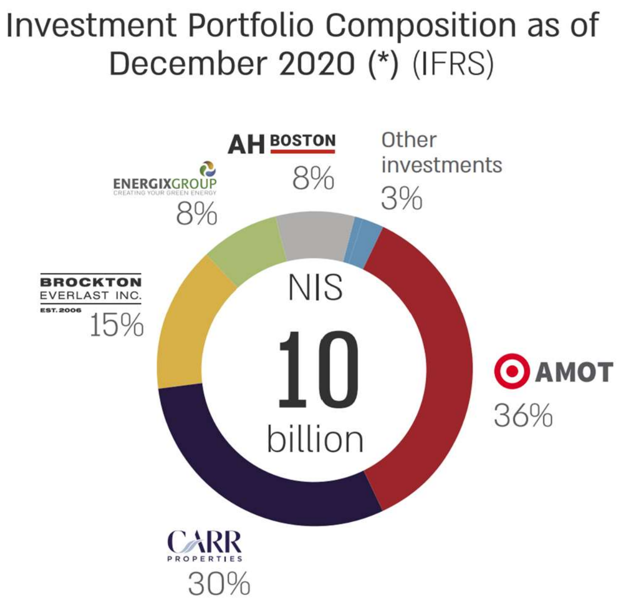
Holdings of 53.96% stake in Energix Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose shares are listed for trading on the stock exchange. Energix is engaged in the development, construction, management and operation of photo-voltaic systems under its ownership in Israel and the United States and in the sale of the electricity produced therefrom. In addition, Energix is engaged in the development, construction, management and operation of electricity-generation projects in the wind energy sector in Israel and in Poland and the sale of the electricity therefrom. The Company's holding rate in Energix close to the date of publication of the report is 53.9%. For additional information regarding Energix, see Chapter E below.

The following is the Company's holding structure in the main operating companies as of the date of publication of the report:[3]



* 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 properties companies that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

The following are the Company's main investments (expanded solo)[4] as of December 31, 2020:



(*) Excludes cash.

3 The above holding structure does not include corporations wholly or partly owned by the Company through which the Company holds the corporations listed in the chart.
4 For the definition of expanded solo, see Appendix A to the Board of Directors' Report.

2.2 Changes in the volume of activity in the income-generating property segment and its profitability in the last three years

Over the past three years, the Group has operated mainly in its main area of activity (long-term investments in the income-generating property segments), while changing the scope of its activities both in terms of the size of its investment portfolio and in terms of geographic targets, as follows:

Amot Investments	
Date (year):	**Investment Amount (in NIS millions):**
2018	156
2019	162
2020	342

As of December 31, 2020, the Company holds 234 million Amot shares, which constitute 57.06% of Amot's capital and control.

In the years 2018-2020 the amount of the Group's investments in income-generating property and in land for development in Israel through Amot (not including real estate revaluations) increased by approx. NIS 1.3 billion. For additional information see Section 4 of Chapter B below.

Regarding real estate revaluations recorded in 2020 by Amot, see Section 2.2. of the Board of Directors' Report.

Carr Properties	
Date (year):	**Investment Amount (in NIS millions):**
2018	-
2019	246
2020	151

As of December 31, 2020 the Company holds 50% of the voting rights and 44.19% of the capital rights of Carr Properties. For additional information see Chapter C1 below.

In the years 2018-2020 the amount of the Group's net investments in income-generating property and in land for development in Washington DC and Boston (not including real estate revaluations) increased by approx. USD 0.85 billion. For additional information, see Sections 4 and 5 in Chapter C1 below.

Regarding real estate revaluations recorded in 2020 by Amot, see Section 2.2 of the Board of Directors' Report.

AH Boston	
Date (year):	**Investment Amount (in NIS millions):**
2018	24
2019	44
2020	28

As of December 31, 2020, the Group holds 55% of the capital rights and 50% of the control in three property companies in the Boston metropolitan area, of which two are in the Boston CBD and one in East Cambridge[5].For additional information, see Chapter C2 below.

Regarding real estate revaluations recorded in 2020 by AH Boston, see Section 2.2 of the Board of Directors' Report.

5 50% of the rights in control and 55% in capital.

Brockton Everlast	
Date (year):	**Investment Amount (in NIS millions):**
2018	210
2019	1,008
2020	194

Subsequent to the reporting date, the Company invested the amount of GBP 46 million (NIS 207 million) in the capital of **Brockton Everlast**.

As of December 31, 2020 the Company has holdings of 96.02% in **Brockton Everlast.**

In the years 2019-2020 the amount of the Group's net investments in income-generating property in the London metropolitan area (through BE) (not including real estate revaluations) increased by approx. GBP 0.6 billion. For additional information, see Sections 4 and 5 of Chapter D below.

Regarding real estate revaluations recorded in 2020 by Brockton Everlast, see Section 2.2 of the Board of Directors' Report.

PSP	
Date (year):	**Realization amount (in NIS millions):**
2018	Sale of 1 million shares (NIS 364 million)
2019	Sale of 950 thousand shares (NIS 440 million)
2020	Sale of 3.1 million shares (NIS 1,359 million)

Subsequent to the balance sheet date, the Company realized 100 thousand additional PSP shares for a consideration of approx. NIS 42 million. After the sale and as of the date of publication of the report, the Company holds 431 thousand PSP shares, which constitute 0.9% of PSP's capital stock.

Brockton Funds

In the years 2018-2020, the Company invested GBP 26 million (NIS 117 million) in the Brockton Funds, and received GBP 35 million (NIS 161 million) in respect of the realization of assets by the Funds.

2.3 Changes in the volume of activity in the renewable energies segment and its profitability

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

Energix Renewable Energies Ltd.	
Date (year):	**Investment Amount (in NIS millions):**
2018	-
2019	36
2020	59

As of December 31, 2020, the rate of the Company's holdings in Energix was 53.96%.

- In the years 2018-2020, Energix strengthened and expanded its activities and increased its portfolio of projects in all three of its activity locations – Israel, Poland and the United States. While Israel and Poland are existing activity locations that Energix seeks to continue to develop, during the years 2019-2020, Energix has begun to develop its operations in the U.S. as well. For information regarding Energix's business development in 2020, see Chapter E below.

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

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

From November 26, 2019, the Company does not have a controlling shareholder. For additional information, see the Company's immediate report published on November 27, 2019 (Ref: 2019-01-103038).

4. Distribution of Dividends

The Company's policy is for its shareholders to share in the Company's profits through the distribution of dividends each year on an ongoing basis, as long as the dividend distribution does not affect the Company's cash flow, taking into account the Group's future investment plans as they will be from time to time and subject to any law.

For additional information regarding the Company's dividend policy, for details regarding the amounts of dividends distributed by the Company in the reporting periods and for the balance of the distributable profits as of December 31, 2020 – see Note 16d to the financial statements.

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

The Company's expanded solo statements are a summary of the Company's statements presented in accordance with IFRS principles, except for the investments in Amot, Energix and BE, which are presented on an equity basis instead of consolidating their statements into the Company's statements (other investments are presented without change to the statement presented according to IFRS principles). **Expanded solo statements do not constitute separate statements within the meaning of International Accounting Standard 27 and Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 and are not part of the information required to be published under securities law..**

5.1 Information regarding the Company's main investments (expanded solo) in the income-generating property segment by geographic distribution (*)

	31.12.2020		31.12.2019	
	NIS thousands	**%**	**NIS thousands**	**%**
Israel – investment in Amot	3,586,540	39	3,356,383	33
U.S. – investment in Carr	3,004,322	33	3,135,978	31
U.S. – investment in AH Boston	778,229	9	844,452	8
UK – investment in Brockton Everlast	1,386,009	15	1,246,092	12
Switzerland – investment in PSP	200,311	2	1,381,418	14
UK – investment in Brockton Funds	160,197	2	176,035	2
Other	25,653	-	27,133	-
Total *	**9,141,261**	**100**	**10,167,491**	**100**

5.2 Information regarding the Group's main investments in the income-generating property segment by geographic distribution (*)

	31.12.2020		31.12.2019	
	NIS thousands	**%**	**NIS thousands**	**%**
Israel – investment property (including property in development) (**)	13,783,839	66	13,347,046	62
U.S. – investment in Carr	3,004,322	14	3,135,978	15
U.S. – investment in AH Boston	778,229	4	844,452	4
UK – Brockton Everlast investment property (**)	2,963,727	14	2,623,325	12
Switzerland – investment in PSP	200,311	1	1,381,418	6
UK – investment in Brockton Funds	160,197	1	176,035	1
Other	25,653	-	27,133	-
Total **	**20,916,278**	**100**	**21,535,387**	**100**

(*) The balances presented above do not include cash, deposits and tradable securities, which, as of December 31, 2020, amounted to NIS 2,215 million (consolidated) and NIS 603 million (expanded solo) and as of December 31, 2019, they amounted to NIS 772 million (consolidated) and NIS 519 million (expanded solo).

(**) Including investment in real estate companies held by Amot and/or by BE and which are presented in the consolidated financial statements using the equity method.

5.3 Information regarding investments in the renewable energies segment

Energix is engaged in the development, construction and operation of electricity-generating facilities in the renewable energies segment (photo-voltaic energy and wind energy) with the intention of holding them for the long term.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 402 MW in commercially operated projects, approx. 461 MW in projects in development or preparing for construction, approx. 725 MW in projects in advanced stages of development and over 1,800 MW in projects in the development stage[6]. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 2.4 billion – for details, see Chapter E below.

The balance of the Company's investment (expanded solo) in Energix as of December 31, 2020 is NIS 586 million.

The following is information regarding the Group's main investments in the renewable energies segment:

Depreciated Cost in the Financial Statements	**31.12.2020**		**31.12.2019**	
	NIS thousands	**%**	**NIS thousands**	**%**
Photo-voltaic systems	1,048,594	43	603,981	31
Wind farm	586,734	24	648,581	34
Projects in development	781,818	32	682,153	35
Total	**2,417,146**	**100**	**1,934,715**	**100**
Right-of-use asset and others	207,370		170,758	
	2,624,516		**2,105,473**	

The following are the Group's main investments in the renewable energies segment by geographic distribution:

	31.12.2020		**31.12.2019**	
	NIS thousands	**%**	**NIS thousands**	**%**
Israel	1,072,951	41	893,519	42
Poland	748,188	28	729,822	35
USA	803,377	31	482,132	23
Total	**2,624,516**	**100**	**2,105,473**	**100**

For additional information regarding Energix, see Chapter E below.

5.4 Result data based on the Statement of Income

See Section 3.5.2 of the Board of Directors' Report.

5.5 Result data based on the Expanded Solo Statement of Income

See Section 1.2 of Appendix A to the Board of Directors Report.

[6] See Footnote 26.

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

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

As a group engaged mainly in the income-generating property sector in western countries, including Israel, the Group is exposed to changes in the conditions in the markets in which it operates in general, and in the income-generating property sector in particular.

Regarding the impact of the global Corona pandemic on the Group's activities – see Section 2 of the Board of Directors' Report.

Due to the Corona crisis that began in the first quarter of 2020, the global economy shrank at an annual rate of approx. 4.3%, with the peak of the crisis in the second quarter. In the second half of 2020, the global economy began to recover. The low GDP levels that characterized the peak of the Corona crisis have risen, but have not yet returned to those on the eve of the crisis largely due to the continued spread of the virus and restrictions imposed on economic activity in order to reduce morbidity levels.

Fiscally, countries around the world have continued the trend of increasing deficits in order to support the fight against the economic and medical crisis, including support for the unemployed and the continued employment of workers while supporting the business sector with an emphasis on sectors suffering from significant impairment. These actions had a positive effect on the recovery of employment and insolvency rates in the markets.

The rate of economic recovery is very different between the blocs. China is enjoying the fastest recovery, and has even surpassed the level of activity that prevailed before the crisis, in the Western world the U.S. stands out positively compared to Europe, while Japan stands out in its weakness.

The inflation environment, which remained low around the world in 2020, allowed central banks to continue a very expansionary monetary policy, although the trend of lowering interest rates has slowed. Many central banks, led by the Fed and the ECB, have updated their forward guidance to the public, according to which interest rates are expected to remain low for a long time. Therefore, for example, members of the Fed's Monetary Committee estimate that U.S. interest rates will not rise before 2023.

The inflation forecast in developed countries in 2021 has been updated by approx. 0.5% to a rate of 1.4% in 2021 and in 2022 it is expected to be 1.6%.

Many international research bodies have updated their growth forecasts towards the end of 2020 due to the considerable uncertainty in predicting the spread of the disease, the continuation of government restrictions to be imposed for its mitigation and the widespread distribution, safety and efficacy of the vaccine. Based on these forecasts, the world economy is expected to grow by approx. 3.4% in each of the years 2021 and 2022.

At the start of the Corona crisis, stocks traded lower, given the high morbidity that prompted many countries to impose prolonged closures. For most of the second half of 2020, some stability was maintained in the markets. Publication of the clinical trial results in connection with the approval of some of the vaccines by the FDA has led to increases in stock indices. From the beginning of 2021, high volatility began in view of the increased morbidity and the renewed closures, along with an increase in government bond yields due to fears of inflation.

7Sources of information in this section:
1. Bank of Israel – Research Division Macroeconomic Forecast, January 2021
2. Bank of Israel – Financial Policy Report, H2/2020, January 2021
3. Bank of Israel – Financial Stability Report – December 2020

B. Investments in Israel – Amot Investments Ltd.

1. General Information regarding Amot

As of December 31, 2020, the Company holds 57.06% of Amot's capital.

In 2020, the Company invested NIS 342 million in Amot's issues and stock exchange acquisitions.

Amot is engaged, directly and indirectly through corporations under its control, in the leasing, management and maintenance of income-generating properties in Israel, as well as in the initiation and development of land for rental purposes.

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

The strategy determined by the Company is to consider Amot as the Israeli Company's income-generating property branch (including development for yield).

Amot's income-generating properties in Israel, owned or leased, as of December 31, 2020, include 104 income-generating properties with a total area of 1.5 million sq.m. (Amot's share), of which 956 thousand sq.m. are above-ground rental areas and 553 thousand sq.m. are parking areas. Most of Amot's properties (90%) are located in the major cities in the center of the country and in high-demand areas. In addition, Amot has 4 projects in advanced planning and construction stages amounting to 94 thousand sq.m. above-ground and 5 projects in planning and initiating stages amounting to 185 sq.m. above-ground (Amot's share).

The total fair value of Amot's assets as of December 31, 2020 is NIS 14 billion, of which the fair value of income-generating property as of December 31, 2020 (not including assets in development) is NIS 12.7 billion and the occupancy rate as of that date was 97.2%. In addition, Amot holds investment property in development designated for development for rental purposes, at a fair value of NIS 1.2 billion.

For a description of the Company's management agreement with Amot – see Note 6(c)(4) to the financial statements.

Regarding dividends received by the Company from Amot in the reporting period and dividend receipts projected for 2020 – see Section 3.3.9 of the Board of Directors' Report.

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

All references appearing in this section regarding the Company's estimates related to future developments in the general environment in which Amot operates and in external factors that affect its activities are considered forward-looking information as defined in section 32A of the Securities Law, which is not under the Company's control and which is uncertain and based on information sources noted by the Company.

Economic activity in 2020 was affected by the Corona pandemic and especially by the effects of the closures which caused volatility in the economic activity. During the summer months, there was a recovery in activity, but following the second closure in September and October, there was a sharp decline in activity, although at a more moderate intensity than in the first closure.

The GDP shrank in 2020 as a result of the Corona pandemic by approx. 2.4% compared to 2019, compared with an increase of over 3.0% in each of the years 2016-2019. In an international comparison, the average rate of decline in GDP in OECD countries in 2020 was approx. 5.5%. The decrease in GDP in Israel this year was mainly due to a decrease in private consumption, and a decrease in investments in fixed assets and a decrease in imports of goods and services, partially offset by an increase in exports of goods and services and an increase in public consumption expenditure. The damage to GDP is evident in most of the economy's industries, with the exception of the high-tech industry, which continued to grow. According to Bank of Israel forecasts, GDP is expected to grow by approx. 6.3% in 2021 and by approx. 5.8% in 2022 (according to the rapid vaccination scenario).

The employment situation in Israel was significantly affected by the Corona pandemic and the data were volatile throughout 2020 depending on closures and the opening of the economy. On average, from March to December 2020, the broad unemployment rate (including workers affected by the Corona crisis) was approx. 18.2% (approx. 761 thousand people) when in 2019, the economy reached almost full employment with a total unemployment rate of approx. 3.4%. According to the Bank of Israel forecast, in the rapid vaccination scenario, the unemployment rate is expected to gradually decrease to approx. 7.7% in 2021 and to 5.4% in 2022.

The inflationary environment in 2020 dropped to a negative level and amounted to 0.7%. The average expected inflation for the coming year remains below the lower limit of the target and amounts to approx. 0.8%.

The financial markets were severely affected by the development of the pandemic. In the first half of the year, the spread of the Corona virus led to sharp declines in the financial markets in Israel and around the world. In response, many central banks, including the Bank of Israel, continued to initiate various programs also in the second half of 2020 for the acquisition of assets and open credit barriers to sectors in need in order to ensure that the markets continue to be liquid and to support their proper functioning. Corporate bond spreads continued to shrink, along with some increases in stock indices, but the overall performance of stock markets in Israel this year was significantly low in a global comparison. Stock indices remained relatively stable for most of the second half of the year, and at the end of the year price increases were observed, among other things, in light of news regarding the Corona vaccines.

In 2020, the credit market continued to function with stable interest rates, supported by a variety of measures taken by the Bank of Israel and the Ministry of Finance. In April 2020, the Bank of Israel lowered the interest rate to 0.1%, similar to the global trend.

In the foreign exchange market, during most of the second half of 2020, the NIS continued to strengthen slightly against the effective nominal exchange rate. At the end of 2020, a significant appreciation was recorded, mainly due to the strengthening of the NIS against the USD. During January 2021, the exchange rate against the USD dropped to a level of approx. 3.1, a move that led to a reaction from the Bank of Israel, which stated that it would purchase USD in the amount of approx. USD 30 billion during 2021. This action began to have a moderate effect in the depreciation of the NIS against the USD.

The fiscal policy in Israel continued to be affected by uncertainties in the absence of a budget for both 2020 and 2021. The deficit reached a level of approx. 11.2% of GDP at the end of 2020 (similar to the OECD average).

8Sources of information in this section:

a. Bank of Israel – Research Division Macroeconomic Forecast, January 2021
b. Bank of Israel – Monetary Policy Report, H2/2020, January 2021
c. Central Bureau of Statistics – Data from the Labor Force Survey for December, Q4 and 2020.
d. Central Bureau of Statistics – Summary of the 2020 Economic Year, February 2021.
e. Office Market Review, H2/2020 – Inter Israel Real Estate Consultants – Cushman & Wakefield – January 2021.
f. CBRE Market Survey, Q4/2020, February 2020.
g. Natam Report, Issue no. 45, H1/2020.

Approx. three-quarters of the deficit is attributed to the consequences of the Corona pandemic, half of which are due to an increase in expenses and a quarter is due to declining tax revenues due to the response of GDP to the crisis. Total government debt as a percentage of GDP rose to approx. 70% (as of the end of the third quarter) compared to approx. 59.6% at the end of 2019. Despite the deterioration in the macro data, the debt rating of the State of Israel remains unchanged on the part of rating agencies. Fitch rating: A+ (Stable), Moody's rating: A1 (Positive), S&P rating: AA- (Stable).

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

		Israel		
For the Year ended	**Units**	**31.12.2020**	**31.12.2019**	**31.12.2018**
Macroeconomic parameters				
GDP (PPP)	USD	361	378	359
Per capita GDP (PPP)	USD	39,126	41,786	40,452
GDP growth rate (PPP)	%	4.56%-	5.29%	5.97%
Per capita GDP growth rate (PPP)	%	6.37%-	3.30%	3.94%
Inflation rate	%	0.69%-	0.60%	0.80%
Yield on long-term domestic government debt	%	0.82%	1.47%	1.99%
Rating of long-term government debt		AA-/A1	AA-/A1	A+/A1
Unemployment rate	%	4.7% (*)	3.4%	4.2%

(*) The unemployment rate defined as unemployed, general population – aged 15 and over, adjusted for seasonality, percentages, as a percentage of the total.

Up to and including 2019, the office market was characterized by constant growth with a high correlation to economic growth which was reflected in a consistent increase in rental fees, an increase in occupancy rates and accelerated construction that was able to be absorbed as a result of economic growth in recent years. In 2020, the trend in the office market seems to have reversed. The Corona pandemic has affected the labor market on a number of levels in general and the office market in particular. The decline in GDP and growth due to the continuing pandemic has the strongest negative impact on the office market. In addition, the pandemic has accelerated processes that had already started, some of which have the effect of reducing the demand for offices such as working from home and changing the configuration of the office and some have the effect of increasing demand for offices such as reducing employee overcrowding. It is not possible at present to estimate what the long-term impact of these processes will be.

The impact of the pandemic on the office market in Israel was strongest in the central business district ("**CBD**") of Tel Aviv, which includes Tel Aviv, the stock exchange area in Ramat Gan and the Bnei Brak area. Rental activity and the rate of occupancy in most areas decreased significantly compared to 2019, rental prices decreased on average by approx. 10% from approx. NIS 107 per sq.m. to approx. NIS 98 per sq.m. and average occupancy rates in the Tel Aviv CBD decreased from approx. 93% in 2019 to approx. 90% in 2020. The highest vacancy rate was recorded in Bnei Brak with approx. 23%.

One of the reasons for the decrease in occupancy rates in the Tel Aviv CBD is the increase in supply following the entry into the market of new office space on a relatively high scale, the construction of which was completed in 2020. In 2020, areas were added to the CBD totaling approx. 267 thousand sq.m., of which approx. 50% were populated (and approx. 56% of them were multi-owner projects). The increase in the supply of offices is expected to continue in the years 2021-2023, since approx. 274 thousand sq.m. of offices are expected to be added in 2021 (of which approx. 26% are multi-owner), the addition of office space in 2022 is expected to amount to approx. 162 thousand sq.m. (of which approx. 61% are multi-owner) and in 2023 approx. 300 thousand sq.m. will be added (approx. 24% are multi-owner).

A distinction must be made between the effect of an increase in the supply of offices on the rental prices of multi-owner buildings and the effect on single-owner buildings. The competition over tenants in multi-owner buildings offering relatively small areas with sizes of up to a few hundred sq.m. is fierce, which contributes to a lowering of rental prices in these buildings. In contrast, in single-owner buildings that can offer large areas of thousands of sq.m., competition is significantly lower and therefore there is less of an effect on rental prices.

9In this table, unless otherwise stated, the source of the data is the IMF – World Economic Outlook Database from October 2020. Data for 2020 are estimated data; inflation data in Israel as of the last day of each year from the Central Bureau of Statistics website CBS.GOV.IL; data on the nominal rate of return on long-term government debt in Israel refers to 10-year bonds. The source of the data on the stats.oecd.org website is based on data transmitted from the Bank of Israel; long-term Israeli government debt rating data is based on Moody's and Standard & Poor's publications; Unemployment rate data are based on the Central Bureau of Statistics website (the unemployment rate from the total population aged 15 and over, adjusted for seasonality).

In other employment sectors in the center of the country, such as Petah Tikva, Raanana, Netanya, Hod Hasharon, Rosh HaAyin and more, there were more moderate reductions in rental fees of approx. NIS 1-2 per sq.m. (approx. 1.7% decrease on average), except in Netanya where there was a decrease of approx. 7% in rental fees. In those areas in 2020, a total of approx. 100 thousand sq.m. was added with particularly low occupancy rates.

In the logistics sector, the high demand for storage areas that characterized 2019 continued in 2020 as well. The demand was affected by the consistent growth trend in online commerce in recent years, which requires storage and distribution on an increasing scale. The impact of the pandemic on this segment was positive mainly due to the significant increase in online purchases due to the closures imposed throughout the year. Rental fees for logistics buildings have risen steadily in recent years and appear to have stabilized since the second half of 2019. Rental prices for Class A logistics properties have stabilized at approx. NIS 45-55 per sq.m. in the central region. The yield level for income-generating logistics properties has stabilized at 5.5%-6% in prime areas and approx. 7%-7.5% in peripheral areas, depending on the type, quality and location of the properties. The expected increase in the population in Israel combined with the increase in online commerce is expected to contribute to continued demand for logistics space.

Commerce is the sector that has been hit the hardest by the crisis, both due to the closures that directly affected current operations and due to the acceleration of the penetration process of online purchases which is expected to continue to hurt the commercial real estate sector in the future. The discount rates in commerce increased as a result of the uncertainties regarding future cash flows. In most of the country, rental fees decreased by a considerable percentage. In Tel Aviv, the rate of decrease in rental fees of commercial properties was approx. 15%, in Ramat Gan there was a decrease of 9%, and in the cities of Herzliya, Raanana and Petah Tikva there was a decrease of approx. 6%-7%.

3. Financial Information Regarding Amot's Activity

In order to increase the transparency of the data for: analysts, investors, shareholders and bondholders, in this chapter, from this section onwards, all the data presented in the tables are on the basis of **expanded consolidated financial statements** data. Amot's expanded consolidated financial statements are Amot's statements presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which is applied retrospectively for reporting periods beginning on January 1, 2013. That is, investments in investees presented based on the equity method, which, prior to the application of the standard, were accounted for using the proportional consolidation method (due to the existence of a contractual arrangement for joint control), are neutralized and calculated by the relative consolidation of the investees.

The following are the main data from Amot's financial statements:

	Unit of Measurement	2020	2019	2018
Number of properties	Unit	104	104	102
Value of investment property (not including property in development)	NIS thousands	12,718,390	12,847,643	10,244,564
Weighted capitalization rate deriving from investment property	%	6.52	6.44	7.03
Occupancy rate at end of period	%	97.2	97.7	97.2
Value of investment property in development	NIS thousands	1,222,883	620,954	870,838
Equity	NIS thousands	6,316,093	6,103,298	4,836,823
Ratio of net financial debt to total balance sheet	%	43	42.5	45.4
Revenues from rent and management fees	NIS thousands	798,356	793,123	742,877
Fair value adjustments of investment property	NIS thousands	(162,915)	890,768	269,965
NOI	NIS thousands	734,204	727,552	678,479
From identical properties – NOI	NIS thousands	615,365	666,839	657,122
FFO (*)	NIS thousands	511,618	520,270	477,294
Net profit	NIS thousands	289,455	1,070,423	566,887
FFO per share	NIS	1.315	1.437	1.420
Ordinary dividend per share	NIS	0.98	0.94	0.9
NAV per share	NIS	15.42	16.02	13.92
NNAV per share	NIS	18.73	19.46	16.84
Share price at end of period	NIS	17.99	25.07	18.14
Company's Share of Amot NOI				
NOI – Corporation's share	NIS thousands	408,717	412,707	399,402
From identical properties Corporation's share – NOI	NIS thousands	342,561	368,508	374,281

(*) In 2019, the FFO is after neutralization of non-recurring financing expenses in the amount of NIS 18 million.

For additional information, see Note 6b and Note 6c to the financial statements.

4. Information regarding Amot's Assets

The following is information regarding Amot's assets with segmentation by use. For the geographic segmentation of Amot's office assets, see Section 4.1.9 below.

4.1 Information regarding Amot's assets, by use:

4.1.1 Information regarding Amot's above-ground income-generating areas in Israel, in sq.m., by use:

Use	31.12.2020	% of Total Area	31.12.2019	% of Total Area
Offices	382,398	40%	399,749	42%
Commercial centers	131,918	14%	130,723	14%
Logistics and industrial parks	380,811	40%	348,786	37%
Supermarkets	37,694	4%	38,889	4%
Others	23,553	2%	23,553	**3%**
Total above-ground area	**956,374**	**100%**	**941,700**	**100%**
Parking area	553,000		567,000	
Total area	**1,509,374**	**100%**	**1,508,700**	**100%**
Total Company share in above-ground area according to rate of holdings at end of period	**545,707**		**519,969**	

(*) The areas detailed above include 35 thousand sq.m. of jointly controlled companies presented according to the equity method in Amot's financial statements.

(**) On December 31, 2020, an office building in Givataim was reclassified from investment property to property in development with an area of 17.5 thousand sq.m.

(***) On July 15, 2020, the Modi'in logistic center was reclassified from property in development to investment property with an area of 32 thousand sq.m.

4.1.2 Information regarding the fair value of Amot's income-generating properties in Israel,by use (in NIS thousands):

Use	31.12.2020	% of Total Area	31.12.2019	% of Total Area
Offices	6,507,342	51%	6,753,071	53%
Commercial centers	2,612,321	21%	2,718,801	21%
Logistics and industrial parks	2,577,256	20%	2,346,582	18%
Supermarkets	718,377	6%	723,402	6%
Others	235,934	2%	238,637	2%
Total (*)	**12,651,230**	**100%**	**12,780,493**	**100%**
Total Company share of fair value according to rate of holdings for the period	**7,218,792**		**7,056,881**	

(*) In 2020 and 2019, not including land for development and betterment in the amount of NIS 67 million.

(**) Of the above in 2020 and 2019, properties worth NIS 467 million and NIS 488 million, respectively, belong to jointly controlled companies presented according to the equity method in the financial statement.

(***) On December 31, 2020, an office building in Givataim was reclassified from investment property to property in development.

(****) On July 15, 2020, the Modi'in logistic center was reclassified from property in development to investment property.

4.1.3 Information regarding the NOI (net operating income) of Amot's income-generating properties in Israel, by use (in NIS thousands):

Use	2020	% of Total Area	2019	% of Total Area	2018	% of Total Area
Offices	407,249	55%	391,451	53%	354,832	52%
Commercial centers	113,480	15%	148,311	21%	150,059	22%
Logistics and industrial parks	156,594	21%	127,488	18%	113,781	17%
Supermarkets	45,970	6%	44,010	6%	42,987	6%
Others	12,754	2%	16,569	2%	16,163	3%
Total (*)	**736,047**	**100%**	**727,829**	**100%**	**677,822**	**100%**
Total Company share in NOI according to rate of holdings in the period	**409,870**		**412,864**		**399,015**	

(*) The data does not include non-attributable expenses in the amount of approx. NIS 3 million in each of the years 2019 and 2018.

(**) Of the above, NOI in the amount of approx. NIS 28 million in 2020, NIS 30 million in 2019 and NIS 31 million in 2018 belong to jointly controlled companies presented according to the equity method in the financial statement.

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

Use	2020	2019	2018
Offices	(72,799)	576,618	154,826
Commercial centers	(119,838)	73,213	(13,318)
Logistics and industrial parks	22,079	222,905	24,347
Supermarkets	1,596	79,925	10,634
Others	(2,368)	8,202	862
Transaction costs in respect of the purchase of new properties	-	(59,375)	(27,525)
Total (***)	**(171,330)**	**901,488**	**149,826**
Total Company share of revaluation profits/losses according to rate of holdings for the period	**(95,406)**	**511,372**	**88,199**

(*) Of the above, a revaluation loss of NIS 21 million in 2020 and revaluation profits of NIS 40 million and NIS 7 million in 2019 and 2018, respectively, belong to jointly controlled companies presented according to the equity method in the financial statement.

(**) The data does not include revaluation profits in the amount of NIS 3.6 million in 2018 in respect of a non-material overseas property.

(***) Most of the reduction in fair value in 2020 is due in part to the effect of the decline in the CPI and in part to the effect of the Corona crisis, mainly on commercial properties.

4.1.5 Details of actual average monthly rental fees from Amot's income-generating properties in Israel, by use (in NIS per sq.m.):

Use	2020 - Standardized for Corona	2020	2019
Offices	83	83	84
Commercial centers	117	79	115
Logistics and industrial parks	39	39	34
Supermarkets	99	99	94
Others	57	45	58

* Calculated on the basis of revenues only from rental fees, not including parking and management fees.
Calculated on the basis of the full area of the properties less average vacant areas.
Calculated on the basis of standardization of average rental fees from properties acquired during the year.
Standardized for Corona – with the neutralization of the amount of relief mainly for commercial center tenants

4.1.6 Information regarding average occupancy rates in Amot's income-generating properties in Israel as of December 31, by use (in percent):

Use	2020	2019
Offices	94.3%	96.1%
Commercial centers	96.8%	97.4%
Logistics and industrial parks	99.7%	99.3%
Supermarkets	100.0%	100.0%
Others	100.0%	100.0%
Total	**97.2%**	**97.7%**

Amot has no significant change in the average occupancy rate as of the reporting date and the reporting year period.

4.1.7 Information regarding the number of Amot's income-generating properties in Israel for the year ended December 31, by use:

Use	2020	2019
Offices	31	32
Commercial centers	19	18
Logistics and industrial parks	17	16
Supermarkets	35	36
Others	2	2
Total	**104**	**104**

Of the above, 5 income-generating properties in Israel belong to jointly controlled companies presented according to the equity method in the financial statements.

4.1.8 Information regarding average yield rates (according to end of year value) from Amot's income-generating properties in Israel based on actual NOI, by use:

Use	2020 - Standardized for Corona	2020	2019
Offices	6.1%	6.1%	6.2%
Commercial centers	6.6%	4.4%	6.3%
Logistics and industrial parks	6.4%	6.4%	6.4%
Supermarkets	6.2%	6.2%	6.1%
Others	7.0%	5.4%	6.9%
Total	**6.3%**	**5.8%**	**6.3%**

The yield rates derived from actual NOI flows are downward biased due to vacant areas that do not currently generate an actual flow, actual flows that do not necessarily reflect updated leases and NOI for properties that were partially income-generating during the reporting period.

The discount rate used to discount Amot's properties is the "net" discount rate – that is, for comparison with the discount rate of transactions in real estate properties with similar characteristics, 0.25% to 0.5% must be added to this discount rate for transaction costs, depending on the type of transaction and the amount of the discount fee.

The individual discount rate for each property in each sector depends on a number of factors:

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

4.1.9 Segmentation of information regarding office properties by geographic area:

Geographic Area	Above-Ground Area as of December 31, 2020	2020 NOI	Fair Value of Income-Generating Property as of December 31, 2020	Percent of Total Properties	Average Monthly Rental Fees 2020
Greater Tel Aviv	183,587	246,926	4,026,868	62%	104
Gush Dan cities	151,595	128,612	1,968,557	30%	65
Other areas	47,216	31,648	511,917	8%	61
Total	**382,398**	**407,186**	**6,507,342**	100%	**83**

4.2 Expected revenues in respect of signed leases (order backlog)

The following is data regarding expected rental revenues in respect of rental agreements signed in Israel for Amot properties as of December 31, 2020, by date of completion:

Period	Assuming Non-Realization of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In NIS thousands	Unit	In sq.m. thousands
Q1	175	135	23
Q2	170	105	31
Q3	163	123	43
Q4	156	76	15
Total 2021	**664**	**439**	**112**
2022	558	374	130
2023	382	406	200
2024	281	185	116
2025 onward	886	285	376
Total	**2,771**	**1,689**	**934**

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

- The table does not include the effects of the Corona crisis in 2021.
- The amounts include Amot's share in relatively consolidated properties.
- The table does not include expected revenues in respect of signed contracts in projects in development.

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

4.3 Main Tenants

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

4.4 Information regarding Amot's main income-generating properties:

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

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

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

Its prominent income-generating properties in this area include the following:

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
ToHa1 (Totzeret Ha'aretz Complex)	Intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd., Tel Aviv	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status. The property was first inhabited in 2019.
Amot Investments Tower	Ramat Gan City Complex, Jabotinsky St.	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Amot Investments Tower, Europe House	Shaul Hamelech St., central Tel Aviv	Due to their proximity to the court complex, the buildings constitute prime properties due to surplus demand from professionals and government ministries for rental space in the area of the complex.
Amot Mishpat Complex **(Beit Amot Mishpat, Amot Hakiryah and 10 Dubnov)**	In the center of the city's court complex adjacent to the Tel Aviv Museum and the Tel Aviv Performing Arts Center	
30 Habarzel, Tel Aviv	Ramat HaHayal Complex, Tel Aviv	A modern and prestigious office building on Habarzel St. in Ramat HaHayal, Tel Aviv.
Amot Insurance Complex (Buildings A, B and C)	Menachem Begin Rd., Tel Aviv	A complex consists of 3 office buildings, one of which is rented in full to the Fattal Hotel chain. The complex enjoys a high level of transportation access, on the Menachem Begin Rd. in Tel Aviv.

Amot manages its office buildings itself and through external management companies or through apartment building representatives.

Amot has full and/or partial ownership with others in several **industrial and logistical parks**.

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Si'im Park Netanya **Poleg Park Netanya**	Poleg Industrial Zone, Netanya South	The properties have undergone a comprehensive upgrade (facing) and provide a solution in an area where there is a growing demand for a combination of uses for both the needs of the high-tech industry and the pharma industry, as well as for logistics and storage needs.
Logistic center – Shoham	Hevel Modi'in Industrial Zone – Shoham	The property was purchased in November 2019 from Teva Pharmaceutical Industries Ltd. The property is rented in full to SLE - Salomon, Levin and Elstein Ltd. (a Teva subsidiary), which serves as a sophisticated logistic center for automatic storage.
Rehovot Park	Rehovot Industrial Zone	Industrial park that includes a 3-wing building spread over an area of 33 thousand sq.m., used by high-tech companies, logistic and operational centers, warehouses and medical laboratories.
Logistics Buildings, Modi'in	Modi'in Industrial Zone	Properties rented to high-quality tenants as logistics centers, such as Shufersal Ltd.

Amot has rights in 19 **malls and commercial centers**.

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

Its prominent properties in this area include:

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Kiryat Ono Mall	Kiryat Ono city center	The mall is located in the center of the city, combining a commercial center with two office buildings offering modern and innovative systems. In November 2019, Amot acquired the share of the partner in the property and has holdings of 100%.
Arim Mall, Kfar Saba	Kfar Saba city center	The mall is partially open and is comprised of two sections connected by pedestrian bridges. Located in the city center and constituting part of the city's urban fabric.
B7 Commercial Center	Beersheba	Shopping and entertainment center, located in a commercial center of the city.
Orot Mall, Or Akiva	Or Akiva	Regional mall, located at the entrance to the town of Or Akiva, on Highway 4
Central Mall, Jerusalem	Jerusalem Central Bus Station (Amot's share – 50%)	A complex consisting of a central bus station, commercial center and office building at the entrance to Jerusalem.

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

Amot owns 35 properties serving as **supermarkets**, spread nationally, rented to the Shufersal Ltd. group, Mega Retail Ltd., Co-Op Jerusalem and others. The supermarkets' occupancy rate as of December 31, 2020 is 100%.

Amot is also involved in initiating and developing, and acquires land for the purpose of initiating, developing and building income-generating properties for Amot's own use for rental purposes. For more information on this subject, see Section 4.6 below.

4.5 Substantial income-generating property

The following are details regarding the Atrium Tower in the Ramat Gan City Complex (substantial income-generating property) (*):

Parameters	31/12/2020
Property name	Amot Atrium
Property location	2 Jabotinsky St., Ramat Gan City Complex
The property space is split by use.	54,807 sq.m. – offices 561 sq.m. – commercial 439 sq.m. – storage
Holding structure in the property	Amot has 100% direct holdings in the property
Land acquisition date	2007
Start of development work	Foundations – 2009 Start of construction – 2011

The following is a summary of additional key data on the substantial property (in NIS thousands):

Parameters	December 31, 2020	December 31, 2019	December 31, 2018
Fair value / book value at end of year	1,442,933	1,472,562	1,299,167
Revaluation profits or losses	(29,642)	149,176	121,357
Occupancy rate (%) as of December 31	95.0%	99.5%	99.5%
Actual rented areas (in sq.m.) as of December 31	52,552	55,289	55,289
Total revenues after accounting averaging	79,344	81,365	80,278
Average rental fees per sq.m.	120	122	119
Average rental fees per sq.m. in signed contracts per year	121	121	122
NOI after accounting averaging	79,519	82,533	81,379
Adjusted yield rate / discount rate	6.1%	6.1%	6.75%
Number of tenants at end of reporting period	35	33	37
Total accumulated cost of construction as of the end of the year	884,527	871,788	847,464
Identity of appraiser	Konforti Raviv, Real Estate Appraiser	Konforti Raviv, Real Estate Appraiser	Konforti Raviv, Real Estate Appraiser
Validity date of the valuation (the date to which the appraisal refers)	31.12.2020	31.12.2019	31.12.2018
Valuation model (extraction / replacement cost / other)	Discounted cash flow	Discounted cash flow	Discounted cash flow

(*) The data presented below are after the neutralization of the Amot offices floor which is presented under the fixed assets item. The value of the office floor is approx. NIS 40 million.

The data presented do not include the neutralization of the areas leased in the Atrium Tower by the Company and by Energix. As of December 31, 2020, the Company and Energix rent 1,800 sq.m. from Amot (in 2019 and 2018 – 1,350 sq.m.). The value of the leased areas as of December 31, 2020 amounted to approx. NIS 55 million (in 2019 and 2018 – NIS 42 million and NIS 38 million, respectively). The revenues from these areas amounted to approx. NIS 3.4 million for 2020 (in the years 2019 and 2018, the amounts of NIS 2.5 million each year) and the revaluation profits in 2019 and 2018 do not include the amounts of NIS 4.1 million and NIS 2.8 million, respectively, in respect of these areas.

4.6 Investment property in construction and development[10]

Amot has several properties in construction and development.

The following information regarding the cost of the projects in development, their completion dates and the expected revenue from them is forward-looking information according to Section 32A of the Securities Law, 1968, the realization of which is uncertain and not under the sole control of Amot, including the environmental requirement, city building plan changes subject to the approval of the planning and building authorities, receipt of agreements from adjoining property owners for which there is no certainty of their receipt, etc.

For a central table regarding Amot's investment property projects in development – see Section 3.3.4 of the Board of Directors' Report.

4.6.1 Projects under construction and planning as of December 31, 2020

Amot has 4 projects under construction, in which Amot's share is 94 thousand sq.m. above ground. The total expected investment in the projects is approx. NIS 1.4 billion (Amot's share). The balance of the expected investment therein is NIS 0.8 billion. The construction cost includes the land component and parking basements and does not include fit-out work for tenants and capitalizations.

Amot Holon

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

The project is being built on an 11 dunam land division, located in the southwestern part of the Holon Industrial Zone C, on the corner of Hamelacha St. and Jerusalem Blvd. A Green Line light rail station will be located at this intersection (according to NTA publications, this station will be connected to the M3 Metro line in the future). The project includes a 22-story office tower with a total above-ground space of approx. 60 thousand sq.m., and a 5-level underground parking garage, (Amot's share - 77.8%). The tower will be built and operated as an income-generating rental property that will be managed by a joint Amot and Municipality management company.

As of the date of the report, the project is in the final completion stages of the upper structure and of the parking basements, with the project expected to be completed towards the end of 2021 (not including fit-out work for tenants). Amot estimates the total amount of its investment in the project at NIS 570 million. Until the date of the statement of financial position, NIS 396 million was invested in the property.

Amot Modi'in

In December 2016, Amot purchased a 34 dunam plot in Modi'in from the Israel Land Authority, for a consideration of NIS 70 million for discounted lease fees and development expenses. In May 2018, Amot entered into an agreement with Shufersal Ltd. ("**Shufersal**") according to which Amot would sell Shufersal 25% of the land lease rights in Modi'in. Amot promoted a city building plan to increase the building area on the plot to a total area of 53 thousand sq.m. (the city building plan is in effect). It was decided that the parties will jointly construct a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is leased to Shufersal for a period of 15 years with an option to extend the period. Moreover, according to the agreement between the parties, the logistics center began generating income starting in mid-July 2020 and was reclassified to income-generating real estate. The expected investment amount for the partnership in the construction of the project was estimated at NIS 420 million (Amot's share of the investment, 75%, is estimated at NIS 320 million). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the reporting date, the project is in the finishing work stage at the logistic center with an emphasis on the work of the automation contractor as well as nearing the start of the finishing work on the office building. Until the reporting date, NIS 282 million was invested in the property (Amot's share – 75%).

10 The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2020 and December 31 2019, the Company's share in the data presented is 57.06% and 55.22%, respectively.

Halehi Complex – Bnei Brak

In 2018, Amot signed an agreement and an addendum to the agreement, respectively, with Allied Real Estate Ltd. ("**Allied**") according to which Allied would sell to Amot half of the discounted lease rights (subject to Allied's signature on a new discounted lease agreement with the Israel Land Authority) on a 16.4 dunam plot on Lehi Street in Bnei Brak for a total of NIS 100 million. The plot is located in Bnei Brak's northern business complex, adjacent to the Hayarkon Park and the Ramat Hahayal complex and close to the Ayalon Mall. The parties are working together to plan, develop and build an office and commercial project, which will include 82 thousand sq.m. of above-ground space, including 40 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,200 million (Amot's share - 50%). As of the reporting date, the project is in the reinforcement, excavation, groundwater degradation and foundation stages.

ToHa2 Parking Garage (Totzeret Ha'aretz Complex)

Amot and Gav-Yam Bayside Land Corp. Ltd. ("**the Partners**") are carrying out work for the construction of the parking garage in the Totzeret Ha'aretz Complex (ToHa2) – see also Section 4.6.2 below. As of the reporting date, the project is in excavation and reinforcement stages.

4.6.2 Projects in planning and initiation stages as of December 31, 2020

Amot has 5 medium-range projects in planning and development stages (3-8 years) for which no decision has yet been reached to construct them. Amot's share in them is an above-ground area of 185 thousand sq.m. and the total investment for these projects in the next few years is NIS 2.2 billion (Amot's share, subject to completion of additional rights in the K Complex in Jerusalem).

All of the information included in this Section 4.6.2 below constitutes forward-looking information as defined in Section 32A of the Securities Law, and as such its realization is uncertain and is not solely under Amot's control. The information refers to data existing and known to Amot on the date of publication of this report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc., data that are not under the Amot's control and therefore there is no certainty these projects will actually be executed.

ToHa2 (Totzeret Ha'aretz Complex)

A joint project for Amot and Gav-Yam Ltd. (each party's share - 50%). In August 2018, the Tel Aviv local planning and building committee approved, for deposit, a local city building plan for additional construction rights (under TA\5000) for the construction of another office tower in the complex, adjacent to the ToHa1 tower, with a gross above-ground area of 140 thousand sq.m. (Amot's share - 50%). As part of the plan, a station for the M1, M2 metro lines, which is connected underground to the Hashalom train station, is located in the complex. The total investment for the construction of ToHa2 (including payments for the land component and without tenant adjustments) is estimated at 2 billion NIS (Amot's share – 50%).

K 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 (K Complex) 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 extension period of 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 that was 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%). The parties are working together to plan, establish 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 – NIS 550 million). At this stage, the project is in the planning stages, with excavation work scheduled to begin in 2021.

The following is a summary of the main data on Amot's main properties in development by use. The data represent Amot's share in the projects and are presented in NIS thousands:

Location	Parameters	For the Year ended 31/12/20	31/12/19	31/12/2018
Use – Offices (ToHa2 parking garage, Tel Aviv / Holon Campus / Halehi Complex, Bnei Brak / Amot Shufersal, Modi'in	Number of properties in development at end of period	4	4	2
	Total above-ground areas in development (planned) at end of period	94,550	100,068	56,500
	Total underground parking areas	70,803	73,923	48,760
	Total costs invested in the current period	386,631	138,095	202,461
	The amount at which the properties are presented in the financial statements (including parts considered income-generating)	613,967	270,280	591,304
	Construction budget in the consecutive period (estimate)	201,912	414,172	178,014
	Expected construction budget (estimate)	1,403,000	1,475,000	825,000
	Portion of the built up area for which leases have been signed as of December 31	4.00%	2.67%	94%(**)
	Portion of the built up area for which leases have been signed close to the signing of the report	-	-	94%(**)
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area (in NIS millions)	-	-	47-50(**)
Use – Logistics, Amot Shufersal Modi'in (*)	Number of properties in development at end of period	-	1	1
	Total above-ground areas in development (planned) at end of period	-	39,000	25,500
	Total costs invested in the current period	-	43,928	11,136
	The amount at which the properties are presented in the financial statements (including parts considered income-generating)	-	111,259	69,422
	Construction budget in the consecutive period (estimate)	-	189,000	73,912
	Expected construction budget (estimate)	-	300,000	250,000
	Portion of the built up area for which leases have been signed and/or are in final signing stages as of December 31	-	100%(***)	100%(***)
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area (in NIS millions)	-	24	20

(*) The Logistic Center started generating revenue from mid-July 2020, the the Company classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share). Regarding the engagement with Shufersal Ltd., see Note 4(c) to the financial statements.

(**) The data refers to one property in which Amot's share in the area is 28.5 thousand sq.m.

(***) The lease agreement only covers the Logistic Center area.

4.7 Additional land and building rights that were classified as investment property and investment property in development[11]

The following are the main data on land by use, in NIS thousands:

		2020		2019		2018	
		Amount Presented in the Financial Statements (in NIS thousands)	Area / Scope of Building Rights (in sq.m.)	Amount Presented in the Financial Statements (in NIS thousands)	Area / Scope of Building Rights (in sq.m.)	Amount Presented in the Financial Statements (in NIS thousands)	Area / Scope of Building Rights (in sq.m.)
Additional Building Rights	Offices (*)	62,394	87,049	62,394	87,049	61,549	87,049
	Logistics and industrial parks	67,401	60,800	67,835	60,800	16,000	29,000
	Commerce	9,739	4,700	7,601	4,700	6,599	4,700
Land	Offices	281,339	33,535	137,750	28,285	163,648	31,507
	Commerce	9,900	8,650	9,900	8,650	9,900	8,650
Total		**430,773**		**285,480**		**257,687**	

Not including an office building in Givataim with an area of 17.5 thousand sq.m. that was classified as property in development in December 2020.

4.8 Acquisition and sale of rights in income-generating properties by use

Use	Parameters	Unit of Measurement	For the Year ended 31/12/20	31/12/19	31/12/2018
Acquisition – Offices	Number of properties purchased in the period	Unit	-	(**)	
	Cost of properties purchased in the period	NIS millions	-	134	
	Expected NOI from properties purchased in the period	NIS millions	-	8.5	
	Area of properties purchased in the period	Thousands of sq.m.	-	9	
Acquisition – Logistics	Number of properties purchased in the period	Unit	-	1	3
	Cost of properties purchased in the period (*)	NIS millions	-	452	425
	Expected NOI from properties purchased in the period	NIS millions	-	22	25
	Area of properties purchased in the period	Thousands of sq.m.	-	50	57
Acquisition – Commerce	Number of properties purchased in the period	Unit	-	(**)	
	Cost of properties purchased in the period (*)	NIS millions	-	404	
	Expected NOI from properties purchased in the period	NIS millions	-	25.5	
	Area of properties purchased in the period	Thousands of sq.m.	-	12	

(*) In 2019 and 2018, not including transaction costs.

(**) On November 28, 2019, the transaction for the acquisition of the full rights in the Kiryat Ono mall was completed. The property is a complex that includes a mall, two office towers and an underground car park.

[11] The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2020 and December 31 2019, the Company's share in the data presented is 57.06% and 55.22%, respectively.

4.9 Reconciliation with the Consolidated Statement – Items in respect of Amot [12]

		As of December 31 2020 NIS thousands	2019 NIS thousands
Fair value adjustment of investment property to values in the financial statements (4.1.2 above)			
Presentation in the Description of the Corporation's Business	Total value of investment property from income-generating properties in Israel	**12,651,230**	**12,780,493**
Adjustments –	Land for development and betterment classified as investment property	67,160	67,150
	Classification of income-generating properties belonging to jointly-controlled companies for investment on an equity basis.	(466,221)	(487,871)
Presentation in the Statement of Financial Position	**'Investment property' item in the Statement of Financial Position – in respect of Amot**	**12,252,169**	**12,359,772**
Adjustment of NOI profits from income-generating properties to Statement of Income values (4.1.3 above)			
Presentation in the Description of the Corporation's Business	Total NOI profits from income-generating properties	**736,047**	**727,829**
Adjustments –	Operating expenses that cannot be attributed directly to a specific property	(3,934)	(2,956)
	NOI in respect of properties classified to 'property in development' that still generate income	2,255	1,950
	Classification of NOI in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(27,733)	(30,641)
Presentation in the Statement of Income	**The 'profit from the rental and operation of properties' item in the Statement of Income – in respect of Amot**	**706,635**	**696,182**
Adjustment of revaluation profits from income-generating properties to Statement of Income values (4.1.4 above)			
Presentation in the Description of the Corporation's Business	Total revaluation profits from income-generating properties	**(171,330)**	**901,488**
Adjustments –	Profits from the revaluation of property in development	5,765	(640)
	Revaluation of land for development and betterment presented as investment property and others	-	(13,451)
	Classification of revaluation losses (profits) in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	21,925	(40,138)
Presentation in the Statement of Income	**The 'fair value adjustment of investment property and profit from its sale" item in the Statement of Comprehensive Income – in respect of Amot**	**(143,640)**	**847,259**

12 The reconciliation presented is with Amot's financial statements, prepared in accordance with IFRS. In this section, no adjustment was made to the Company's statements for intercompany balances in respect of the office lease transaction between Amot and the Company and Energix, for which the balance in the statement of financial position as of December 31, 2020 and December 31, 2019 amounts to NIS 55.3 million and NIS 41.5 million, respectively; its impact on the NOI for the years 2020 and 2019 amounts to NIS 3.4 million and NIS 2.5 million per year, respectively, and its impact on the revaluation amount in 2019 amounts to approx. NIS 4.1 million.

5. Property Management and Operation

Amot manages and operates its assets itself or through external management companies or by the management of its partners in joint assets. Some of the management companies operate on a fixed cost basis and some operate on a fixed margin basis (up to Cost + 15%) and in some of the management companies the margin varies, depending on the nature of the leased property. Operations management includes, among other things, the building management, maintenance, cleaning, preparation of operating budgets and monitoring their execution, preventive maintenance, monitoring of problems, concentration of maintenance activities, insurance, property taxes and other issues handled by the management company with various authorities. The activity includes billing tenants, collection, preparing balance sheets, managing the account system between Amot and its suppliers and tenants, tenders, legal treatment, public relations and advertising. Amot has engaged with a number of leading management companies that provide the management services typically provided to office buildings. In shopping malls and park complexes, Amot's asset management is usually carried out by Amot's subsidiaries.

6. Properties with Development Potential

Amot has several properties with development potential. See Section 4.6.2 above.

The TA/5000 plan – a valid comprehensive local master plan applicable to the entire municipal area of Tel Aviv-Yafo designed to outline a long-term city planning policy. A comprehensive plan determines the manner of the city's development, division into areas with different land designations, maximum building volumes, building restrictions regarding height, areas for conservation and areas for increased development. The plan recommends future development volumes that correspond to the population growth expectations and the growth in the employment market for 2025. A comprehensive plan cannot be used as a the basis of a permit request. A comprehensive plan establishes guidelines for preparing a local master plan (a specific city building plan with local authority), under which building permit requests may be filed. A comprehensive plan does not grant rights and does not create a liability for betterment levies. In some of Amot's properties located in the plan area, Amot is promoting a local city building plan compatible with TA/5000.

7. Properties Leased through Non-Capitalized Lease

Amot leases some of its properties from the Israel Land Administration. Regarding two of the properties, the lease agreement with the ILA is not capitalized. These non-capitalized agreements include a provision according to which the transfer of Amot's rights in accordance with the agreement or the transfer/allocation of shares in Amot at a rate of over 10%, requires the consent of the ILA and payment of consent fees. Amot also has the option to capitalize the above lease agreements.

8. Marketing and Distribution

As a rule, Amot's properties in Israel are mostly marketed independently, focusing on the area in which the property is located and according to the circumstances. Marketing is carried out through a number of additional channels such as: realtors, on-site signs, newspaper and Internet advertising, referring to each property specifically, use of Amot's customers, both as potential for expansion and for rentals at additional sites.

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

9. Competition

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

Amot is exposed to competition from a large number of Israeli companies engaged in the acquisition, initiation and development of rental property for offices, industry and commerce and companies engaged in the rental of property for offices and commerce, as well from other real estate owners in areas where Amot's properties are located. Companies competing with Amot cannot be identified individually, as competition in the real estate sector is characterized by specific competition according to the type of property, the location of each property and its occupancy level. In addition, competition focuses on locating land for initiation, development, construction and rental purposes and on the rental of land to potential tenants.

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

According to Amot's estimates, the main factors affecting its competitive status in Israel are as follows:

1. Amot has an asset portfolio in a variety of uses: offices (51%), commerce (21%), logistics and industry (20%), 35 supermarkets (6%). The variety of uses reduces Amot's exposure to volatility in the various markets.
2. Most of Amot's main properties are located in the country's center.
3. Most of Amot's properties are relatively large, enabling it to provide a response to the needs of large tenants, with the option of adapting the rental property to their needs.
4. Amot has a positive market reputation as a reliable company in terms of providing service both in meeting timetables for handing over rental properties to tenants and in adapting the units and/or buildings according to needs and specifications, at any level required by the tenant.
5. Amot's large tenants have a positive reputation and financial strength and tend to rent properties on a long-term basis.
6. The maintenance and management level of Amot's office buildings is high and provides a response to tenant needs that include, among other things, repairs, renovations and interior cleaning.
7. Positive reputation, financial strength and the ability to secure bank financing.
8. Its abilities in initiation and development give Amot an advantage in locating land for development and construction and in locating properties requiring betterment that have rental potential and enable it to meet market demand.
9. The properties in development are located in developing and high-demand areas that include other office and commercial buildings.

The above advantages as a whole help Amot deal with the difficult competitive conditions in the Israeli income-generating property market.

10. Human Capital

As of the reporting date, Amot employs a HQ staff of 54 people, as follows:

Department	Number of Employees
Office of the CEO	2
Finance	24
Legal	3
Marketing and Operation	9
Engineering and Development	16

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

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

Department	Number of Employees
Property Managers	5
Finance and Administration	11
Maintenance	18
Marketing	5

All Amot officers are employed through personal contracts or service provision agreements against a tax invoice. All of Amot's severance pay liabilities are covered by contributions in executive insurance policies and by a reserve for severance pay.

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

Amot has capital remuneration plans for its employees.

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

11. Improvements in Rental Properties and Suppliers

From time to time, Amot carries out maintenance work, renovations and adaptations for tenants, beyond the regular operation of the properties, which is carried out by the management companies themselves from their own budgets. The amount of the capital expenditure (CAPEX) to preserve the existing condition, amounted to NIS 43 million in 2020 (including the upgrading of the facing of public areas, adjustments for tenants in inhabited properties), NIS 69 million in 2019 and NIS 71 million in 2018. In most cases, Amot does not purchase raw materials itself and the purchase of these materials is done through subcontractors who perform the maintenance, renovations and construction work. The Construction Manager and the Operations Manager are responsible for the system of acquisitions and investments in buildings carried out by the subcontractors.

In the areas of initiation and development, Amot is affected by the cost of employing the contractors who carry out the projects it initiates and therefore, it is also affected by changes in raw material prices (such as steel, concrete and cement for construction), manpower costs and shortages in these elements. Therefore, the availability of foreign workers and concrete and cement prices set by monopolies may have a certain impact on Amot's business. In addition, a shortage of raw materials and manpower may delay the construction of projects and lead to late deliveries of properties to tenants. Amot is not dependent on any suppliers or service providers.

12. External Appraiser

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

The firm of real estate appraisers, Eng. Yosef Zarnitzky – established by Eng. Yosef Zarnitzky who has approx. 45 years of experience in real estate appraisals and valuations. The office numbers 10 appraisers. The decision to engage with Mr. Zarnitzky was made by the Amot management during the year.

The percentage of properties appraised by Mr. Zarnitzky constitutes, as of December 31, 2020, 60% of the value of investment property in Amot's statement of financial position (constituting approx. 32% of the total assets in the Group's consolidated statements), and therefore he meets the definition of an extremely essential appraiser according to Legal Staff Position 105-30 of the Securities Authority as of July 22, 2015.

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

Amot chose to engage with Mr. Zarnitzky due to his extensive experience and professionalism regarding income-generating property in Israel, which provide him with the skills he needs to determine the fair value of Amot's properties. Mr. Zarnitzky was certified as a real estate appraiser in January 1970. Since September 15, 1970 he has been the owner of a real estate appraisal and civil engineering firm. In the years 1983-1990, he served as Chairman of the Real Estate Appraisers' Association. Since 2003, he has served as Chairman and as a founder of the Appraisal Academy of Real Estate Research – Israel.

13.Amot's forecast for 2021:

The following is Amot's forecast for its main operational results for 2021 as published in its 2020 Board of Directors' Report. The forecast is based on the following working assumptions:

- An expected increase of 1% in the CPI.
- No material changes will occur in the business environment in which Amot operates in Israel.
- Signed leases and Amot management's expectations regarding current lease renewals in 2021.
- The possible damage as a result of the imposition of additional closures was not taken into account. Amot's forecast is based on its assessment that the economy will return to functioning gradually until the end of 2021.

	Forecast	Actual	Updated Forecast
Data	**2021**	**2020**	**2020**
NOI (in NIS millions)	735-765	**734**	740-760
Real FFO (in NIS millions)	535-555	**512**	530-550
FFO per share (in NIS 0.01) (*)	130-135	**131.5**	138-143

(*) Following the additional general closure imposed in mid-September and ending at the end of February 2021, which still applies in relation to activity in the open and closed commercial centers, as well as Amot's capital raising at the beginning of October 2020, which contributed to the increase of 7.2% in Amot's capital stock, there is a deviation by a few percentages from the lower range of the updated forecast.

The information regarding Amot's forecast for 2021 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.

14.Amot's Business Strategy

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

Over the course of 2016, Amot carried out comprehensive work examining its business strategy for the coming decade. As part of the above work conclusions, Amot is working to continue the dispersion both geographically and in the various uses as it exists today, and it was also decided that it is desirable to develop the area of logistics as an additional use for Amot's continued growth and development.

15.Projected Developments in the Coming Year

Amot is examining and will continue to examine the progress in the execution of the projects in development during the coming year according to the state of the economy in Israel and in view of the forecast marketing pace for the areas in the projects.

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

In 2021, Amot will act to update its multi-year strategic plan.

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

C. Investment in the United States

1. General

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

Carr – Holdings of 44.19% in Carr, which owns income-generating property in the Washington DC metropolitan area and in the Boston metropolitan area – see details in Chapter C1 below.

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

2. General Environment and Impact of External Factors – United States[13]

All references appearing in this section regarding the Company's estimates related to future developments in the United States and in external factors that affect its activities are considered forward-looking information as defined in Section 32A of the Securities Law, which is not under the Company's control and which is uncertain, and based on the sources of information noted by the Company below.

The U.S. economy in 2020 was significantly affected by the prolongation of the corona pandemic. Prior to the pandemic, the U.S. economy enjoyed an economic boom and the unemployment rate was at a 50-year low and inflation was below the Fed target of approx. 2.0%. As a result of the pandemic and the economic crisis it brought with it, a significant proportion of the U.S. economy was not functioning, closures were imposed across states and more than approx. 500 thousand American citizens have died from the pandemic so far. Since the peak in the fourth quarter of 2019, the U.S. economy has recorded declines in the GDP in two consecutive quarters and in the second quarter of 2020, it recorded a 9% decline in quarterly GDP. The decrease in the number of jobs due to the pandemic erased an increase of 113 consecutive months of increase in the number of jobs, so that the number of jobs decreased by approx. 20.5 million in April 2020. The pandemic also caused dramatic volatility in household expenditure. Retail sales fell by approx. 8.7% from February to March 2020. As of the date of publication of this report, more than 60 million Americans have received at least one vaccine.

Economists expect a low growth rate at the beginning of 2021 with more significant growth in the second half. Starting in the fourth quarter of 2020, the labor market began to recover and the unemployment rate fell to 6.7% at the end of the year. It is estimated that real GDP will return to pre-pandemic levels by the end of 2021, with the unemployment rate expected to return to pre-pandemic levels in a number of years. Inflation is expected to remain low as companies will find it difficult to raise prices given weaker demand.

The Fed is expected to leave interest rates at the current level until 2024 to support the economic recovery. From the December 2020 Monetary Policy Statement, the Fed stated that it would continue to purchase long-term bonds. These acquisitions helped lower long-term interest rates so that the debt price remained low for businesses, home buyers and consumers in order to continue to encourage growth. The Fed policy reflects the long-term vision that the risk remains largely in the first half of 2021 until vaccines are widely distributed. In May 2020, an aid package for small businesses and for households was approved in the amount of approx. USD 2.2 trillion. The House of Representatives recently approved an additional approx. USD 1.9 trillion aid package that is expected to provide relief and assistance in preventing an economic downturn in the first half of 2021 until the effects of the vaccines are felt and the economy begins to recover.

[13] Sources of Information in this section:

- National Economic Outlook – PNC Financial Services Group – Jan 2021
- Economic Insights: A Bit of Cheer to Start the New Year – JLL – Jan 2021

The following is macro data regarding the United States:[14]

For the Year ended	Units	United States 31.12.20	31.12.19	31.12.18
Macroeconomic parameters				
GDP (PPP)	USD Billions	21,480	21,747	20,910
Per capita GDP (PPP)	USD	64,938	66,075	64,938
GDP growth rate (PPP)	%	(1.23%)	4.01%	4.87%
Per capita GDP growth rate (PPP)	%	(1.72%)	3.50%	4.41%
Inflation rate	%	1.30%	2.30%	1.90%
Yield on long-term domestic government debt	%	0.93%	1.92%	2.69%
Rating of long-term government debt		AA+/Aaa	AA+/Aaa	AA+/Aaa
Unemployment rate	%	6.70%	3.60%	3.90%

For the Year ended	Units	Washington DC Metropolitan Area 31.12.2020	31.12.2019	31.12.2018	Boston Metropolitan Area 31.12.2020	31.12.2019	31.12.2018
Macroeconomic parameters							
GDP (PPP)	USD Billions	571	559	539	476	485	464
Per capita GDP (PPP)	USD	89,963	89,016	86,271	97,066	99,450	95,570
GDP growth rate (PPP)	%	2.16%	3.72%	3.84%	(1.70%)	4.35%	6.08%
Per capita GDP growth rate (PPP)	%	1.06%	3.18%	3.24%	(2.40%)	4.06%	5.70%
Inflation rate	%	1.40%	1.50%	1.30%	0.40%	2.10%	3.20%
Yield on long-term domestic government debt	%	0.84%	1.69%	2.62%	0.56%	1.48%	2.99%
Rating of long-term government debt		AA+/Aaa	AA+/Aaa	AA+/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa
Unemployment rate	%	5.70%	2.70%	3.10%	5.90%	2.10%	2.50%

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

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

All references appearing in this section regarding the Company's estimates related to future developments in the general environment in which the Company operates in Washington DC and in external factors that affect its activities are considered forward-looking information as defined in Section 32A of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information noted by the Company below.

The economy of the Washington DC metropolitan area presented a 2.2% growth rate in 2020 compared to a growth rate of 3.7% in 2019 and the Gross Regional Product amounted to approx. USD 571 billion. The federal government's share in total GRP was 34% in 2020.

Since its peak in April 2020, the regional unemployment rate has been on a downward trend. In December 2020, the unemployment rate for the Washington DC metropolitan area dropped to approx. 5.7%, a rate lower than the national average.

At the end of 2020, the size of the office market in the Washington DC metropolitan area was approx. 335 million sq.ft. The total entrepreneurial backlog is 7 million sq.ft., of which 2.7 million sq.ft. are under construction. The advance rental rate with respect to the part of the backlog that is under construction amounts to 56%. Due to the aforementioned economic crisis, the balance of the backlog relates to projects for which developers have decided to freeze the decision to start construction.

From the outbreak of the crisis, the total vacancy rate rose to approx. 15.8%, while the vacancy rate in Trophy buildings was approx. 13% and in Class A buildings it was approx. 15%. During 2020, the absorption of office space was negative and amounted to approx. 1.3 million sq.ft.

The Corona pandemic caused an increase of approx. 25% in sub-lease areas compared to 2019.

Rental activity in the Washington DC office market decreased by approx. 45% compared to 2019. Approx. 67% of activity was concentrated in contract renewals. Government agencies' rentals contributed approx. 60% of the volume of rental activity in the last quarter of 2020.

During 2020, rental fees for Trophy offices decreased by approx. 4% compared to Class A, which decreased by approx. 2%, and in addition, the incentive packages available to tenants increased (increasing the number of Rent Free months and Tenant Improvement rates).

[15] Sources of Information in this section and in the table:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2020, Suburban Maryland, Northern Virginia, Washington DC
Quarterly Market Report – Lincoln Property Company – Washington, DC, 4th Quarter 2020
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org/

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

All references appearing in this section regarding the Company's estimates related to future developments in the general environment in which the Company (directly and through Carr) operates in Boston and in external factors that affect its activities are considered forward-looking information as defined in Section 32A of the Securities Law, which is not under the Company's control and which is uncertain, and based on the sources of information noted by the Company below.

The Greater Boston area is the tenth largest metropolitan area in the United States and is home to 4.9 million people. The area has the highest concentration of higher education institutions in the United States (including Harvard and MIT). 24% of the total population living in Greater Boston are aged 20-29. The metropolitan area has thousands of high-tech companies, hundreds of research institutes, biotech companies and has the highest concentration of leading hospitals in the entire United States.

From an across-the-board American perspective, the city leads in additional parameters such as the number of patents registered per resident. The Boston metropolitan area office market is the seventh largest in the United States with a volume of approx. 170 million sq.ft. As of the end of 2020, the unemployment rate in the metropolitan area was approx. 5.9%.

Rental activity in the Boston office market in 2020 was approx. 70% lower than the average of recent years. The main activity was in the renewal of contracts as well as subletting. On the supply side, the market was affected by the addition of sublease areas which peaked in October 2020 and since then a downward trend has begun following the announcements of FDA approval of the vaccines.

After an increase of approx. 30% during the years 2016-2019, in 2020 the rental fees for Class A offices decreased by approx. 4%.

The backlog of projects under construction amounts to approx. 5.6 million sq.ft. Most of the projects are expected to be completed during the years 2022-2024. Approx. 3 million sq.ft. of the projects included in the above-mentioned backlog relate to the conversion of office buildings into space for the life sciences industry.

16 Source:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2020, Boston
Quarterly Market Report – Lincoln Property Company – Boston, 4th Quarter 2020
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org/

c1. Investment in Carr (Washington and Boston)

1. General Information regarding Carr

Carr Properties Holdings LP (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Group at a rate of 50.77%, by JPM at a rate of 40.16% and by Clal Insurance at a rate of 9.04%[17].

Carr Holdings has full ownership and control in Carr Properties Corporation (hereinafter: "**CPC**") which has full control and ownership of 87.05% in Carr Properties Partnership (hereinafter: "**Carr**" or "**Carr Properties**").

As of December 31, 2020, the Group's weighted rate of holdings in Carr Properties is 44.19%, JPM's is 34.96% and Clal Insurance's is 13.71%[18].

Carr Properties engages in investments in income-generating property in urban areas in the Washington DC metropolitan area and in the Boston metropolitan area for rental purposes, including the management and maintenance of office buildings under its ownership, and in the purchase, and development of land for rental purposes in these areas. For details on Carr's business, see Section 5 below.

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

In January 2018, Carr raised the amount of USD 300 million (NIS 1.06 billion) from Clal Insurance (for itself and for institutional entities managed thereby) through the issuance of bonds convertible into Carr shares that were converted into shares at a price of USD 1.54 per share. Following the conversion of the bonds, the Company together with JPM continues to have joint control in Carr without changing the joint control agreement prior to Clal's investment.

For additional information regarding the agreements between the Group and JPM and Clal Insurance, including arrangements regarding the limitation of the transferability of rights, see Note 6g to the financial statements.

In November 2019, JPM notified the Company of its intention to sell its entire holdings in Carr (which constitutes approx. 35% of Carr's capital).

2. Investment in Carr

The total cost of the Group's cumulative investment in Carr Holdings as of December 31, 2020 amounts to USD 812 million. The balance of the Group's investment in Carr Holdings as presented in the Group's financial statements based on the equity method, amounts to USD 934.5 million (NIS 3 billion).

3. Dividend Receipts and Capital Reductions from Carr

Regarding dividends and capital reductions received by the Company from Carr – see Note 6.g(2)(1) to the financial statements. For details regarding dividend receipts expected from Carr in 2021, see Section 3.3.9 of the Board of Directors' Report.

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

[18] The balance of 7.14% is held by others.

4. Financial Information regarding Carr Holding's Activity

Carr Holdings is a jointly-controlled entity presented in the Company's financial statements, prepared according to IFRS principles, according to the equity method.

The following are the main Carr Holdings financial data for the years 2018-2020. The data are prepared in accordance with IFRS principles, except for the presentation using the method of proportionate consolidation of assets, liabilities and activities of companies that are not consolidated in the financial statements of Carr Holdings (companies that are presented in the financial statements using the equity method or as an available-for-sale asset).

	Unit of Measurement	Actual 31.12.2020	Actual 31.12.2019	Actual 31.12.2018
Number of income-generating properties	Unit	13	14	17
Value of investment property (not including property in development) (1)	USD thousands	2,894,350	2,903,630	3,103,480
Occupancy rate at end of period	%	90.53%	93.46%	90.94%
Rental rate at end of period	%	92.6%	96.10%	92.87%
Number of properties under construction and in development	Unit	4	4	4
Value of investment property in development (2)	USD thousands	995,297	638,788	274,193
Equity		1,983,793	1,930,753	1,855,944
Equity attributable to Carr Holdings shareholders		1,840,762	1,787,439	1,715,550
Ratio of net financial debt to total balance sheet	%	44.9%	41.3%	41.3%
		2020	**2019**	**2018**
Revenues from rent and management fees (3) (4)	USD thousands	243,660	236,557	191,359
Fair value adjustments of investment property	USD thousands	(2,143)	(7,607)	13,982
NOI)4)	USD thousands	155,096	156,189	120,849
Same property NOI – 3 years	USD thousands	72,164	68,278	67,209
Same property NOI – 2 years	USD thousands	81,670	79,664	68,948
FFO (including share of non-controlling interests) (4)	USD thousands	92,386	87,187	72,856
Net profit (including share of non-controlling interests)	USD thousands	80,535	60,704	70,232
Comprehensive income (including share of non-controlling interests)	USD thousands	80,349	16,548	79,094
Comprehensive income (attributable to Carr Holdings' shareholders)	USD thousands	74,376	16,798	72,869
Corporation's Share (Alony-Hetz)				
NOI – Corporation's share (Alony-Hetz)	NIS thousands	235,064	243,783	188,479
FFO – Corporation's share (Alony-Hetz)	NIS thousands	139,903	126,910	130,288

(1) The value as of December 31, 2020, December 31, 2019 and December 31, 2018 includes a ground lease in the amount of USD 136 million.

(2) Not including the 2025 Clarendon project located in the DC metropolitan area with an approx. value of USD 19 million (Carr's share - USD 16 million), which is classified as held-for-sale as of December 31, 2020.

(3) Not including NOI of the property management company in the amount of USD 5.6 million in 2020, USD 4.6 million in 2019, USD 4.7 million in 2018.

(4) In 2020 and 2019, the NOI and FFO include revenues of a non-recurring nature in the amount of USD 12 million and USD 9 million in respect of termination fees upon the departure of tenants.

5. Area of Activity

5.1 General

Carr has office buildings located in the metropolitan areas of Washington DC and Boston. Most of the properties are owned by Carr and some are owned by joint ventures of Carr and other investors. Carr manages all of its properties through management companies under its ownership.

Carr's properties are all located in urban areas and close to transportation centers and facilities. The total fair value of income-generating properties, as of December 31, 2020, amounted to USD 2.9 billion, of which USD 2.4 billion was in the Washington metropolitan area (Carr's share) and USD 0.5 billion in Boston.

Carr holds full or partial ownership of an asset portfolio as of December 31, 2020, which includes 11 office buildings in the Washington DC metropolitan area and two office buildings in Boston with a total rental area of 3.7 million sq.ft. (346 thousand sq.m.) (Carr's share). Carr's properties are leased to 202 tenants and their occupancy rate as of December 31, 2020 was 90.53% (rental rate – 92.6%).

Carr's tenants include private business firms, government agencies, banks, law firms, lobbying firms and associations, and various other users.

As of December 31, 2020, Carr owns 4 properties under development and construction (3 in the Washington DC metropolitan area and one project in development in Boston) with a total area of 2 million sq.ft. (1.8 million - Carr's share) whose vale in the financial statements as of December 31, 2020 amounts to USD 1 billion (Carr's share), with a construction budget of USD 1.4 billion (Carr's share).

Signing of the memorandum of understanding for the partial sale of the Midtown Center complex:

In January 2021, subsequent to the balance sheet date, Carr signed a memorandum of understanding for the sale of 49% of the rights and the debt of the Midtown Center in Washington DC ("**the Complex**"), according to a total value of the Complex of USD 980 million (a value equal to the value in Carr's books as of the end of December 2020). A loan of USD 525 million (to be repaid in October 2029) will be deducted from the value of the Complex, which is guaranteed by a lien on the Complex, so that the scope of the transaction (100%) amounts to USD 455 million. If and when the sale is completed, Carr is expected to receive USD 223 million for 49% of the rights in the Complex, less the loan as stated.
It should be noted that the Complex, which is fully leased, has a total rental area of 869 thousand sq.ft., of which 714 thousand sq.ft. are leased, on a long-term lease, to Fannie Mae and 100 thousand sq.ft. are leased to We Work on a long-term lease.
The average rental duration in the Complex is 13.1 years and it is expected to yield NOI in the amount of USD 46 million in 2021.
Execution of the aforesaid transaction is conditional on the signing of a detailed and binding agreement, performance of a due diligence to the satisfaction of the acquirer and compliance with preconditions, as is customary in transactions of similar sizes.
Carr anticipates that the closing of the transaction will be completed in the course of the second quarter of 2021.

As part of the main goals in its business development plan, Carr intends to direct most of its proceeds from the above sale to investments in office space in Austin, Texas. As a result of the implementation of the above strategy, Carr is considering the acquisition of an office building in the Austin CBD. See also Section 8 below regarding Carr's business strategy and development in the coming year.

The information regarding the closing of the partial sale of the complex and regarding Carr's future office investments in Austin, Texas is forward-looking information within the meaning of Section 32A of the Securities Law and as such its realization is not certain and is not only under Carr's control.

5.2 Geographic areas where Carr is active

Carr is active in the following two markets:

1. The Washington DC metropolitan area

The area includes the city of Washington DC, which is the center of the metropolitan area and which serves as the core of the business sector as well as the U.S. government, as well as the cities of Bethesda and Chevy Chase in the state of Maryland, Alexandria and the Rosslyn Ballston Corridor in Virginia.

2. Boston

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

5.3 Information regarding Carr's properties:

Below in Sections 5.3.1-5.3.5 is information regarding Carr's properties by geographic area. All of Carr's income-generating properties are in the office sector.

The following sections present data based on Carr's relative share in the properties and operations. The data includes Carr's relative share in the properties and operations of all the properties held by it (directly or indirectly) including properties presented in its statements using the equity method or as an available-for-sale asset.

5.3.1 Information regarding Carr's income-generating properties:

Data in this section does not include property under construction, in planning and in development by Carr. For information on property under construction, in planning and development, see Section 5.3.3 below.

As of December 31, 2020 and for the Year 2020:

	Offices									
	Area		**Area**		**Fair Value (*)**		**NOI (***)**		**Revaluations**	
Carr Properties' Share in Properties	**31.12.2020**		**31.12.2020**		**31.12.2020**		**2020**		**2020**	
	In sq.ft.		**In sq.m.**		**In USD thousands**		**In USD thousands**		**In USD thousands**	
Washington DC Metropolitan Area	**2,995,738**	80%	**278,313**	80%	**2,413,500**	83%	**131,186**	88%	**(69,265)**	97%
Boston	731,110	20%	67,922	20%	480,850	17%	18,416	12%	**(2,190)**	3%
Total	**3,726,848**	**100%**	**346,236**	**100%**	**2,894,350**	**100%**	**149,602**	**100%**	**(71,455)**	**100%**
Property in development							-		80,780	
Property sold in 2020							5,494		(11,468)	
Total in USD thousands					**2,894,350**		**155,096**		**(2,143)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**9,305,335**		**533,025**		**(287,181)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./USD	**1,646,865**		**152,999**		**1,278,991**		**68,397**		**(36,536)**	
Total in NIS thousands	**NA**		**NA**		**4,111,955**		**235,064**		**(126,528)**	

(*) Fair value including a ground lease in the amount of USD 136 million.

(**) The data in NIS are presented according to the representative exchange rate on December 31, 2020 – 3.215 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2020 (44.19%) or the average rate of holdings in the period, as the case may be.

(***) The NOI in the Washington DC metropolitan area includes non-recurring revenues in the amount of USD 12 million for termination fees upon the departure of tenants.

As of December 31, 2020 and for the Year 2020:

	Offices						
Carr Properties' share in properties	**Average Rental Fees (*) per sq.ft. per Year**	**Average Rental Fees (*) per sq.m. per Month**	**Average Occupancy Rates**	**Daily Occupancy Rates (**)**	**Number of Properties as of**	**Average Yield Rates (***)**	**Gross Yield Rate (****)**
	2020		**2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**	**31.12.2020**
	In USD	**In USD**	**In Percent**	**In Percent**	**Units**	**In Percent**	**In Percent**
Washington DC Metropolitan Area	66.24	59.41	93.07%	90.83%	11	4.93%	
Boston	48.69	43.68	88.46%	89.28%	2	4.45%	
Average Rate / Total			92.17%	90.53%	13	4.85%	5.10%

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 12 million.
The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. And in the Boston area they are USD 44.11 and USD 54.51, respectively.
(**) The rental rate (which includes areas for which there are signed rental agreements even if they have not yet been inhabited) as of December 31, 2020 in the entire portfolio is 92.55%.
(***) The average yield rates were calculated according to the actual NOI for 2020 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2020.

(****) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 (after neutralizing areas vacated in that quarter and with the addition of NOI from parking in the case of a return to normal activity) standardized for a full year divided by the value of income-generating property as of December 31, 2020. This rate is a weighting of the gross yield rate in respect of the Midtown complex of 4.7% compared to the rest of the asset portfolio, which is 5.3%.

(*****) The data in the table presented above does not include properties sold during the year whose average rental fees were USD 36.71 per sq.ft. per year and their average occupancy rate was 92.27%.

As of December 31, 2019 and for the Year 2019:

Carr Properties' Share in Properties	Offices									
	Area		Area		Fair Value (*)		NOI(***)		Revaluations	
	31.12.19		31.12.19		31.12.19		2019		2019	
	In sq.ft.		In sq.m.		In USD thousands		In USD thousands		In USD thousands	
Washington DC Metropolitan Area	**3,434,126**	92%	**319,041**	92%	**2,671,130**	92%	**136,882**	92%	**(65,762)**	113%
Boston	304,178	8%	28,259	8%	232,500	8%	11,386	8%	7,592	(13%)
Total	**3,738,304**	**100%**	**347,300**	**100%**	**2,903,630**	**100%**	**148,268**	**100%**	**(58,170)**	**100%**
Property in development							-		61,871	
Properties sold in 2019							7,921		(11,309)	
Total in USD thousands					**2,903,630**		**156,189**		**(7,608)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**10,034,945**		**556,838**		**(249,917)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./USD	**1,645,193**		**152,843**		**1,277,861**		**68,380**		**(30,365)**	
Total in NIS thousands	**NA**		**NA**		**4,416,286**		**243,783**		**(109,223)**	

(*) Fair value including a ground lease in the amount of USD 136 million.

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

(***) The NOI in the Washington DC metropolitan area includes non-recurring revenues in the amount of USD 9 million for termination fees upon the departure of tenants.

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

Carr Properties' share in properties	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees (*) per sq.m. per Month	Average Occupancy Rates	Daily Occupancy Rates (**)	Number of Properties as of	Average Yield Rates (***)	Gross Yield Rate (****)
	Offices						
	2019		2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019
	In USD	In USD	In Percent	In Percent	Units	In Percent	In Percent
Washington DC Metropolitan Area	65.40	58.66	91.28%	93.50%	13	4.80%	
Boston	58.87	52.81	94.83%	92.21%	1	4.90%	
Average Rate / Total			91.57%	93.48%	14	4.81%	5.1%

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 9 million.
The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively.
(**) The rental rate (which includes areas for which there are signed rental agreements even if they have not yet been inhabited) as of December 31, 2019 in the entire portfolio is 96.1%.
(***) The average yield rates were calculated according to the actual NOI for 2019 divided by the value of income-generating property as of December 31 2019.

(****) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2019 (after neutralizing areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2019.

(*****) The data in the table presented above does not include properties sold during the year whose average rental fees were USD 52.9 per sq.ft. per year and their average occupancy rate was 98.01%.

As of December 31, 2018 and for the Year 2018:

Carr Properties' Share in Properties	Offices									
	Area		Area		Fair Value (*)		NOI		Revaluations	
	31.12.18		31.12.18		31.12.18		2018		2018	
	In sq.ft.		In sq.m.		In USD thousands		In USD thousands		In USD thousands	
Washington DC Metropolitan Area	**3,991,617**	93%	**370,833**	93%	**2,881,104**	93%	**116,930**	99%	**10,178**	100%
Boston	304,178	7%	28,259	7%	222,376	7%	1,739	1%	-	0%
Total	**4,295,795**	**100%**	**399,092**	**100%**	**3,103,480**	**100%**	**118,670**	**100%**	**10,178**	**100%**
Property in development							-		-	
Properties sold in 2018							2,221		3,803	
Total in USD thousands					**3,103,480**		**120,890**		**13,981**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**11,631,842**		**444,774**		**38,147**	
The Company's share (43.65%): **Total in thousands of sq.ft./sq.m./USD**	**1,875,179**		**174,210**		**1,354,669**		**51,799**		**4,443**	
Total in NIS thousands	**NA**		**NA**		**5,077,299**		**194,144**		**16,651**	

(*) Fair value including a ground lease in the amount of USD 136 million.

(**) There is only one income-generating property in the Boston geographic region – that was purchased in the fourth quarter of 2018. The representative NOI for a full year of generation from the property is USD 12 million.

(***) The data in NIS are presented according to the representative rate of exchange as of December 31, 2018 – 3.748. The Company's share is calculated according to the Company's holdings in Carr as of December 31, 2018.

As of December 31, 2018 and for the Year 2018 (continued):

Carr Properties' share in properties	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees (*) per sq.m. per Month	Average Occupancy Rates	Daily Occupancy Rates (**)	Number of Properties as of	Average Yield Rates (***)	Gross Yield Rate (****)
	Offices						
	2018		2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
	In USD	In USD	In Percent	In Percent	Units	In Percent	In Percent
Washington DC Metropolitan Area	50.90	45.64	87.25%	90.50%	16	4.05%	
Boston	55.36	49.66	96.71%	96.71%	1	4.76%	
Average Rate / Total			87.92%	90.94%	17	4.10%	5.6%

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service).
(**) Rental rates as of December 31, 2018 in the entire portfolio amount to 92.85%. The difference between the occupancy rate and rental rate as of that date is due mainly to the fact that areas amounting to approx. 60 thousand sq.ft. in size have signed rental leases but have not yet been inhabited.
(***) The average yield rates were calculated according to the actual NOI for 2018 divided by the value of income-generating property as of December 31 2018. This calculation included a standardization of the actual NOI of properties purchased during the year, but no standardization was made for properties completed and inhabited during the year.
(****) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2018 (after neutralizing areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2018. For completed buildings or buildings purchased during the year, including the Midtown Center building and the 2311 Wilson building completed during 2018 and the 200 State Street Building purchased during the fourth quarter of 2018, the gross yield rate was calculated according to the projected NOI according to the budget for the year 2019, according to existing lease agreements, divided by the fair value as of December 31, 2018.

5.3.2 Information regarding substantial income-generating property

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

For information regarding the signing of a memorandum of understanding subsequent to the balance sheet date for the sale of 49% of the Midtown complex – see Section 5.1 above.

Property name	Midtown Center
Property location	Washington DC
Functional currency	US dollar
Date of land purchase	2014
Holding structure in the property	100%
Construction completion date	2018
Cost of construction (in USD millions)	501
Property area divided by use	Offices – 76,500 sq.m. Commerce – 4,108 sq.m.

Parameters	Unit of Measurement	31/12/20	31/12/19	31/12/18
Fair value at end of year	USD millions	980	937	910
Book value at end of year	USD millions	980	937	910
Revaluation profits or losses	USD millions	13	8	48
Occupancy rate		95.14%	95.1%	87.1%
Revenues	USD millions	73 (*)	64 (*)	20
Actual NOI	USD millions	50 (*)	46 (*)	13
Average yield rate (**)		4.77%	5.00%	5.24%
Average rental fees per sq.ft. per year	USD/sq.ft. per year	91	83	31
Identity of appraiser		Capright	Capright	Capright
Valuation model (extraction / replacement cost / other)		Discounted cash flow	Discounted cash flow	Discounted cash flow
Main assumptions underlying the valuation		Discount rate – 5.5% CapRate upon realization – 5.25% Realization year – 2030 Rental fees per sq.ft. USD20-65 with an annual 2.5% increase	Discount rate – 5.5% CapRate upon realization – 5.25% Realization year – 2030 Rental fees per sq.ft. USD20-65 with an annual 2.5% increase	Discount rate – 5.5% CapRate upon realization – 5.25% Realization year – 2030 Rental fees per sq.ft. USD20-65 with an annual 2.5% increase

(*) The revenue and NOI data for 2020 and 2019 include termination fees received from tenants in the amount of USD 3 million and USD 9 million, respectively.

(**) In 2020, the average gross yield rate was calculated according to the actual NOI for 2020, divided by the fair value of the property as of December 31, 2020. In the years 2018-2019, the yield rate was calculated according to the projected NOI for 2020, based on signed agreements, divided by the fair value of the property at the end of the relevant year.

5.3.3 Investment property under construction, in planning and development

Carr has several properties in planning and development.

Carr is developing 4 projects in the Washington DC metropolitan area (of which one project is in planning stages and two are under construction) and an additional project in Boston that is under construction.

The total construction budgets of the 4 projects is USD 1.4 billion (Carr's share), of which approx. USD 0.9 billion has been invested by Carr as of the balance sheet date.

<u>The following is information regarding the main projects in construction and development stages</u>:

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

Project for the construction of an office building and a commercial floor with an area of 360 thousand sq.ft. (34 thousand sq.m.) and two towers with a total area of 440 thousand sq.ft. (41 thousand sq.m.), with 456 rental apartments. The total project budget is USD 535 million, of which the balance of the budget to be completed as of the reporting date is USD 31 million.

The construction of the office building has been completed (as of the date of this report, adaptation work is being carried out for tenants). The expected date of completion of the residential rental building is June 2021.

As of the date of publication of the report, Carr has signed agreements in relation to 98% of the total office building space.

Carr predicts that the annual representative NOI based on cash (Stabilization NOI) in a situation where the two stages of the project will be completed and generating in 2023 will be USD 33 million.

Carr has a bank financing agreement for the project's construction in the amount of up to USD 300 million. As of December 31, 2020, the amount utilized from the facility is USD 200 million.

One Congress Project – Boston, Massachusetts

Carr holds 75% of the rights in a joint venture for the construction of an office tower in Boston whose designated name will be "One Congress" with 987 thousand sq.ft. of rental space together with a third party (hereinafter: "**the Partner**") (hereinafter: "**the Joint Transaction**").

Carr and the partner are jointly leading the tower's development, construction, management, construction and rental process.

In January 2019, Carr Properties and its partner signed a binding agreement according to which the partnership would rent to State Street Corporation (hereinafter: "SSC") a space of 510 thousand sq. ft. (approx. 46 thousand m^2), constituting approx. half of the total planned office space in One Congress Tower, Boston. According to the agreement, SSC undertook to rent these areas for the use of its main global HQ for a period of 15 and a half years beginning January 2023 (the building's expected completion date). In addition to the above, Carr and the partner are negotiating the rental of additional space in One Congress.

The parties estimate that the total estimated cost of the project is approx. USD 900 million (Carr's share – USD 675 million) and that construction will be completed in March 2023.

Carr's total investment in the project (75%) until December 31, 2020 was approx. USD 255 million and its value in the financial statements as of December 31, 2020 is USD 331 million. In the course of 2020, revaluations were recorded in respect of the One Congress project in the amount of USD 42 million (Carr's share in the revaluation is USD 31 million).

Signal House Project - Washington DC

Project for the construction of an office building and a commercial floor with an area of 228 thousand sq.ft. (21 thousand sq.m.) in the Union Market area of Washington DC. The total construction budget is USD 144 million, of which the balance of the budget to be completed as of the reporting date is USD 53 million. The project is in the construction process and is expected to be completed in April 2021. As of the date of publication of the report, Carr is conducting advanced negotiations for a lease of an area of 26 thousand sq.ft. Carr expects that the annual representative NOI based on cash (Stabilization NOI) in 2023 will be USD 10 million. Carr is building the above project from equity without the need for bank financing for the construction stage.

That stated in this Section 5.3.3 regarding the NOI, the projects' construction budget and the date of completion of the above construction is forward-looking information, since they also depend on factors outside the Company and Carr and over which the Company and Carr have no control.

The following is a summary of the main data on Carr's main properties <u>under construction</u> by geographic area (main designated use – offices):

Carr Properties' Share in Properties		Under Construction			Under Construction		
Parameters	Unit of Measurement	31/12/20	31/12/19	31/12/18	31/12/20	31/12/19	31/12/18
		Mixed use – Offices, Commerce and Residential			Use – Offices		
		Washington DC Metropolitan Area(*)			Boston (**)		
Number of properties in development at end of year	Units	2	2	1	1	1	-
Total land area	sq.ft.	144,926	144,926	117,150	36,026	36,503	
Total land area	sq.m.	13,464	13,464	10,884	3,347	3,391	
Total development area (planned) for rent at end of year	sq.ft.	1,026,886	1,027,586	800,137	740,250	740,279	
Total development area (planned) for rent at end of year	sq.m.	95,401	95,466	74,335	68,771	68,744	
Total costs invested in the period	USD millions	193	154	65	89	140	
Total accumulated costs invested as of December 31	USD millions	595	402	221	255	166	
Amount at which the properties are presented in Carr's financial statements	USD millions	664	418	221	331	211	
Construction budget in the following year (estimate)	USD millions	91	198	131	204	99	
Total construction budget (estimate)	USD millions	679	671	547	675	682	
Total estimated construction budget balance (estimate)	USD millions	84	269	326	420	516	
Percentage of built up area with signed rental contracts	%	44%	35%	14%	58%	52%	
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	19 (***)	-	-	-	-	

As of December 31, 2020 and December 31, 2019 – The Wilson & The Elm, and Signal House projects.

(**) As of December 31, 2020 and December 31, 2019 – One Congress project (Carr's share).

(***) Not including the amount of USD 14 million in respect of revenues expected from the residential rental building in The Wilson & The Elm project.

The following is a summary of the main data on Carr's main properties in planning by geographic region:

Carr Properties' Share in Properties / Parameters	Unit of Measurement	In Planning			In Planning		
		31/12/20	31/12/19	31/12/18	31/12/20	31/12/19	31/12/18
		Use – offices			Use – offices		
		Region – Washington DC Metropolitan Area (*)			Region – Boston		
Number of properties in planning at end of year	Units	1	1	2	-	-	1
Total land area	sq.ft.	21,290	21,290	49,066	-	-	24,336
Total land area	sq.m.	1,978	1,978	4,558	-	-	2,261
Total development area (planned) for rent at end of year	sq.ft.	227,077	227,077	450,937	-	-	493,520
Total development area (planned) for rent at end of year	sq.m.	21,096	21,096	41,893	-	-	45,849
Total costs invested in the period	USD millions	1	-	26	-	-	26
Total accumulated costs invested as of December 31	USD millions	2	1	27	-	-	26
Amount at which the properties are presented in Carr's financial statements	USD millions	2	1	27	-	-	26
Construction budget in the following year (estimate)	USD millions	-	24	39	-	-	67
Total construction budget (estimate)	USD millions	151	153	274	-	-	445
Total estimated construction budget balance (estimate)	USD millions	149	152	247	-	-	419
Percentage of built up area with signed rental contracts	%	-	-	-	-	-	-
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	-	-	-	-	-	-

(*) As of December 31, 2020 and December 31, 2019 – Union Market CP2 project

5.3.4 Main real estate purchases in the period

Purchases of investment property (Carr's share):

Region and Use	Parameters	Unit of Measurement	2020	2019	2018
Washington DC Metropolitan Area Use – Offices	Number of properties purchased in the period	Unit	-	-	2 (*)
	Cost of properties purchased in the period	USD millions	-	-	43
	Representative NOI of properties purchased in the period	USD millions	-	-	-
	Area of properties purchased in the period (**)	sq.ft.	-	-	49,066
	Area of properties purchased in the period (**)	sq.m.	-	-	4,558
Boston Use – Offices	Number of properties purchased in the period	Unit	1 (***)	1 (****)	2 (*****)
	Cost of properties purchased in the period	USD millions	242.5	58.5	242
	Representative NOI of properties purchased in the period	USD millions	12	-	1
	Area of properties purchased in the period	sq.ft.	426,932	(****)	304,178
	Area of properties purchased in the period	sq.m.	39,663	(****)	28,259

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

(**) Includes the area of the Union Market C2 building, completion of the registration of ownership in it to the Company has yet to be completed as of December 31, 2020.

(***) Acquisition of 50% of the rights in the 75-101 Federal building in Boston.

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

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

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

Region and Use	Parameters	Unit of Measurement	2020	2019	2018
Washington DC Metropolitan Area Use – Offices	Number of properties sold during the period	Unit	2	3	2
	Proceeds from the sale of properties sold during the period	USD millions	218	193.9	57
	Representative NOI of properties sold during the period	USD millions	9	20.1	2
	Area of properties sold during the period	sq.ft.	436,232	562,269	149,994
	Area of properties sold during the period	sq.m.	40,527	52,236	13,935
	Profit (loss) recorded as a result of the realization	USD millions	(1.9)	(2.8)	(1)

6. Managing Initiation and Development Activity

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

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

7. Property Management and Operation

The Carr management team provides property management and operation services for commercial real estate owned by Carr and other companies that engage in investment property. The management and operation services are carried out in accordance with operational strategies that have proven themselves over time, while continuously examining performance against the highest criteria and standards in the field. The management and operation services include, among other things, ongoing maintenance, engineering and construction, collection of rental fees, bookkeeping for the property companies and more.

8. Business Strategy and Expected Development in the Coming Year

As mentioned above, Carr invests in income-generating properties for rent in urban areas, in the Washington DC metropolitan area and in the Boston metropolitan area, including the management and maintenance of office buildings under its ownership and also the purchase, initiation and development of rental properties in those areas.

Carr is examining and will continue to examine the progress in the execution of the projects in development during the coming year according to the state of the markets in Washington DC and Boston and in view of the forecast marketing pace for the areas in the projects. Carr expects that in the coming year it will continue to develop its business and locate opportunities to acquire income-generating properties for office rental purposes in Washington DC and in Boston.

In addition, as part of the main goals in its business development plan, Carr intends to direct most of its proceeds from the partial sale of the Midtown complex (as described in Section 5.1 above) to investments in office space in Austin, Texas. As a result of the implementation of the above strategy, Carr is considering the acquisition of an office building in the Austin CBD.

The information featured in this section above constitutes forward-looking information as defined in Section 32A of the Securities Law. Carr has no control regarding new business offers and initiatives that it may be offered to join. Therefore, no certainty exists that Carr 's expected development over the coming year will be realized, and it depends, among other things, also on the macroeconomic situation in the countries in which Carr operates.

9. Taxation

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

10. Tenants (Customers)

25% of Carr's revenues stem from an agreement to rent most of the space in the Midtown Center building to the Federal National Mortgage Association - Fannie Mae.

11. Marketing and Distribution

Carr employs the services of a number of real estate agencies not related to Carr for renting space in Carr's buildings. Most tenants in the Washington DC area are represented by real estate agencies and use of agencies by property owners, which is generally accepted practice in the United States in the office rental sector. In accordance with United States practice, all of Carr's rentals are made through real estate agencies. Carr is not dependent on any agency.

In 2020, Carr paid leasing commissions in the amount of USD 6 million (Carr's share) (in 2019 – USD 31 million (Carr's share)).

12. Expected revenues in respect of signed leases (order backlog)

The following is data regarding expected rental revenues in respect of Carr's signed rental agreements in Washington DC as of December 31, 2020, by their date of completion[19]:

Period	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In USD thousands	Unit	In sq.m.
Q1/2021	29,012	6	3,365
Q2/2021	42,006	4	1,146
Q3/2021	41,834	5	458
Q4/2021	41,512	10	3,609
Total 2021	**154,364**	**25**	**8,578**
2022	164,316	40	15,365
2023	164,380	29	12,426
2024	145,909	29	40,117
2025 onward	859,639	127	283,777
Total	**1,488,608**	**250**	**351,685**
Total in NIS thousands	**4,785,875**		

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

13. Competition

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

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

14. Human Capital

Carr employs 68 HQ staff as of the reporting date, 3 of whom constitute its senior management as detailed below: CEO, President / CFO / VP of Operations and VP of Development. The remaining 65 employees have various subordinate positions.

In addition, Carr employs, as of the date of this report, 68 employees at various sites outside its headquarters in various property management and operation positions. Carr has no significant dependence on any specific employee. Carr has share-based remuneration plans for its employees. For information regarding the terms of employment of the Carr CEO – see Regulation 21 in the Additional Information on the Corporation.

15. Renovations and Adaptations for Tenants

From time to time, Carr carries out maintenance work, renovations and adaptations for tenants in their properties beyond the regular operation of the properties, which is performed by the management companies themselves from their own budgets. The amount of the capital cost (base building CAPEX) to maintain the existing properties amounted to a total of USD 12 million in 2020 (in 2019 – a total of USD 19 million). As a rule, Carr does not purchase raw materials itself, and these materials are purchased by subcontractors who perform the maintenance, renovation and construction work. The amount of investments in tenant improvements, finishing work on new buildings including payments to tenants for tenant improvements upon lease renewals amounted to USD 27 million in 2020 (in 2019 – USD 21 million).

16. Carr's forecast for 2021:

The following is Carr's forecast for its main operating results in 2021, according to its 2021 business plan. The forecast is based on the assumption that no significant changes will occur in the business environment in which Carr operates in the United States.

The forecast is based, among other things, on a working assumption that the transaction for the sale of 49% of the Midtown building will be completed during the second quarter of 2021, and at the same time the Company will purchase an income-generating property in Austin, Texas.

	Forecast	Actual
Data	**2021**	**2020**
NOI (in USD millions)	150	155 (*)
Real FFO (in USD millions)	83	92 (*)

(*) Including non-recurring revenue from tenant termination fees from tenants in the amount of USD 12 million.

The information regarding Carr's forecast for 2021 is forward-looking information in accordance with Section 32A of the Securities Law, 1968, and is based on the work plan of Carr's management that was approved by Carr's Board of Directors. Forward-looking information is a forecast, assessment, reasonable estimates or other information relating to a future event or matter, the realization of which is uncertain and not under Carr's control since there is no certainty that all the many variables that make up the work plan will materialize as planned, including macroeconomic factors that are not under Carr's control.

17. The Company's Significant Agreements regarding its Holdings in Carr

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

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

In this regard, see Note 6g the to the financial statements.

Regarding JPM's intent to sell all of its holdings in Carr, see Section 1 above. For information regarding the transferability of rights between the Company and JPM, see Note 6g(2)(h)(2) to the financial statements.

18. Financing

For additional information, see Note 6g(2)(e) to the financial statements.

c2. Investment in the United States – Boston through a partnership with Oxford

1. General Information

As of December 31, 2020, the Company, together with the [20]Oxford Properties Group (hereinafter: "**Oxford**"), holds rights in three companies that own three office buildings in the Boston metropolitan area, two of them in the Boston CBD ("**125 Summer**" and "**745 Atlantic**") and one in East Cambridge ("**Davenport**"). The company has 55% of the capital rights and 50% of the control rights in each of the companies, while Oxford holds 45% of the capital rights and 50% of the control rights in each of the companies.

Agreements exist between the Group and Oxford that include mechanisms for the restriction of the transferability of rights. For additional information on the agreements between the Group and Oxford, see Note 6i(2) to the financial statements.

The Company's investments in the three companies in Boston are considered joint ventures presented in the Company's financial statements according to the equity method. The balance of the Group's investment in the three Boston companies as of December 31, 2020 amounts to USD 244 million (NIS 844 million).

In early March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD) (which accounts for 76% of the total rental space), decided to leave the building. In view of the above, a request was submitted for a forfeiture of the bank guarantee provided by We Work in the amount of USD 3.5 million, representing six months' rent. The Company and Oxford, its partner, are working to lease the space and at the same time are exploring the possibility of an entrepreneurial project to transform the entire building from an office building to a Life Science laboratory building.

[20] According to publications, Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).

The following is the main financial data for the years 2018-2020 (not including the Company's activity in Boston through Carr – see Chapter C1 above)

Parameters	Unit of Measurement	31.12.2020	The Company's Share (55%)	31.12.2019	The Company's Share (55%)	31.12.2018	The Company's Share (55%)
Number of properties	Units	3		3		3	
Area in sq.ft.	sq.ft.	870,421	478,732	870,421	478,732	870,421	478,732
Area in sq.m.	sq.m.	80,865	44,476	80,865	44,476	80,865	44,476
Fair value of the properties	USD thousands	765,189	420,854	763,600	419,980	680,100	374,055
Actual NOI	USD thousands	32,684	17,976	33,270	18,299	32,729	17,830
Real estate revaluations	USD thousands	(21,212)	(11,666)	63,717	35,044	15,768	8,672
Occupancy rate on last day of the year	%	93.05%		92.53%		97.15%	
Average occupancy rate	%	90.61%		93.03%		94.93%	
Average rental fees per sq.ft. per year (**)	USD	63.36		62.89		61.66	
Average rental fees per sq.m. per month	USD	56.83		56.41		55.19	
Average yield rate (***)		4.27%		4.36%		4.77%	

(**) Rental rates as of December 31, 2020 based on signed contracts amount to 94.5%.

(***) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service);

(****) Average yield rates were calculated according to the actual NOI over the course of the year divided by the value of income-generating property as of the end of the year.

2. Main Tenants

72% of total revenues in 2020 in the 745 Atlantic Ave office building were from WeWork. Regarding the We Work departure from the building in March 2021 – see Section 1 of Chapter C2 above.

100% of the Davenport building is rented by HubSpot (a company engaged in CRM – Customer Relationship Management).

3. Expected revenues in respect of signed leases (order backlog)

The following is data regarding expected rental revenues in respect of signed rental agreements in the three Boston properties **as of December 31, 2020**, by their date of completion[21]:

Period	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In USD thousands	Unit	In thousands of sq.ft.
Q1/2021	10,719	-	-
Q2/2021	12,069	-	-
Q3/2021	12,432	2	7
Q4/2021	12,554	4	27
Total 2021	**47,774**	**6**	**34**
2022	48,545	2	16
2023	48,613	-	-
2024	47,563	2	30
2025 onward	192,921	54	723
Total	**385,416**	**64**	**803**
Total in NIS thousands	**1,239,112**		

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

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

The information included in the tables above in this section constitutes forward-looking information as defined in Section 32A of the Securities Law, and there is no certainty that it will materialize as planned due to many variables that are not under the Company's control.

[21] The expected rental revenue is correct as of December 31, 2020 and does not take into account We Work's departure from the 745 Atlantic building subsequent to the balance sheet date.

D. Investment in London – Brockton

1. General Information on BE ("Brockton Everlast Inc.")

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**") (hereinafter: "**Brockton Managers**" or "**Brockton Partners**") in a series of agreements according to which the Company, together with Brockton Managers, established a new company called Brockton Everlast Inc. (hereinafter: "**BE**") that will engage in the purchase, development, betterment, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK[22].

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

As of December 31, 2020, the Company indirectly holds 96.02% of the rights in BE, with the balance being held by the Brockton Partners.

As of the publication of the periodic report, the Company has invested a total of GBP 352 million (approx. NIS 1.6 billion) in BE's equity[23]. Of this amount, GBP 43 million (NIS 210 million) was invested in 2018, GBP 219 million (approx. NIS 1 billion) in 2019, GBP 44 million (NIS 194 million) in 2020 and GBP 46 million (NIS 207 million) subsequent to the date of the report. In order to implement BE's business plan to build a portfolio worth more than GBP 3 billion over the coming years, the Company intends to invest an additional GBP 200 million (whether in BE's equity or in loans to BE) beyond its original commitments (in the amount of GBP 340 million).

For details regarding transactions made by BE during the reporting period and transactions subsequent to the balance sheet date in Cambridge in the amount of GBP 142 million, see Note 4(c) to the financial statements.

The total fair value of BE assets as of December 31, 2020 is GBP 665 million (NIS 2.9 billion) and the occupancy rate on that date was 95.1%. The properties are leased to 74 different tenants through long-term leases.

22 As part of its engagement in the above agreements, BE purchased Brockton for the amount of GBP 40 million from the Brockton Partners and other sellers who are non-controlling interests. Brockton will continue to manage the three existing Brockton Funds until all the Fund's properties are sold, a process that is expected to be completed by the end of 2022.

23 This amount includes an investment in BE for the purchase of Brockton in the amount of GBP 40 million.

2. General Environment and Impact of External Factors – London, UK[24]

All references appearing in this section regarding the Company's assessments of future developments in the general environment in which BE operates and in external factors influencing its activity is considered forward-looking information as defined in Section 32A of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information noted by the Company below.

After years of negotiations regarding Britain's departure from the eurozone, a final agreement was signed in December 2020 that included, among other things, the terms of trade, government, security and government assistance between the UK and the other bloc countries.

However, the reduction of uncertainty as to whether an agreement will be signed or whether a "Hard Brexit" will apply failed to offset the impact of the ongoing Corona pandemic. In December 2020, the third closure was imposed in the UK and according to the Prime Minister's announcement, the UK will only start removing the restrictions in the spring after the volume of vaccines reaches critical milestones for at-risk populations. As of the date of publication of this report, over 23 million UK residents have received at least one vaccine.

The Bank of England's Monetary Policy Report predicts a decline of approx. 10% in the UK's GDP in 2020 (compared with 1.4% growth in 2019) and a recovery with a 5% GDP increase in 2021. According to the forecast, economic activity will be adversely affected in the first half of 2021 as a result of the implementation of the Brexit arrangements until the UK economy adapts to the new trade arrangements with the EU.

In March 2020, the Bank of England lowered the base interest rate to 0.1% and increased the quantitative relief program by GDP 450 billion, which was mainly used to buy UK government bonds. This active intervention has managed to maintain liquidity in the government bond market, despite forecasts showing that issues of an additional GDP 400 billion will be required during 2021 in order to support and stimulate the economy in the wake of the recorded contraction.

As of the fourth quarter of 2020, the inflation rate was 0.6%, significantly lower than the 2% target determined by the central bank. The unemployment rate rose to 5%, with most job losses occurring during the pandemic among part-time and self-employed workers. The government assistance plan whereby the UK paid the salaries of millions of employees to prevent their dismissal including an aid package for the self-employed who were entitled to 80% of their income during the closure period, managed to limit job losses during the pandemic. As the economy reopens and government support ceases, unemployment is expected to rise to a level below 8% by 2021.

The exchange rate of the GDP has stabilized against the major currencies, with some strengthening due to the decrease in uncertainty regarding the Brexit and progress in the amount of immunization.

24 Sources of information in this section: Bank Of England – Inflation Report, February 2020

The following are the UK's macroeconomic parameters:

For the Year ended	Units	Note	The UK 31.12.2020	31.12.2019	31.12.2018
Macroeconomic parameters					
GDP (PPP)	USD billions	1	2,978	3,255	3,152
Per capita GDP (PPP)	USD	1	44,288	48,727	47,439
GDP growth rate (PPP)	%	1	-8.49%	3.27%	3.77%
Per capita GDP growth rate (PPP)	%	1	-9.11%	2.72%	3.16%
Inflation rate	%	2	0.6%	1.40%	2.00%
Yield on long-term domestic government debt	%	3	0.20%	0.82%	1.28%
Rating of long-term government debt		4	Aa2/AA	Aa2/AA	Aa2/AA
Unemployment rate	%	5	5.00%	3.80%	4.00%

Sources of Information:

A. World Economic Outlook Database, October 2020 from the IMF- International Monetary Fund website. Data for 2020 are IMF estimates. The data are in international current dollars.
B. Office Of National Statistics (Consumer Price Index Harmonized)
C. Bloomberg, GUKG10 Index, UK Government Bonds Note Generic for ten years, average yield as of the end of each year.
D. Moody's/Fitch rating.
E. Office of National Statistics: Unemployment Rate (from age 16 and up, adapted for seasonality). Information for 2020 is correct as of November 2020.

3. General Information regarding the Office Sector (including Research Laboratories) – London, Oxford and Cambridge[25]

All references appearing in this section regarding the Company's assessments of future developments in the general environment in which BE operates and in external factors influencing its activity is considered forward-looking information as defined in Section 32A of the Securities Law, which is not under the Company's control and which is uncertain, and is based on the sources of information noted by the Company below.

Since the outbreak of the Corona pandemic, there has been a significant decline in both investment activity and rental activity in central London. The Brexit agreement has reduced economic uncertainty, such that allows tenants and investors to refocus on the London office market. At the same time, the contraction in economic activity and physical restrictions during the pandemic led to the postponement of investment decisions and the rental of offices. Some tenants decided to re-examine the amount of office space they require.

The total volume of office space in London as of the end of 2020 is approx. 230 million sq.ft. The total rental space in London for life science research laboratories is approx. one million sq.ft.

The volume of transactions in the London office market in 2020 amounted to GBP 9.2 billion (compared to GBP 12.7 billion in 2019) and reached its lowest level since 2009. The majority of transactions were in prime assets and low-risk assets. About half of the transactions were made in the fourth quarter of 2020. Yields on prime assets remained stable in the West End and the City, 3.50% and 4.00%, respectively, with approx. 83% of transactions made by foreign investors who purchased buildings.

The vacancy rate in London reached 6.8% at the end of 2020 (compared to an average of 5% in the last decade), with an increase in sublease areas which amounted to approx. 8 million sq.ft. Total rental activity in 2020 amounted to approx. 4.7 million sq.ft. (compared to 11.6 million sq.ft. in 2019) compared to the multi-year average in the last decade of approx. 10.9 million sq.ft.

The total area of projects completed in central London during 2020 was approx. 5 million sq.ft. compared to 7.6 million sq.ft. in 2019. As of the end of 2020, the scope of the office construction project to be completed by 2024 was approx. 15.2 million sq.ft., with half of it leased in advance. The scope of the construction project for research laboratories was 5 million sq.ft.

Rental prices for prime-type office buildings declined in 2020 by an average rate of 4%, including an increase in the incentive package for tenants in the form of Rent Free.

Naturally, given that Oxford and Cambridge are home to two of the world's leading universities in the exact sciences, much of the office building space is also used as life science research laboratories such as BioTech Pharmaceutical (especially at Cambridge) and innovation technologies such as Artificial Intelligence (especially at Oxford).

Oxford – The total area of offices and laboratories in Oxford is approx. 8.4 million sq.ft. The vacancy rate as of the end of 2020 was 7.8%. Despite the Corona crisis, rental prices increased by approx. 8% in 2020. Total rental activity at Oxford totaled 237 thousand sq.ft., slightly below the average for the past ten years. As of the end of 2020, the total area of offices and laboratories under construction is 200 thousand sq.ft.

Cambridge – The total area of the offices and laboratories in Cambridge is approx. 10.4 million sq.ft. The vacancy rate as of the end of 2020 was 10.1%. The total rental activity amounted to 445 thousand sq.ft. slightly below the average for the last ten years. As of the end of 2020, the total area of the offices and laboratories under construction amounted to approx. one million sq.ft., 50% of which is designated for the pharmaceutical company Astra Zeneca. In 2020, rental prices increased by approx. 5%.

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25 Sources of Information:

A. JLL Q4 2020 London office research
B. CBRE Q4 2020 London office research
C. Bidwells Q4 2020 Oxford – Milton Keynes – Cambridge Market update

4. Financial Information regarding BE's Activity:

	Unit of Measurement	31.12.2020	31.12.2019
Number of income-generating properties	Unit	5	4
Fair value of real estate investments	GBP thousands	665,250	566,250
Occupancy rate	%	95.1	97.8
Equity	GBP thousands	321,417	277,317
Ratio of net financial debt to total balance sheet	%	50.7	49.3

	Unit of Measurement	2020	2019 (*)
Rental revenues	GBP thousands	28,751	16,363
Fair value adjustments of investment property	GBP thousands	(9,851)	34,351
Net profit (loss)	GBP thousands	(750)	20,725
Comprehensive income (loss)	GBP thousands	(1,747)	20,834
NOI	GBP thousands	25,868	15,241
FFO	GBP thousands	7,909	1,068
The Group's share in BE's results			
Group's share in NOI	NIS thousands	109,599	69,380
Group's share in FFO	NIS thousands	33,514	5,173

(*) BE commenced real estate activity in 2019 and acquired its first four properties during that year. In view of the above, the actual operating results for 2019 presented in this table above do not reflect full-year results. A standardized NOI for a full year in 2019 amounted to approx. GBP 24 million.

5. Information regarding BE Properties:

As of December 31, 2020 and for the Year 2020:

	Area		Area		Fair Value		NOI		Revaluations
	31.12.2020		31.12.2020		31.12.2020		2020		2020
	In sq.ft.		In sq.m.		In GDP thousands		In GDP thousands		In GDP thousands
Central London (*)	614,807	78%	57,117	78%	589,350	89%	22,558	87%	447
Oxford (**)	176,442	22%	16,392	22%	75,900	11%	3,310	13%	(10,298)
Total in thousands	**791,249**	**100%**	**73,509**	**100%**	**665,250**	**100%**	**25,868**	**100%**	**(9,851)**
Total in NIS thousands	NA		NA		2,921,711		114,155		(44,090)
Company's share:									
Total in thousands	759,757		70,584		638,773		24,836		(9,458)
Total in NIS thousands	NA		NA		2,805,427		109,599		(42,330)

(*) The vast majority of the areas are for offices.
(**) Includes one property in the Oxford area, about half of which is used for offices and about half for commercial areas. BE intends to turn the property into a science park in the coming years.

Information regarding BE's properties (continued)

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (**)	Gross Yield Rate (***)
	2020		2020	31.12.2020	31.12.2020	31.12.2020	31.12.2020
	In GBP	In GBP	In Percent	In Percent	Units	In Percent	In Percent
Central London	41.63	37.34	94.53%	94.10%	4	3.89%	3.85%
Oxford	23.19	20.80	97.03%	97.50%	1	4.34%	4.50%
Average Rate / Total	**39.4**	**35.4**	**95.10%**	**95.10%**	**5**	**3.94%**	**3.92%**

(*) Basic rental fees includes average revenues (straight line rent).
The minimum and maximum average rental fees in the Central London area are GBP 22.5 per sq.ft. per year and GBP 64.76 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively.
(**) Average yield rates for 2020 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2020.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 standardized for a full year divided by the value of income-generating property as of December 31, 2020.

As of December 31, 2019 and for the Year 2019:

	Area		Area		Fair Value		NOI		Revaluations
	31.12.2019		31.12.2019		31.12.2019		2019		2019
	In sq.ft.		In sq.m.		In GDP thousands		In GDP thousands		In GDP thousands
Central London	**601,348**	**100%**	**55,867**	**100%**	**566,250**	**100%**	**15,241 (*)**	**100%**	**34,351**
Total in NIS thousands	NA		NA		2,581,930		73,072		152,607
Company's share:									
Total in thousands of sq.ft./sq.m./GBP	573,385		53,269		539,919		14,471		33,291
Total in NIS thousands	NA		NA		2,461,870		69,380		147,898

(*) NOI standardized for a full year – GBP 23,923 thousand.
(**) The vast majority of the areas are for offices.

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (**)	Gross Yield Rate (***)
	2019		2019	31.12.2019	31.12.2019	31.12.2019	31.12.2019
	In GBP	In GBP	In Percent	In Percent	Units	In Percent	In Percent
Central London	42.19	37.84	97.30%	97.80%	4	4.22%	3.8%

(*) Basic rental fees includes average revenues (straight line rent).
(**) The weighted yield rate for 2019 was calculated according to the actual NOI standardized for a full year for the value of cash-generating property as of December 31, 2019.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 standardized for a full year divided by the value of income-generating property as of December 31, 2019.

6. Properties purchased during the period

Region and Use	Parameters	Unit of Measurement	2020	2019
Central London Use – Offices	Number of properties purchased in the period	Unit	-	4
	Cost of properties purchased in the period	GBP millions	-	517.7
	Representative NOI of properties purchased in the period	GBP millions	-	24.2
	Area of properties purchased in the period	sq.ft.	-	601,348
	Area of properties purchased in the period	sq.m.	-	55,867
Oxford Use – Offices and Commerce	Number of properties purchased in the period	Unit	1	-
	Cost of properties purchased in the period	GBP millions	80.3	-
	Representative NOI of properties purchased in the period	GBP millions	4	-
	Area of properties purchased in the period	sq.ft.	176,442	-
	Area of properties purchased in the period	sq.m.	16,392	-

7. Order backlog:

Period	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In GDP thousands	Unit	In thousands of sq.ft.
Q1/2021	6,879	11	12
Q2/2021	7,184	4	6
Q3/2021	7,171	-	-
Q4/2021	7,164	1	2
Total 2021	**28,398**	**16**	**20**
2022	28,278	11	28
2023	22,524	20	62
2024	19,527	4	22
2025 onward	74,283	39	610
Total	**173,010**	**90**	**742**
Total in NIS thousands	**759,843**		

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

8. Main Tenants:

39% of BE's revenue for 2020 comes from Marks & Spencer, which leases space in the Waterside House building. 15% of BE's revenue for 2020 comes from the London Fire Brigade which leases space in the Union Street building. In 2021, updates to the rental fees of these tenants will be made in accordance with the Rent Review mechanism of the Upwards Only type.

9. Management and Operating of BE's Properties:

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

10. Properties with Development Potential:

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

11. Marketing:

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

12. Competition:

BE invests mainly in property used for offices in the Greater London area. These areas include cities surrounding London, where a significant portion of the population working in London reside and travels to and from it on a daily basis (such as Oxford, Cambridge, Reading, Brighton, etc.). This geographic region constitutes approx. 1/3 of the UK's GDP as a whole and has a population of approx. 10 million people.

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

13. Human Capital:

As of the date of this report, BE has 33 employees and management, as follows:

Department	Number of Staff Members
Management	3
Investment, Development and Property Management	9
Finance and Activity	11
Marketing	2
Support	8

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

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

14. Improvements in Rental Properties and Suppliers:

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

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

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

15. BE's forecast for 2021:

The following is BE's forecast for its main business results for 2021. The forecast is based on the following working assumptions:

1. No significant changes will occur in the business environment in which the BE Group operates.
2. Rental fee updates in accordance with the Rent Review Mechanism – see Section 8 above.
3. The forecast is based on existing properties as of the reporting date plus the purchase of an additional property by BE subsequent to the balance sheet date.

	FORECAST	ACTUAL
	2021	2020
	GBP	GBP
NOI (GBP MILLIONS)	36	26
FFO (GBP MILLIONS)	14	8

The information relating to the BE forecast for 2021 is forward-looking information, as defined in section 32A of the Securities Law, 1968 and is based on the BE management's budget, as approved by the BE Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information regarding a future event or matter whose realization is uncertain and not under the sole control of BE and the Company, as there is no certainty that the many variables that make up the budget will materialize as planned.

16. BE's Business Strategy

BE intends to allocate the majority of its capital to investment in offices in the London Metro Area and to investment in offices and laboratories in Cambridge and Oxford, and is taking active steps to find suitable investments.

BE expects that the three sub-categories in the asset portfolio will include:

1. Stable yields: Stabilized Core/Core+ assets.
2. Value Add: Assets that require more active management.
3. Development: Full entrepreneurship or assets that require substantial renovation.

17. Corporate Governance in BE and in the BE Group

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

Agreements exist between the Company and the Brockton Managers that include mechanisms for the restriction of the transferability of rights, as well as indemnification arrangements with respect to representations and statements made by the Brockton Managers. In this regard, see Note 6d(5) and 6d(6) to the financial statements.

18. Information regarding the Brockton Funds

As of December 31, 2020 the Company holds three UK real estate funds from the Brockton Group. Each of Funds I and II has an investment in a single property, while Fund III has a material investment in FORA, which engages in the rental and management of workspaces, as well as two other properties. The process of realizing the portfolio of the three funds as presented above is expected to end by the end of 2022.

The three funds are presented in the Company's financial statements as securities measured at fair value through profit or loss. The balance of the Company's investment in the funds as of December 31, 2020 amounts to GBP 36 million (NIS 160 million). For additional information, see Note 5(1) to the financial statements.

E. Energix

1. General Information regarding Energix

Energix is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company.

Energix deals in the initiation, development, management and operation of photovoltaic systems under its ownership in Israel and projects for the generation of electricity through wind energy in Israel and in Poland, with the intention of holding them on a long-term basis. As of the reporting date, Energix sells electricity from systems connected to the electricity grid in Israel, in Poland and in the United States.

Over the course of 2021, Energix raised capital through public offerings in a cumulative amount of approx. NIS 472 million (from which the Company invested the amount of NIS 34.5 million). In addition, option warrants (Series 3) were exercised for Energix shares for a consideration of NIS 93.6 million (from which the Company invested the amount of NIS 24.3 million).

The Company's rate of holdings in Energix was 53.96% as of December 31, 2020. Close to the publication of this report, the Company's rate of holdings in Energix was 53.90%. For additional information, see Note 6e to the financial statements.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to 402 MW in commercially operated projects, approx. 461 MW in projects in development or pre-construction, approx. 725 MW in projects in advanced stages of development and over 1,800 MW in projects in the development stage[26].

The total representative annual revenue expected in 2021 from the sale of electricity and green certificates[27] from all the facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2021 is NIS 275-285 million[28] (Energix's share in the cash flow).

The information on projected annual income constitutes forward-looking information as defined in Section 32A of the Securities Law and depends on factors, including the weather, that are not under the Company's control.

Energix receives management services from the Company according to a management agreement signed between the parties. For additional information regarding the management agreement, see Note 6.e(4) to the financial statements.

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26 **Commercially operated projects** are projects whose construction has been completed and the electricity produced in them is fed into the relevant electricity grid; **projects in development** or **pre-construction** are the Company's projects that are in the construction process or that the actual start of construction is expected in the near future; **projects in advanced stages of development** are the Company's backlog of projects that the Company estimates can be financially closed or ready for construction within the next 12 months or projects in development that have won a guaranteed tariff; **projects in development (mid + early stage)** are the backlog of the Company's projects at various stages of development which may mature into construction projects, for which the Company has an interest in the land and the Company is working to obtain the permits and approvals required for their construction; **project backlog for** includes projects in commercial operation, projects under construction and just prior to construction and projects in advanced development.

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

28 Energix's forecasts for 2021 are based on the following assumptions:

- The results of operations are based on Energix's systems in commercial operation as of the reporting date and Energix's estimates in relation to the date of commercial operation, during 2021, of systems that are in development and pre-construction;
- The results of the systems in commercial operation (photovoltaic and wind) reflect average output P(50);
- Predicted results from projects in Poland and the U.S., based on predicted prices as of this date (electricity + certificates + additional revenue components, as applicable), taking into account signed price-fixing transactions as of that date;
- The exchange rates used as a basis for calculating the forecast are PLN 1 to NIS 0.88 and NIS 3.25 to USD 1.

2. Area of Activity

As noted above, Energix engages in the initiation, development, management and operation of photo-voltaic systems and wind farms with the intention of holding them on a long-term basis.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 402 MW in commercially operated projects, approx. 461 MW in projects in development or preparing for construction, approx. 725-745 MW in projects in advanced stages of development and over 1,800 MW in projects in the development stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 2.4 billion.

(A) The following are Energix's projects in commercial operation:

Country	Project	Technology	Capacity (MW)	Commercial Operating Date	Source of Revenues	Tariff for Sale of Electricity and Certificates per 1 KWh Produced (in NIS)	Project Results in 2020		Energix's Share in Project
							Revenues	FFO	
Israel	Neot Hovav	Photovoltaic	37.5	12/2014	Sale to the electric company at a fixed CPI-linked rate, for 20 years from the date of commercial operation	0.652	44.5	31.9	100%
	First Competitive Procedure Systems	Photovoltaic	90	Q4/2018	Sale to the electric company at a fixed CPI-linked rate, for 23 years from the date of commercial operation	0.203	31.5	16.0	97%
	Second Competitive Procedure Systems	Photovoltaic	62	H2/2019 and Q1/2020	Sale to the electric company at a fixed CPI-linked rate, for 23 years from the date of commercial operation	0.200	19.0	9.4	70%. Share in results and in net cash flow 91%
	Medium and Small Systems	Photovoltaic	11.6	2010-2015	Sale to the electric company at a fixed CPI-linked rate, for 20 years from the date of commercial operation	0.51-2.22	18.3	11.8	64%
USA	Virginia 1 Projects	Photovoltaic	82	Q2 and Q3/2020	Electricity - Actual sale to a local electric company together with a price hedging transaction for 12 years Green Certificates - agreement for the sale at a fixed price for 12 years	According to long-term price-fixing agreements	6.7	5.4	58%. Share in results and in net cash flow 100%
Poland	Banie	Wind	106	12/2015-06/2016	Electricity - Sale on the Electricity Exchange or in price-fixing agreements Green Certificates - Sale on the Green Certificate Exchange or in price-fixing agreements	According to the price on the Electricity and Green Certificate Exchanges in Poland and/or a fixed price in price-fixing transactions	135.3	113.5	100%
	Ilawa	Wind	13.2	06/2016			12.9	10.4	100%
Total			**402**				**268**	**198**	

(B) The following are Energix's projects in development or pre-construction:

Country	Project	Technology	Capacity (MW)	Expected Construction Cost	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Produced (in NIS)	Projected Commercial Operating Date	Cost Invested as of the Reporting Date	Projected Project Results per Representative Operating Year		Energix's Share in Project
									Revenues	FFO	
Israel	Third Competitive Proceeding Systems	Photovoltaic	100	260-300	Sale to the electric company at a fixed CPI-linked rate, for 23 years from the date of commercial operation	0.1818	During 2021	159	32-34	19-21	70%. Share in results and in net cash flow 91%
	Fourth Competitive Proceeding Systems	Photovoltaic	39	100-120		0.1798	By the end of H1/2022	1	12-14	7-9	70%. Share in results and in net cash flow 91%
USA	Virginia 2 projects	Photovoltaic	140	450-480	Electricity - agreements for the sale of electricity at a fixed price for a period of 12-15 years, or sale to an electric company at market prices with hedging transaction for 6 years. Green Certificates - agreement for the sale at a fixed price for a period of 12 years.		Q2 and Q3/2021	209	32-36	26-30	For 115 MWp: 100% For 25 MWp: 58%. Share in results and in net cash flow 100%
Poland	Banie Stage 3	Wind	82	360-400	Index-linked fixed tariff for approx. 65% of average expected production for a period of 15 years and the balance at market prices or in fixed-price transactions		H1/2021	73	52-57	28-33	100%
	Sepopol	Wind	44	190-220			H1/2021	37	25-30	14-18	100%
	Banie Stage 4	Wind	56	250-280	Index-linked fixed tariff for approx. 80% of average expected production for a period of 15 years and the balance at market prices or in fixed-price transactions		H2/2022	1	31-36	17-20	68%
Total			**461**	**1,610-1,800**							

(C) **Memorandum of understanding for the acquisition of a photovoltaic project in the United States with a capacity of 150 MWp**: Subsequent to the date of the financial statements, on March 13, 2021, Energix entered into a memorandum of understanding for the acquisition of 100% of the rights in a photovoltaic project with a capacity of 150 MWp in Virginia. The project is in advanced stages of development, with an interest in the land, a binding connection survey to the electricity grid and a building permit. The acquisition consideration is in an amount that is not material for Energix. The parties will work to complete the negotiations and the signing of a binding agreement, subject to the completion of due diligence to the satisfaction of Energix, by March 31, 2021, under accepted terms for such transactions.

2.1 Environment and Impact of External Factors – Energix

General

As part of a global trend to reduce greenhouse gas emissions, many countries, including Israel, are encouraging investment in the construction of electricity-generation facilities from renewable energies and developing diverse arrangements for the sale of electricity from these sources. As of the reporting date, more than 150 countries around the world are promoting policies that support the production of electricity from renewable energies,[29] and according to forecasts, in 2050, renewable energies will provide 84% of electricity consumption in Europe and 65% of electricity consumption in the United States[30].

In addition, in the reporting period, despite or due to the Corona pandemic, dozens of other giant international corporations have joined corporations such as Apple, Facebook, Microsoft, Google, and others who have set themselves 100% clean energy consumption targets by 2050 under the RE100 initiative[31]. As of the reporting date, more than 260 corporations have joined this initiative with the total demand for electricity from renewable sources of all the corporations participating in the initiative amounting to over 278 TWh.

Accordingly, global investment in the transition to energy sources that emit low carbon dioxide is on the rise: in 2020, over USD 500 billion was invested worldwide in sectors supporting the transition to low-carbon energy use such as electricity storage, electric vehicles, hydrogen and various renewable energies. The sector that benefited from the highest total investment was the renewable energy sector, which attracted over USD 300 billion in investments[32].

It should be noted that in view of the decrease in electricity production costs from renewable energy, the economic viability of constructing such facilities has increased, even in market conditions without supportive regulation.

Israel

In recent years, the State of Israel has joined a number of other countries around the world that are leading the trend of transitioning to electricity generation through renewable energy, while neglecting traditional energy sources in view of their destructive effects on the environment. Accordingly, a series of government and regulator decisions have been adopted in Israel, which are updated from time to time in accordance with the policy updates of the Ministry of Energy and the government, including:

- The Ministry of Energy and the Electricity Authority work to periodically publish regulations by which they encourage the entrepreneurial market to build electricity-generation facilities from renewable energy in Israel, taking into consideration the distribution and balance between the various energy sources, efficiency and balance between the increasing demand for electricity and the electricity-generation system, natural resources, and various considerations affecting the establishment of infrastructure. The Ministry of Energy presented a work plan to promote renewable energy facilities and examine the steps required to meet targets, in which it announced its intention to increase quotas for photovoltaic electricity-generation by an additional 1,000 MW and double the quota for wind turbines, which is currently 730 MW[33].

- **Adoption of master plans** for the construction of photovoltaic facilities (National Master Plan 10/D/10) and for the construction of wind turbines (National Master Plan 10/D/12). For some time now, the planning institutions have been working on the publication of a national master plan for energy infrastructure – National Master Plan 41, which aims to determine national integrated regulation for energy infrastructure facilities (including solar and wind electricity-generation facilities), and energy infrastructure transmission. As of the date if publication of the report, the final version of the plan has not yet been published.

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29 New Energy Outlook 2020 _ Full Report _ BloombergNEF
30 See Footnote 4 above
31 RE100 Annual Report 2020 (December 2020).
32 Energy Transition Investment Trends, 2021 _ Full Report _ BloombergNEF
332016 Work Plan, Ministry of National Infrastructure, Energy and Water.

- **Government decisions for determining national targets** for reducing greenhouse gas emissions and generating electricity from renewable energies. This is how Government Resolution 542 determined a target for electricity consumption from renewable sources at a rate of at least 17% of all electricity consumption in Israel in relation to 2030 ("**2030 targets**"), as well as an intermediate target of at least 13% of total electricity consumption in 2025. Subsequently, in 2017, the Knesset passed the Amendment to the Electricity Law, 1996 ("**the Electricity Law**"), which set the 2030 targets in primary legislation, and for the first time established an annual reporting mechanism on progress in the field to the Knesset's Economics Committee. During the reporting period, the government approved the increase of 2030 targets to 30%, this decision forms the basis for the potential development and construction of photovoltaic projects with a capacity of approx. 12 GW in the next decade, and for an economic benefit of approx. NIS 8 billion per year.

Against the trends that support the continued growth of the renewable energy market in Israel, there are trends that may threaten the growth, including an increase in the interest rate environment that may lead to increased financing expenses for projects, opposition from environmental bodies and authorities for the integration of renewable energy projects, declining electricity prices in the free market, excessive increased integration of renewable energy production that could result in lower electricity tariffs from renewable energies.

Poland

The electricity market in Poland is a developed market and includes four main local electricity marketers (owners of the distribution network in the areas of electricity-generation) that are controlled by the Polish government, and an electricity exchange, in which many other players operate. In 2020, the renewable energy market in Poland continued to grow rapidly and the share of renewable energy in Poland was approx. 13% of the total electricity production in the country[34]. The installed capacity of renewable energies in Poland is approx. 11 GW from a total of 41 GW, of which approx. 6.2 GW is wind energy[35].

During the reporting period, the Polish government aligned itself with the EU countries to significantly increase greenhouse gas emission reduction targets from 40% to 55% by 2030 ("**2030 targets**"). In order to meet the 2030 targets and promote the transition from coal-based energy to renewable energies, Poland is also expected to receive a USD 60 billion aid package.

The local regulator also promotes legislative changes that make it possible to expand the activities of the renewable energy sector in Poland. Among other things, in December 2020, the Law for the Promotion and Development of Offshore Wind Projects was passed and during the first half of 2021, an amendment to the Distance Act is expected to be passed, which will facilitate the development of new projects. It appears that the expansion of government plans and the announcements of future tenders will significantly increase the photovoltaic field in Poland, which is expected to reach an installed capacity of approx. 2.5 GW.

34 Dento's Guide 2020, Investing in renewable energy projects in Europe
35 Baringa, Wholeasale Electricity Market Report - Poland (December, 2018)

The United States Renewable Energy Market

The United States is one of the world leaders in the generation of electricity from renewable energies, and is ranked as the second country in the world after China, with the highest installed capacity of renewable energy facilities.[36]. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. In 2020, approx. 13.9 GW of solar installations were added, with the forecast for 2020 being approx. 14.8-18.9 GW. In addition, total installations of facilities for electricity-generation from the new wind energy in 2020 are expected to break a record and amount to over 14 GW[37,38].

The increase in renewable energies is expected to continue, among other things, in view of the maturation of new technologies for storage and network balancing, and also due to the decrease in the electricity-generation costs from renewable energies. Renewable energy production targets in the United States are set at the state level and therefore they vary from state to state.

According to estimates, in 2050 the share of production from renewable energies is expected to amount to 43%, and the share of production from wind energy and photovoltaic energy alone is expected to be 35%[39]. Furthermore, in recent years more and more U.S. states are leading the implementation of renewable energy support policies. Therefore, in April 2020, the state of Virginia (where most of Energix's U.S. operations are concentrated) determined that by 2050, the state's electricity producers will be required to meet the target of 100% renewable energy[40]. Such goals were also declared in California and New York[41].

Moreover, with the victory of Joe Biden in the U/S/ presidential election, Energix estimates that a clean energy investment program will be promoted which is expected to strengthen the renewable energy sector in the US and enable a significant reduction in pollutant emissions by 2050. This trend has emerged due to increased demand from the private market for electricity consumption from renewable energy sources and has led to 51% of U.S. companies having or promoting renewable energy-based policies over the next two years, including giant companies operating hundreds of future electricity development and production centers.

As part of President Biden's campaign, he announced that he will adopt a plan that will bring 100% power generation from unconventional energies by 2035, with a direct investment of USD 400 billion. Even before the new U.S. administration took office, an amendment to legislation was published to extend the period of eligibility for the photovoltaic energy incentive (ITC), and it can be estimated that now that the new administration takes office, legislation will support renewable energy production and strengthen the trend of companies exclusively using renewable energy.

On January 20, 2021, immediately after his inauguration as President of the United States, President Joe Biden signed a number of presidential decrees, including an order directing the United States to return to the Paris Agreement, as part of the President's effort to make climate change a priority for the new administration, following the U.S. withdrawal from this agreement in June 2017 under the Trump administration.

For additional information regarding the relevant regulations for Energix's operations in the United States, see Section 2.2.1(4)(1) below.

36 Sustainable Energy in America 2020 Factbook BloombergNEF
37 2021 (1Q) Global PV Market Outlook
38 2020 (4Q) Global Wind Market Outlook
39 New Energy Outlook 2020 _ Full Report _ BloombergNEF
40 Virgina's Legislative System website , HB 1526 Virginia Economy Act -- https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526
41 2020 (4Q) Global Wind Market Outlook.

2.2 Description of Energix's business in the reporting period by area of activity

2.2.1 The photovoltaic segment, including combined storage

General

The maximum capacity that can be produced by the photovoltaic systems is measured in kilowatt-peak / megawatt-peak (KWp/MWp) units representing the solar panel capacity ("**installed capacity**") or kilowatt/megawatt (KW/MW) representing the converter capacity.

During the reporting period and up to the date of approval of the report, there is relative stability in the prices of the equipment required for the construction of photovoltaic facilities. Energix's photovoltaic activity during the reporting period focused on Israel and the United States.

Combining storage in PV facilities – Photovoltaic facilities for generating electricity may incorporate storage as part of the facility, and storage can also stand on its own independently. Storage combined with PV refers to the ability to store the electricity generated by the photovoltaic panels on site using a facility based on batteries, compressed air or any other technology that allows electrical energy to be stored and released when needed. The intention is to provide the ability to store the energy produced by the photovoltaic panels in megawatt hours terms (MWh), at a rate of at least the size of the site's connection in terms of actual capacity measured in megawatts (MW), for several hours depending on the size and volume of the storage facility. These facilities will be able to release the energy to the electricity grid in a controlled manner and at the request of the system administrator or the distributor when this energy is required for the electricity economy. In a combined storage facility, the electricity that is normally lost in ordinary photovoltaic facilities is stored. Since this excess energy is stored in batteries, it is possible to significantly increase the panel load ratio (DC to AC ratio) on the converters, i.e. to install significantly more panels on the same converter capacity. In this way, much more energy can be generated from a given site using a relatively small connection size and optimal utilization of network resources.

2.2.1.1 Energix's photovoltaic activity in Israel

Photovoltaic regulations in Israel:

1. **Quota-based regulation with a fixed tariff ("Tariff Regulation")**

Until 2016, there was a regulation in Israel based on tariff quotas, according to which a fixed tariff (which changed from quota to quota) was determined for a period of 20 years from the date of commencement of commercial operation, linked to the CPI. Winning the guaranteed rate depended on meeting the milestones set in the regulation, on a first come first serve basis. Energix has commercial operating systems subject to this regulation (at various quota-dependent tariffs) with a total capacity of 49 MWp. For additional information regarding Energix's photovoltaic systems in commercial operation and the tariffs to which they are entitled under the tariff regulation, see Section D(2) of Chapter E above.

2. **Regulation based on tariff tenders ("Tender Regulation")**

Starting in 2017, photovoltaic facilities are being established as part of a series of competitive procedures on the electricity tariff, under which, from time to time, the Electricity Authority publishes tenders for quotas for the construction of extra-high, high and low voltage photovoltaic facilities (with minimum quotas and the right for their expansion ("**Tariff Tenders**"). The following is an overview of the main conditions for the tariff tenders, which are divided into two types of systems – high-voltage and extra-high-voltage systems, as published by the Electricity Authority up to the date of approval of the report:

b(1) Photovoltaic electricity-generation systems connected to the distribution network ("high-voltage systems") and integrated storage:

As part of the tariff tenders for high-voltage systems, the bidders compete for the lowest tariff per 1 KWh produced. As part of the competitive procedure, the tariff is determined using the "uniform second price" ("**clearing price**") method, which gives the winners a uniform tariff at the level of the lowest bid that did not win the tender ("**the winning tariff**"). The winning tariff will be paid for a period of 23 years from the date of commercial operation and it is linked to a linkage formula based on parameters for the selection of the bidder. As a threshold condition for submitting a bid, each bidder is required to deposit a bid guarantee in the amount of NIS 100 per 1 KW offered, which will be replaced, subject to the win, by a construction guarantee of NIS 300 per 1 KW. The winner must reach commercial operation in relation to the entire quota he won in the competitive procedure within 21 months from the winning date (the binding date, after which the Electricity Authority will begin forfeiture of the construction guarantee relatively until complete forfeiture for winners who do not reach commercial operation within 7 months from the binding date). The Electricity Authority periodically updates the terms of the tenders published thereby, both in relation to the scope of the quotas, the accompanying conditions, and in relation to the construction periods available to the winners under the terms of the regulations.

In addition, starting in 2020, the Electricity Authority announced that competitive procedures for high-voltage photovoltaic installations to be published thereby will be fixed-rate quotas for photovoltaic electricity-generation facilities combined with storage facilities that will enable the storage of electrical energy and its release at a rate of at least the site's connection size, in terms of real capacity measured in megawatts (MW), for 4 hours. Accordingly, in 2020, the Electricity Authority published two tenders for determining a tariff for electricity-generation using photovoltaic technology with combined storage capacity ("**storage tender**"), in which the amounts of guarantees required to ensure eligibility for the tariff were increased and today each bidder is required to deposit a bid guarantee in the amount of NIS 200 per 1 KW and then replace it with a construction guarantee of NIS 600 per 1 KW. It should also be noted that in the last storage tender published (competitive procedure for high-voltage photovoltaic facilities with combined storage no. 2), there was a change in the tariff period which will be paid from the date of commercial operation of each facility until December 29, 2045. The tender also allows the winners to extend the maximum binding date up to 3 times and a total of another 15 months.

b(2) Photovoltaic electricity-generation systems connected to the transmission network ("extra-high-voltage systems"):

In accordance with the Electricity Authority's decision from Meeting 525 in September 2017, bidders in a competitive procedure for extra-high-voltage systems will compete for the lowest tariff per 1 KWh produced while giving priority to bids in relation to projects that have an approved statutory plan when performing the feasibility study for connecting the project, which is a condition for receiving the notification of a win. The tariff will be determined for each winner according to the amount of his bid ("**discriminatory tender**") and the place on the network will be reserved for him from the date of the announcement of the win. The tariff determined for each winner will be paid to him for a period of 23 years from the date of commercial operation, or 24 years and 11 months from the date of signing the land transaction between the winner and the Israel Land Authority, whichever is earlier, and is linked to the linkage formula based on parameters for the selection of the bidder. As a threshold condition for submitting a bid, the bidder is required to deposit a participation guarantee in the amount of NIS 100 per 1 KW offered, which will be replaced, after the win, by a construction guarantee of NIS 300 per 1 KW. The winner must reach commercial operation in relation to the entire capacity he won as part of the competitive procedure until the binding date to be determined (for the first procedure, the binding date, which was extended by the Electricity Authority due to the spread of the Corona virus, is June 30, 2023). After that date, the Electricity Authority will begin forfeiture of the construction guarantee relatively until complete forfeiture for winners who do not reach commercial operation within 6 months from the binding date. Unlike tariff tenders for the construction of high-voltage systems, bids submitted as part of this procedure include bids for the construction of facilities at a specific site, rather than a quota for use. Following the decision, the Authority published the first competitive procedure for the construction of extra-high-voltage systems, which included, among other things, the criteria applicable to the participants in the procedure, in which an Energix project with a capacity of approx. 90 MWp won.

b(3) Ad hoc decisions for the construction of designated facilities: In addition to the tariff regulation and the tender regulation, from time to time the Authority makes decisions to support the construction of designated photovoltaic facilities.

3. Information regarding published tariff tenders in which Energix won the guaranteed tariff quota and expectations for additional tenders

The following are details regarding tenders published in the years 2017-2020 and Energix's share in the capacities published thereunder:

	Project	Date of Win	Energix's Share in Winning Capacity	Energix's Share in Winning Capacity in Percent	Winning Tariff per 1 KWh	Status
Tenders published in which Energix won in the years 2017-2020	Procedure 1 – high-voltage	21.3.2017	70MW (90MWp)	29.8%	NIS 0.199	Commercially operating
	Procedure 2 – high-voltage	28.12.2017	50.3MW (62MWp)	47.9%	NIS 0.1978	Commercially operating
	Procedure 3 – high-voltage (*)	3.4.2019	80MW (100MWp)	36.4%	NIS 0.1818	Under construction
	Procedure 4 – high-voltage	19.11.2019	30MW (39MWp)	12.5%	NIS 0.1798	Nearing construction
	Procedure 1 – extra-high-voltage	30.5.2019	70MW (90MWp)	29.2%	NIS 0.156	Advanced initiative
	Procedure 2 – high-voltage Combined storage	28.12.2020	80MW (180-200MWp)		NIS 0.1745	Advanced initiative
Total			**380.3MW (561-581MWp)**			

(*) Energix also won a capacity of 10 MWp (Energix's share - 100%) as part of the competitive tender for the construction of high-voltage facilities published by Kamat Electricity. The main conditions for the regulation of this facility and the tariff to which Energix is entitled are the same as those of the third competitive tender for high-voltage facilities.

4. Future tenders and procedures:

Tender for the establishment and operation of a solar power plant southwest of the city of Dimona – Energix has submitted to the preliminary screening process published by the Accountant General for the construction of the largest solar power plant in Israel. Energix and the other participants in the preliminary screening process received the tender documents from the Tender Committee and accordingly, Energix has started preparing to submit its bid in the tender. According to the tender documents, the plant's capacity will be 180 MW combined with a storage capacity of 200 MWh and a capacity of 50 MW.

In addition to the above, Energix has a portfolio of projects in development that it intends to establish in additional competitive procedures to be published by the Electricity Authority or in regulations that will be in effect at the relevant time, and Energix intends to compete in various tenders published from time to time, including tenders published by the Accountant General and the Ministry of Energy.

2.2.1.2 Energix's photovoltaic activity in the United States

During 2020, in accordance with Energix's goals and the strategic plan it adopted, Energix first connected projects to the U.S. electricity grid, established the organizational infrastructure of its operations in the U.S. and continued to develop and intensively promote its photovoltaic activities in the U.S.

(1) Sources of revenue from photovoltaic activity in the U.S.:

Electricity sales – The U.S. electricity sales market, in open markets, allows great flexibility in the sale of electricity and electricity producers can sell electricity directly to consumers and/or to financial institutions that serve as intermediaries in the sale of electricity. Most electricity sales transactions are made with local electric companies, but in recent years, the trend of moving to direct agreements is growing, with consumers and other players, most often giant companies such as Apple, Facebook, Google, Microsoft who have committed to consuming 100% electricity produced from renewable energy. The electricity is sold directly from the facility or by way of a virtual agreement and accounting with the local electric company. Most engagements for the sale of electricity (whether to the electric company or directly to consumers) are for periods of 5-20 years:

(1) Sale of electricity to local electric companies – This is done by signing a designated agreement or through a competitive tender[42] published by the local electric company for the purpose of engagement for the purchase of electricity from the project at a fixed long-term price. The electric company that conducts the tender selects from the bidders according to the price and the project quality parameters (location, stage of development, etc.) and the quality of the bidder (experience, financial strength, etc.). This engagement is an actual sale of the electricity produced from the facility to the electric company (as generated).

(2) Sale of electricity to consumers / price hedging transactions – This is carried out both by way of a competitive tender (similar to the local electric companies) and as direct transactions. Such transactions are usually for a period of 5-15 years. The sale of electricity can be carried out physically or virtually (as part of an external transaction to hedge the price of electricity from the facility and the sale of the green certificates that will be issued for it, when the actual electricity generated is fed into the electricity grid). The sale of electricity in this framework can be in relation to the total electricity as generated from the facility or in relation to a defined capacity to which the parties are committed (Shape).

Revenue from the sale of green certificates – The incentives for entrepreneurs vary from state to state in the United States and even from district to district within the states, with the common incentive being the issuance of green certificates (RECs - Renewable Energy Certificates) given to electricity producers from renewable energy for each 1 MWh produced. The value of the Certificates varies in accordance with the regulatory framework and market conditions in the relevant country. In many states there is a mandatory renewable energy target set by the local legislature (Renewable Portfolio Standard) and accordingly the local electric companies, under the supervision of the local legislature, are required to purchase green certificates. In addition, many companies that are not required by law to purchase green certificates (such as large technology companies) adopt similar rules in order to meet renewable energy target they set themselves.

Additional sources of revenue – In some cases, depending on the state and the electricity grid, additional revenue can be obtained from photovoltaic electricity-generation facilities in respect of a commitment made by the developer regarding the availability of the system (capacity) to the local electric company.

Federal tax benefit – Renewable energy entrepreneurs are entitled to an investment tax credit (ITC), so a developer with taxable income in the U.S. can enjoy a tax credit of up to 30% of recognized project costs (calculation of the costs from which the benefit is derived is according to the terms determined in legislation) ("**Tax Benefit**"). Alternatively, the developer may contact a local partner, who has a federal tax liability in the United States ("**Tax Partner**"). The tax partner usually joins at the stage of connecting the facility to the grid and usually provides approx. 40%-45% of the investment cost for the construction of the facility in exchange for most of the tax benefits to which the project is entitled, mainly the ITC, as well as payment of 10%-30% of the project's cash flow over a period that is usually 5-7 years. The developer is responsible for injecting the balance of the investment cost for the construction of the facility (including by way of financing) and is entitled to the balance of tax benefits and the balance of the project's cash flow. Upon the repayment of the tax partner's investment plus an agreed consideration (by way of the tax benefits – ITC and its share of losses for tax purposes and payment of its share of cash flow), the tax partner's share in

42 As of the date of approval of the report, Energix's activity in the United States is not carried out through tenders.

profits and cash flow decreases to a minimum and the developer has the right to acquire the tax partner's rights in the project at market conditions. In accordance with the legislation in effect as of the date of publication of the report, the tax benefit percentages are being gradually reduced by the regulator from the beginning of 2020, so that in relation to a project whose construction began in 2020 to 2022 (inclusive) the tax benefit rate will be 26% in relation to the project cost, for a project whose construction will start in 2023 – 22%, and for a project whose construction will start from 2024 onwards – 10%. In any case, for a project whose construction is not completed by the end of 2025, the tax benefit rate will be only 10%. It should be clarified that a project whose construction began in 2019 (including by way of purchasing equipment costing at least 5% of the project cost) and connected to the grid by the end of 2025 will be entitled to a full 30% tax benefit.

(2) Projects in commercial operation and under construction – For details regarding the main data on Energix's projects in commercial operation, under construction and pre-construction, in advanced development and the photovoltaic initiation stage in the United States, see Section 2 above.

2.2.2 Wind energy

General

The wind energy sector is the world's leading field for generating electricity from renewable energies, with a global cumulative installed capacity of over 700 GW[43] in recent years. The global wind market has grown at an average annual rate of over 50 GW, and it is estimated that during the reporting period the growth will be 70 GW and in 2021 - 82 GW[44], as a result of technological innovations that have made it possible to reduce electricity production costs from wind energy, and accordingly in recent years there has been growth in investments in wind energy around the world, along with extensive government support programs.

Today, a typical land-based wind turbine has a capacity of 2-6 MW, the diameter of the blades ranges from 100-170 meters and the height of the mast is between 100-150 meters. Usually, the type of turbine that will be installed at a particular site will be determined according to the characteristics and wind conditions at that site.

Turbine manufacturers are working to increase turbine efficiency so that the turbines will generate more electricity for a given wind regime. Increasing turbine efficiency allows manufacturers to expand their market share even to areas where government incentives are low or to sites with less wind power. For the regular operation of the wind farm, routine maintenance is required, which is usually provided by the turbine manufacturer as part of long-term service and maintenance agreements.

Operation of a large wind turbine and main components

Electricity is generated from wind energy when kinetic energy from the airflow hits the turbine blades and produces a rotational motion of the blades. This rotational motion is converted to electrical energy by means of an electric generator located at the top of the mast on which the turbine is placed. The stronger the wind, the larger the capacity produced from the generator to the point where the generator reaches the end of its capacity limit. Because the wind direction changes frequently depending on the wind regime at the site, the turbine has sensors that rotate the turbine body so that the blades are always pointed in the direction of the wind.

On a farm with several turbines, the turbines will usually be connected to an underground collection network, and from there to the connection point to the electricity grid.

2.2.2.1 Energix's wind activity in the United States

As of the date of approval of the report, the electricity-generation activity from wind energy in Israel is mostly in the development and initiation stages. As of the date of publication of the report, 24.2 MW of wind energy (of a total of 730 MW which exist in the quota) are connected in Israel and there are additional projects in development. In Israel, a number of areas are identified where there is potential for the utilization of wind energy, but the establishment of wind farms at these sites is subject to conditions and limitations derived from security considerations, environmental protection aspects and planning aspects.

43 Q4 2020 Global Wind Market Outlook _ Full Report _ BloombergNEF
44 Q4 2019 Global Wind Market Outlook

Wind energy regulation in Israel for systems over 50 KW ("large wind systems")

The regulation for large wind systems was first published in Resolution 349 of the Electricity Authority dated October 10, 2011 and was updated from time to time. According to the regulation in effect as of the date of the report, the quota for electricity-generation using wind energy is 730 MW, in the form of a commitment by the IEC to purchase electricity at a guaranteed tariff for a period of 20 years, linked to the CPI. The tariff will be determined according to a calculation formula based on a designated base tariff, distinguishing between facilities connected to the transmission grid and the distribution grid, and linking it to a number of variables such as exchange rates, an index that reflects global wind turbine costs, the CPI and interest rates.

According to the Electricity Authority's publications, the weighted tariff as of the date of publication until the quota of 300 MW is reached is approx. NIS 0.36 per 1 KWh produced in relation to the facilities connected to the transmission grid (extra-high-voltage) and approx. NIS 0.30 per 1 KWh produced in relation to the facilities connected to the distribution grid. After utilizing the initial quota in the capacity of 300 MW, the weighted tariff is updated so that the weighted tariff in relation to facilities connected to the transmission grid(extra-high-voltage) is approx. NIS 0.30 per 1 KWh produced and in relation to facilities connected to the distribution grid, approx. NIS 0.28 per 1 KWh produced. The final tariff in relation to each facility will be determined in accordance with the data of the various variables that affect the base tariff as of the date of approval of the actual tariff, as applicable.

At the end of December 2019, agreements were signed between the Ministry of Energy, the Ministry of Finance and the Ministry of Defense to finance the development of a technological solution designed to address the needs of the defense system as a result of the placing of wind turbines in the north of Israel, and which will allow the further development of a number of projects for the construction of a wind farm in the north, **including the ARAN Project**. These agreements also determined timelines for the completion of the ground solution (no later than 24 months from the developer's letter of commitment) and implementation of the technological solution no later than 32 months from the date of entry into effect of the agreements between the parties. According to the decision of the Electricity Authority, two-thirds of the cost of the technological solution, estimated at approx. NIS 250 million, will be imposed on the developers in proportion to the size of the projects they will build, and one-third will be imposed on electricity consumers.

Threshold conditions for the completion of the regulatory procedure for the establishment of wind farms in Israel in relation to published regulations

An entrepreneur seeking to establish an electricity-generation system with wind energy is required to meet the conditions determined by the relevant Electricity Authority regulation. The significant milestones required by the existing regulations as of the reporting date include:

A. Receipt of a conditional license, which requires proof of interest in the land, conducting of a feasibility study by the IEC, proof of equity (at a rate of 20% of the normative cost for the planned project), provision of a bank guarantee and proof of experience in the field.

B. Afterwards, a tariff approval is required, which also includes approval of the deposit of plans / building permit, as well as a binding connection survey from the IEC and the signing of a binding memorandum of understanding for the financing of the project's construction.

C. Upon receipt of the above approvals, financial closure must be reached that includes the signing of a financing agreement and receipt of a building permit, including approval of a statutory plan in the relevant planning and construction institutions.

D. The establishment of a wind farm in Israel is subject to the arrangement of the technological solution (and its financing) for the defense system as detailed above.

Upon financial closure, the construction process begins and schedules must be complied with for the construction and connection of the facility to the national electricity grid and Authority regulation for receipt of a permanent license.

Wind farms promoted by Energix in Israel

For information regarding projects in development, and for the ARAN project that Energix is developing in the northern Golan Heights with a capacity of 110 MW, through a dedicated subsidiary ("**ARAN Project**"), see Note 8(b) to the financial statements.

2.2.2.2 Energix's wind energy activity in Poland

In recent years, following the publication of legislation in support of renewable energy, including wind energy, the entrepreneurial activity of wind energy in Poland has been renewed even more. Also, close to the date of the report, the Polish regulator announced his intention to issue additional tenders for the construction of new wind farms and photovoltaic facilities with a total capacity of 750 MW during 2021.

Wind energy regulations in Poland

The wind farms in Poland operate under the Renewable Energy Act and through regulations and provisions published thereunder. The Renewable Energy Act has undergone a significant amendment which came into effect at the beginning of 2015. According to the provisions of the law, the regulation that will apply to wind farms is divided into two – one, the "Green Certificate Regulation", based on the sale of black electricity and in addition, eligibility for green certificates which applies to all wind farms whose construction was completed by June 30, 2016; and the other, the "Tariff Tender Regulation" which guarantees, subject to winning the tender, a fixed tariff for 15 years, in relation to a certain volume of production, which applies to all wind farms whose construction is subsequently completed. As of the reporting date, all of Energix's wind farms in Poland that are in the commercial operation stage are subject to the provisions of the Green Certificate Regulation.

Green Certificate Regulation

The wind farm, which is subject to the green certificate regulation, is entitled to two types of revenue: (1) the sale of electricity produced by the wind farm ("**Revenues from Black Electricity**") and (2) revenue from the sale of "**Green Certificates**", which are granted to electricity producers from renewable energy, including wind farms, in respect of each 1 MWh of electricity generated (hereinafter: "**Revenues from Green Certificates**"). The green certificates constitute an additional revenue component for a period of 15 years from the date of commencement of electricity-generation at the wind farm.

Revenues from the sale of electricity: The electricity produced at the wind farm can be sold to the local electricity marketer (who owns the distribution network at the electricity-generation location) or the electricity produced can be sold at the local electricity exchange or in direct agreements with electric companies that trade and supply electricity in Poland and also to other electricity traders who sell electricity to the end consumers (hereinafter: "**electricity traders**").

Revenues from Green Certificates: The green certificates, which constitute an additional source of revenue to the revenues from the sale of black electricity, are traded on a designated exchange in Poland. The price of Green Certificates is not fixed and changes in accordance with supply and demand.

Non-renewable energy producers are required to purchase green certificates or pay a fine as an alternative to their purchase (hereinafter: "**the fine**"), at an annual rate of all electricity produced by them and published by the regulator.

According to the regulations in effect on the date of approval of the report, the amount of the fine is not fixed but will be calculated each year and will be equal to 125% of the weighted average price of the green certificates in the past year, but not more than PLN 300 per certificate. At the same time, it was clarified that it will not be possible to pay the fine as long as there is an inventory of green certificates in the market.

For further details regarding the price of the green certificates as of the date of approval of the report, see Note 7(e) to the financial statements.

Tender Regulation

The relevant regulation that supports the construction of electricity-generation facilities from renewable energies, the construction of which was completed after June 30, 2016, is the Tender Regulation. The establishment of a wind farm that is subject to this regulation is conditional on meeting threshold conditions for the eligibility to participate in the regulation, and winning the tariff tender procedure.

A project for the construction of a wind farm that has won such a tariff tender will be entitled, starting from the date of its commercial operation, to the guaranteed tariff it won in the tender, index-linked, for 15 years in relation to electricity output at an electricity-generation capacity to which the developer committed in the submission of his bid in the tender throughout the eligibility period. To the extent that he has a balance of electricity production, such a balance can be sold on the free market.

In addition, the developer whose project wins the establishment of a wind farm may update, on a one-time basis, the distribution of the farm's output throughout the period of eligibility for a guaranteed tariff, as well as the start date of the eligibility for a guaranteed tariff, provided that the establishment period of the wind farm does not exceed 33 months from the date of the win in the tender. Given the effects of the Corona, this period may be extended by an additional 12 months so that in total, this period may not exceed a period of 45 months from the date of the win in the tender.

Based on the amendment to the Polish Renewable Energy Act of June 2018, as amended, the Polish legislature began issuing tariff tenders for the establishment of facilities for electricity-generation from renewable energies, including new wind farms.

(3) Projects in commercial operation and under construction – For details regarding the main data on Energix's projects in commercial operation, under construction and pre-construction, in advanced development and the photovoltaic initiation stage in the United States, see Section 2 (Area of Activity) of Chapter E above.

3. Suppliers and Raw Materials for the Area of Activity

Raw materials and suppliers – photovoltaic

The photovoltaic systems consist of panels and converters, a steel structure that holds the panels, trackers, cables, connectors, electrical panels and electricity rooms. Energix's system at Neot Hovav also consists of a substation.

Energix insists on calling and purchasing components for its photovoltaic systems from leading suppliers around the world, with extensive accumulated photovoltaic experience and reputation, with an emphasis on a strategic partnership it has established with the panel manufacturer, First Solar. However, Energix estimates that due to the large number of companies in the world that manufacture components for the photovoltaic systems that have similar technical capability to the suppliers from which Energix purchases the components, it has no dependence on one supplier or another.

Product warranty:

- Photovoltaic panels: Under most of Energix's engagement agreements with the panel suppliers it has previously purchased, Energix is entitled to a 5-year product warranty, a 10-year warranty of at least 90% output and an output warranty of up to an additional 15 years (after the above 10-year period) for an output of at least 80%. According to the different panel series, Energix receives a 10-12 year product warranty in addition to a 25 to 30 year output warranty, which starts with a 98% output warranty in the first year, and decreases at a rate of 0.3%-0.5% per year on a linear basis. In total after 25 or 30 years the output warranty is 85.5% or 83.5% (under laboratory conditions).

- Converters: The converter suppliers provide a warranty of between 2-10 years for the converters, and Energix purchases additional warranty periods from them, usually for a period of up to 20 years.

- Trackers purchased by Energix (in the U.S. and Israel) have a warranty period of 10 years for the structures to which the trackers are connected and 5 years for the electrical and control systems.

Raw materials and suppliers - wind energy

Among the largest turbine manufacturers in the world are companies such as Siemens - Gamesa (Germany/Spain), GE (U.S.), Vestas (Denmark), Nordex (Germany) and Enercon (Germany) and they have similar technical capabilities. Therefore, the Company estimates that it will not be dependent on one supplier or another.

Product warranty – As part of the engagements with the turbine manufacturer in relation to all of Energix's wind farms in Poland in commercial operation and in development and pre-construction (as of the date of approval of the report), the turbine manufacturer undertook to provide operation and maintenance services for 20-25 years, under which the turbine manufacturer is responsible for proper operation of the turbines and replacement of defective components at his expense.

4. Segmentation of Revenues and Product Profitability

	For the Year ended December 31			
	2020		2019	
	NIS thousands	%	NIS thousands	%
Israel (*)	108,193	41.2%	89,972	37.7%
Poland	148,221	56.3%	148,587	62.3%
United States	6,655	2.5%	-	-
Total	**263,069**	**100%**	**238,559**	**100%**

(*) Not including revenues in the Granot Partnership, accounted for in the financial statements according to the equity method.

5. Marketing and Distribution

Energix's area of activity in Israel does not require marketing and distribution, as the Company's only customer is the Israel Electric Company, which is obligated to enter into long-term agreements with Energix and purchase the energy produced and/or to be produced by it according to the tariffs determined by the Electricity Authority, and it is responsible for the distribution of the energy.

Regarding Energix's wind energy activities in Poland, the electricity is distributed through its sale to the local electricity marketer or through its sale on the local electricity exchange or in direct agreements with electricity traders. In addition, the green certificates are traded on the electricity exchange and can be sold to the electric companies that trade and supply electricity in Poland, to end consumers and brokers for goods, and are also traded on the energy exchange in Poland. All of these are potential marketers for the distribution and sale of electricity produced by Energix in Poland. For a contract of the relevant project company for the sale of electricity produced in Energix projects in Poland, see Note 7. (e) to the financial statements. For the relevant project company's engagement for the sale of electricity produced in Energix's projects in Poland, see Note 7(e) to the financial statements.

Regarding Energix's operations in the United States, Energix does not need marketing or distribution, since the electricity from Energix's facilities is sold to the local electric companies to which the facilities are connected in accordance with local regulation, and at the same time, Energix is working to create agreements for the sale of electricity and/or for fixing the price of electricity as well as for the sale of green certificates. This type of transaction is in great demand in the market and Energix has developed an extensive and well-established network of relationships with the leading players in the field that enables it to make such engagements while maximizing the return to Energix.

6. Competition

As of the reporting date, many companies in Israel and other markets where Energix operates in the renewable energy sector in general and in photovoltaics and wind energy in particular.

As a rule, according to Energix's estimates, the renewable energy sector is competitive, and as the activity of developers in the renewable energy sector in Israel and Poland is an activity dependent on quotas published by the Electricity Authority or a local regulator or tariff tenders, a restriction may apply to Energix's ability to implement the projects it promotes, to the extent that quotas published by the regulator are used in full by the competition or if Energix dos not win tariff tenders. Energix estimates that as of the date of the report, 5-10 relevant competitors are operating in the market for medium and large photovoltaic facilities in Israel. In relation to the large photovoltaic facilities connected to the transmission network, there are fewer competitors due to the high barriers to entry and Energix estimates that it has about five main competitors. Regarding the medium and large facilities, there is a trend of increasing the market share of players with significant equity.

In relation to wind energy, there is less competition due to the need for significant investments in the projects' development stages and due to the high barriers to their construction. Significant competitors: To the best of Energix's knowledge, there are currently a number of companies operating in the Israeli market that compete directly with Energix or that have the ability to compete with Energix in Israel.

The U.S. photovoltaic market is a market divided into 50 different markets (depending on the state), saturated with manufacturers and consumers, and therefore there is competition regarding long-term agreements for the sale and purchase of electricity.

7. Seasonality

Naturally, solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in 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, whether in the photo-voltaic sector and whether in the wind energy sector. In addition, the seasons may have an effect on electricity prices in countries where electricity prices are determined by supply and demand. To the extent that Energix has exposure to electricity prices in these countries, such as Poland, changes in electricity prices may affect the amount of its revenues.

8. Human Capital

As of the date of approval of the report, Energix employs, directly or indirectly, 84 employees, of whom 10 are employed by a Polish subsidiary and 19 by an American subsidiary. All Energix employees are employed on personal employment contracts. For the most part, Energix's liabilities for severance pay are covered by the contributions in executive insurance policies and by a reserve for severance pay. Energix does not have a significant dependence on a particular employee.

In addition, Energix receives management services from the Company under a management agreement. For details regarding the management agreement, see Note 6.e(5) to the financial statements.

Energix has capital remuneration plans for its employees. For details regarding the remuneration of the Energix CEO, including the capital remuneration, see Regulation 21 in the report on Additional Information on the Corporation.

9. Financing

Regarding Energix's financing arrangements, see Note 11(o), 11(p) and 11(q) and Note 12(d).

F. Information regarding the Corporation as a Whole

1. Competition

Due to the nature of the Group's activities in various countries, it has no specifically identified competitors, and is unable to estimate its market share. Regarding competition in Israel in the income-generating property sector, see Section 9 in Chapter B, regarding competition in the income-generating property market in Washington DC, and in Boston, Massachusetts, USA, see Section 13 in Chapter C1, regarding competition in the income-generating property market in London, see Section 12 in Chapter D and regarding competition in the renewable energies sector, see Section 6 in Chapter E.

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

A. A leading professional team with extensive experience in the field in each country in which the Company operates.

B. Financial strength that enables favorable financing conditions and investments of equity.

C. Geographic distribution of investments.

D. Solutions to the regulatory and economic aspects of each investment.

E. Locating business opportunities in Israel and abroad.

F. Building a diverse investment portfolio with a different component of risk against return.

G. Combinations of local elements in various countries and collaborations in the construction of real estate ventures.

H. In activities for the initiation and development of land, the critical success factors are mainly: the cost of construction inputs, the duration of construction, the strength of construction contractors, adherence to requirements related to planning and construction and to the environment, and locating tenants for properties.

Main entry and exit barriers in the area of activity:

Entry barriers:

A. The need for financial strength and access to financing sources.

B. Knowledge and experience in income-generating property and in finance.

C. Access to business opportunities in the field.

D. Familiarity with leading local elements in the various markets involved in entrepreneurship.

Exit barriers:

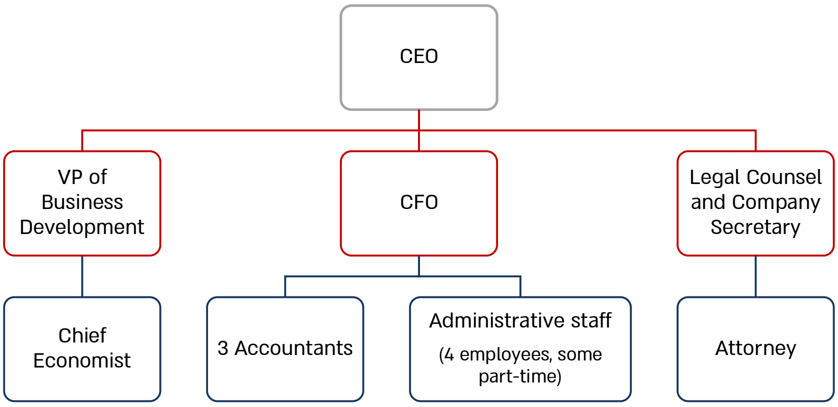
- The exit from the area of activity is not flexible and the realization of the investments can take a long time.
- Early disposal of financing facilities for the purchase of assets may impose heavy withdrawal penalties.
- Financial covenants of subsidiaries in respect of loans and bonds regarding the Company being a controlling shareholder.

2. Fixed assets

The Group's fixed assets consist mainly of the area of the Company's offices, the area of Amot's offices and Energix's offices. The depreciated cost of the fixed assets as of December 31, 2020 is NIS 94 million (as of December 31, 2019 – NIS 78 million). For Energix's electricity-generating facilities, see Chapter E above.

3. Human capital

As of the reporting date, the Company has 13 employees and officers, as follows:



3.1 General

The Company's employees and officers are employed through personal agreements (directly or in relation to some of the officers through a company under their ownership). The Company's full liability for severance pay is covered by contributions to executive insurance policies / pension funds and by a reserve for severance pay. During the reporting period, there were no significant changes in the Company's human capital. The Company has no significant dependence on any of the officers and/or employees.

The Company's employees have long-term capital remuneration plans. For details, see Note 16e to the financial statements.

The Group companies in Israel hold seminars for their employees on various topics, including: administrative enforcement (regarding securities law), code of ethics, prevention of sexual harassment, road safety and more. In addition, the Group companies encourage their employees to take part in supplementary education and professional seminars.

The Company encourages its directors to take part in seminars and workshops at its expense. In addition, the Group has a directors' training procedure in which the Group holds workshops for members of the boards of directors and managements of the Israeli Group companies, once a year.

3.2 Remuneration Plans for Company Officers and Employees

In February 2018, the Company's Board of Directors decided on a new multi-year capital-based remuneration plan, replacing a previous plan from August 2014, according to which each year close to the publication of the annual report, employees and officers will be allocated non-tradable option warrants at an economic value to be determined. The annual portion allocated will be for a vesting period of two years and will be exercisable until the end of 3 years from the date of its granting.

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

For additional information regarding capital remuneration plans for Company officers and employees, see Note 16e to the financial statements.

3.3 Officers and Senior Management

For information regarding the remuneration of officers and senior management employees, see Section 3.8 of the Board of Directors' Report and Note 18 to the financial statements.

For information regarding a management agreement with the Company CEO, see Note 18a to the financial statements.

For information on a management agreement with the Chairman of the Company's Board of Directors, see Note 18b to the financial statements.

Regarding the terms of office of the nine highest remunerated among the senior officers in the Company or in companies under its control (of which 3 are officers in the Company) as recognized in the Company's financial statements, see Regulation 21 of the report on Additional Information on the Corporation.

4. Working capital

For information regarding the Group's balance of cash and unutilized credit facilities, see Section 3.4.1 of the Board of Directors' Report.

5. Financing

5.1 General

The Company finances its activities from its equity, from amounts raised by the Company at various times in public offerings and private placements of bonds, public offerings and private placements of shares and options, from the exercise of option warrants, from bank credit in Israel and abroad and from credit from institutional entities.

Since the Group operates in a number of geographic areas, the Group usually takes credit to finance part of its investment in each country in the relevant currency in which the investment was made. In the reporting period, the Group took credit in the following currencies: NIS, USD, GBP, CHF and PLN. In cases where the loans were taken in a currency other than the investment currency or at a variable interest rate, the Group sometimes enters into hedging transactions in order to set the exchange rates and/or the interest rate.

The following are details of the Group's loans and bonds as of December 31, 2020 as presented in the Consolidated Financial Statements:

	Loan Balance as of December 31, 2020	Weighted Nominal Interest Rate as of December 31, 2020	Weighted Effective Interest Rate as of December 31, 2020
	NIS millions	%	%
Banking sources			
CPI-linked NIS loans	28	4.25	4.40
USD loans – variable interest	1	1.74	1.74
NIS loans – variable interest	95	2.30	2.30
GBP loans – fixed interest (*)	278	2.60	3.54
GBP loans – variable interest	1,322	1.74	2.33
	1,725	**1.95**	**2.55**
Non-banking sources			
CPI-linked fixed-interest NIS bonds (**)	6,849	2.18	1.88
NIS bonds – variable interest	1,315	2.34	2.10
NIS bonds – fixed interest	2,294	2.53	2.67
CHF bonds – fixed-interest (***)	91	2.14	1.23
USD bonds – fixed interest (***)	289	5.44	3.69
PLN bonds – fixed interest (***)	256	4.11	4.11
NIS loans – CPI-linked	681	2.96	3.11
	11,776	**2.43**	**2.22**
Total	**13,501**	**2.37**	**2.26**
Adjustments (mainly premium and/or discounting of bonds)	**(106)**		
Financial debt	**13,394**		

(*) Including a variable-interest loan in connection with a swap transaction made for conversion into a fixed interest loan.

(**) Including a fixed-interest bond in connection with a swap transaction made for conversion into a CPI-linked interest-bearing loan

(***) NIS fixed-interest bonds in connection with a cross currency swap agreement.

Variable Interest Credit Details

Currency in which credit was granted	Credit Balance	Interest	As of December 31, 2020
	NIS millions	%	%
NIS	1,410	(*)	2.34
GBP	1,322	Libor + 1.45%-2% (**)	1.74
USD	1	Libor + 1.5%	1.74
Total	**2,733**		

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

95	Prime + 0.7%
1315	Bank of Israel + 2.24%
1,410	

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

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

	31.12.2020	31.12.2019
	NIS thousands	NIS thousands
Consolidated Statement		
Financial debt (bank credit and bonds)	13,394,404	12,852,209
Net financial debt	11,179,623	12,080,460
Net financial debt to total balance sheet	46.0%	49.7%
Expanded Solo Statement		
Financial debt (bank credit and bonds)	3,680,979	4,496,547
Net financial debt	3,078,047	3,977,747
Net financial debt to total balance sheet	30.2%	36.6%

The following is information regarding the Group's liabilities payable after December 31, 2020:

	Consolidated Statement	%	Expanded Solo	%
Current maturities – 2021	1,017,195	8%	345,591	9%
Second year – 2022	1,833,875	14%	405,560	11%
Third year – 2023	1,047,101	8%	404,064	11%
Fourth year – 2024	1,746,685	13%	522,589	14%
Fifth year onward	7,854,761	57%	2,051,779	55%
Total	**13,499,616**	100%	**3,729,583**	100%
Adjustments to financial debt (mainly the premium balance and/or discounting of bonds)	**(105,212)**		**(48,604)**	
Total financial debt	13,394,404		3,680,979	

For the terms of the bonds issued by the Group, see Note 11 to the financial statements and Appendix E to the Board of Directors' Report.

For the terms of material loans the Group has received from banking corporations and others, their repayment dates and their balances as of December 31, 2020, see Note 12 to the financial statements and Section 5.2 below.

For additional information regarding the Group's credit facilities and their terms as of December 31, 2020, see Note 12 to the financial statements.

Regarding liens and collateral provided to guarantee the Group's loans and bonds, see Note 13 to the financial statements.

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

Regarding guarantees provided by the Group, see Note 13 to the financial statements.

For information regarding financing in Carr (a jointly-controlled company), see Note 6g(2)(e) to the financial statements.

5.2 Reportable substantial credit[45]

5.2.1 Concise information regarding substantial credit agreements[46]

Borrower Corporation	Lender	Currency	Balance of Bond Principal as of December 31, 2020[47]	Principal Payment Schedule	Final Settlement Date	Annual Interest Rate	Contractual Terms	Note in the Financial Statements
			In millions			%		
The Company (expanded solo)	Bonds (Series J)	NIS	1,315	The principal balance is repayable in four annual payments of 25% of the principal in February of each of the years 2024-2027 (inclusive).	2/2027	Bank of Israel weighted interest + 2.15%	See Section 5.2.2 below.	See Note 11d to the Financial Statements.
Amot	Bonds (Series D)	NIS	1,650	20% of the principal is repaid in 7/2023, 20% in 7/2024, and four payments of 15% each in July of each of the years 2025-2028.	7/2028	CPI-linked + 3.2%	See Section 5.2.3 below	See Note 11i to the Financial Statements.
Amot	Bonds (Series F)	NIS	2,069	10% of the principal is repaid in 10/2025, 10% of the principal is repaid in 10/2026, 30% of the principal is repaid in 10/2027, 30% of the principal is repaid in 10/2028 and 20% of the principal is repaid in 10/2029.	10/2029	CPI-linked + 1.14%	See Section 5.2.3 below	See Note 1k to the Financial Statements.

45 The aforesaid disclosure is in respect of credit taken by the Company, the balance of which in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the Company's total credit. In addition, the aforesaid disclosure is in respect of credit taken by a subsidiary of the Company, the balance of which in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the total credit of the subsidiaries (Amot, Energix and BE).
46 Regarding liens and collateral given to guarantee the loans and bonds described in the table, see Note 13 to the financial statements.
47 The bond balances represent a liability value without premiums or discounts as of December 31, 2020 after expanding the bond series and redemptions, if relevant.

5.2.2 Financial covenants for the Company bonds – expanded solo[48]

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

Financial Ratio		Criterion	Value as of December 31, 2020
Net financial debt to value of holdings[49]	%	Less than 80	28.52%
Net financial debt to FFO[50]	Unit	Less than 25	6.21
Minimum equity (Series H, I, J, K and L)[51]	NIS billion	More than 2.1	6.4

In addition, the bonds include additional generally accepted conditions for their immediate redemption including as regards the following events: (1) changes in structure and mergers; (2) liquidation, bankruptcy and asset realization and forfeiture proceedings; (3) change in control resulting in a reduction in rating to below A-[52]; (4) discontinuation of trade; (5) cross default; (6) realization of the majority of the Company's assets; (7) reduction of the Company's rating to below BBB- as defined in the deed of trust and/or cession of rating due to circumstances under the Company's control, and so on. For additional information, see Note 11(c-g) to the financial statements.

5.2.3 Financial covenants in connection with Amot's bonds

The following are the main financial covenants of the Amot's bonds that are substantially similar in the bond series (Series B, D, E, F and G):

Financial Ratio		Criterion	Value as of December 31, 2020
Change in control		The Company holds control in Amot.	Exists
Net financial debt to annual standardized NOI[53]	Unit	Less than 14	7
Equity to total balance sheet[54]	%	More than 22.5	54
Value of Amot's unencumbered assets	NIS billion	More than 1	13.7
And			
Value of Amot's unencumbered assets to balance of bonds	%	More than 1.25	Exists
Minimum equity	NIS billion	More than 2.2	6.3

For details on other generally accepted events that will result in the immediate redemption of the bonds, see Note 11 to the financial statements.

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

49 "Value of holdings" - as defined in the deed of trust. In order for there to be grounds for early repayment, the breach of the financial ratio must exist for four consecutive quarters.

50 In order for there to be grounds for early repayment, the breach of the financial ratio must exist for two consecutive years.

51n order for there to be grounds for early repayment, 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.

52 Does not exist regarding the bonds (Series K and Series L).

53 Net financial debt is calculated net of investment property in development. In order for there to be grounds for early repayment, the breach of the financial ratio must exist for two consecutive quarters.

54 Equity calculated plus deferred taxes liabilities, net Total balance sheet less cash and cash equivalents and less tradable securities. In order for there to be grounds for early repayment, the breach of the financial ratio must exist for two consecutive quarters.

5.2.4 Changes in credit from the date of the financial statements to close to the date of the report

- Regarding the signing of a credit facility agreement with the Bank of Israel in January 2021 in the amount of NIS 150 million, see Note 12b(1) to the financial statements.
- Regarding the expansion of bonds (Series L) in January 2021 for a consideration of approx. NIS 144 million, see Note 11(f) to the financial statements.
- Regarding the issuance of bonds (Series H) by Amot in February 2021 for a consideration of approx. NIS 446 million, see Note 11(m) to the financial statements.
- The Group has credit facilities in the amount of NIS 1.8 billion (of which, in the Company – NIS 0.5 billion). As of the date of publication of the report, the amount of NIS 1.4 billion is unutilized (of which, in the Company – NIS 0.3 billion).

5.2.5 Credit rating

The total repayment capacity if the Company (issuer) and the Company's bonds are rated by Midroog Ltd.[55] (hereinafter: "Midroog") at an Aa3 credit rating with a stable outlook and by Maalot Israel Rating Company Ltd.[56] (hereinafter: "Maalot") at a rating of ILAA with a stable outlook.

In the past three years, there have been no changes in the rating of the Company and its bonds from the two rating companies, Midroog and Maalot.

For additional information, see Appendix E to the Board of Directors' Report.

Factors that may impair the rating

1. A decrease in financial flexibility and liquidity or an increase in business and financial risk, including a significant increase in the rate of initiatives;
2. Erosion in leverage ratios;
3. An adverse change in the stability of the Company's dividend receipts.

Bonds of Investees

Amot's bonds (Series B, D, E, F, G and H) are rated Aa2/Stable by Midroog Ltd. ("**Midroog**"), and are rated AA/Stable by Maalot the Israel Securities Rating Company Ltd. ("**Maalot**").

Energix's bonds (Series A and B) are rated A2.il/Stable by Midroog and Ail(P)/Stable by Maalot.

5.2.6 Derivative transactions in foreign currency

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

For information regarding forward transactions in foreign currency conducted by the Group in order to implement the stated policy, see Note 22 to the financial statements.

55Bond Series H, I, J and L.
56Bond Series H, I, J, K and L.

6. Taxation

6.1 Summary of tax laws applying to the Corporation

The Company and its Israeli subsidiaries are subject to the provisions of the Income Tax Ordinance (New Version), 1961.

In the years 2018-2020, the corporate tax rate and the capital gains rate in Israel amounted to 23%.

Regarding tax assessments of Group companies – see Note 20d to the financial statements.

6.2 Tax laws applying to the Group's overseas activities

6.2.1 Taxation of the investment in Carr –

- Carr chose to be defined as an REIT for tax purposes in accordance with Sections 856 through 860 of the U.S. Income Tax Code of 1986, and its amendments ("**the Law**"). As a result, it is required to distribute at least 90% of its taxable income to its shareholders. Therefore, the federal tax liability in respect of the taxable income is transferred to its shareholders[57].

- An American partnership, fully owned by the Company (directly and indirectly) (hereinafter, in this section: "**AH Carr**") holds, through transparent entities, 50.77% of the rights to profits in Carr Properties Holdings (in this section: "**Carr**").

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

Since the Israeli partner is not classified as a U.S. resident, its share of AH Carr's dividend revenues that were distributed by Carr is liable for federal income tax according to the classification of the revenue distributed by Carr as follows:

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

As long as the corporate tax rate in Israel is lower than the withholding tax deduction in the United States, the Israeli partner will not have to complete the payment of taxes in Israel.

The Israeli partner's share in AH Carr's revenues from the sale of Carr's shares (directly and/or indirectly), which according to U.S. law are classified as capital gains, are not liable for capital gains tax in the U.S.[58] In accordance with Israeli internal law, the Company will be liable for tax in Israel in respect of the profits at the corporate tax rate.

The foreign partner is a legal entity incorporated in the United States that chose to be taxed in the United States. The foreign partner's share in dividends to be distributed by Carr to AH Carr and its share in AH Carr's revenues from the sale of Carr shares, less financing expenses (Subject to the U.S. Financing Thin Limit and other restrictions), will be considered taxable income in the United States and will be liable for tax at 21%.

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

58 As long as Carr is a "Domestically Controlled REIT" for five consecutive years close to the date of the sale.

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

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

6.2.2 Taxation of the investment in BE

The Company holds, through fully-owned Israeli companies, 96% of the capital stock of Brockton Everlast (hereinafter: "**BE**").

Starting March 2020, BE chose to be defined as an REIT for tax purposes in the UK. As a result, BE is required to distribute at least 90% of its taxable income from current activity to its shareholders for tax purposes. Therefore, the tax liability for the distributed current taxable income is transferred to its shareholders[59]. The withholding tax deduction for this distribution is 15%.

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

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

6.2.3 Taxation of the investment in Boston

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

Since the Israeli companies are not classified as U.S. residents, the dividend revenues paid to them by the American Partnerships (and which originate in dividends distributed to the American Partnerships by the REIT from activity that is not capital gains) – a 30%[60] withholding tax deduction will apply; according to internal Israeli law, the Israeli companies will be liable for tax in Israel in respect of the dividends at the corporate tax rate, while receiving a credit for the tax they paid in the United States. As long as the Israeli corporate tax rate is lower than the withholding tax deduction in the United States, the Israeli companies will not have to complete the payment of taxes in Israel.

The Israeli companies' share in the revenues of the American Partnerships from the sale of the REIT's shares (directly and/or indirectly) will be liable for capital gains tax in the United States at a rate of 21%. According to Israeli internal law, the Israeli companies will be liable for tax in Israel in respect of the profits as stated at the corporate tax rate, while receiving a credit for the tax paid in the United States.

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

6.3 Undistributed retained earnings of consolidated companies overseas

See Note 20h to the financial statements.

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

60 Some of the American Partnerships are entitled to a deduction for interest expenses and general expenses accumulated in the American Partnerships (Subject to the U.S. Financing Thin Limit).

6.4 Tax laws regarding renewable energy

Energix's activity in Israel

- According to the Income Tax Regulations (Depreciation), 1941, a 25% depreciation rate was determined for electricity-generating facilities using solar energy, making use of photovoltaic technology, applicable to projects whose date of operation was from January 1, 2009 to December 31, 2015. In 2018, the Finance Committee issued an update to the regulations according to which the accelerated depreciation will be given to photovoltaic systems that generate electricity for their own use. Therefore, the depreciation rate for systems connected to the electricity grid from January 1, 2016 is 7%. At the same time, during the reporting period, the Company received approval from the Tax Authority according to which, subject to certain conditions, Energix and its subsidiary companies and partnerships in Israel are defined as an industrial plant, according to the Encouragement of Industry Law (Taxes), 1969. Accordingly, as of that date, accelerated depreciation rates applicable to an industrial plant can be applied.

Energix's activity in Poland

- A tax rate of 19% applies to Energix's activity in Poland. Dividends received by Energix from Poland will be subject to withholding tax in Poland at a rate of 5% (subject to certain conditions). The dividend will be subject to corporation tax in Israel while receiving a credit for the tax paid in Poland.

Energix's activity in the United States

- The federal tax liability in the United States is 21% and the state tax rate is 5% (in the states in which Energix operates). Dividends received by Energix from the U.S. will be subject to withholding tax at a rate of 12.5%, subject to certain conditions and a rate of 17.5% on interest payments.
- Energix is entitled, under provisions of the U.S. tax law, to a tax benefit in respect of photovoltaic projects it is building and operating in the United States in the form of an investment tax credit (ITC). For additional information, see Section 2.2.1.2 of Chapter E above.

Real estate taxation

- Real estate taxation – as a rule, Energix's activity dos not involve the purchase and sale of real estate properties, but instead it enters into engagements for the rental of real estate for periods of up to 23 years in Israel, up to 30 years in Poland and up to 35 years in the U.S., for the purpose of operating electricity-generation facilities. Energix may be exposed to claims from tax authorities and/or local committees for the payment of various fees, surcharges and taxes. In addition, there is real estate taxation in Poland based on the cost of stationary parts in projects, mainly turbine and column bases.

6.5 Main reasons for the difference between tax rates applicable to the Group and the effective tax rates

Tax rates applicable to any subsidiary at its place of residence differ from tax rates applicable to an Israeli resident company, changes in statutory tax rates following legislative changes, revenues not included in the tax net and/or exempt income. In addition, the Company did not record deferred taxes in respect of losses against which no future taxable income is expected. These factors constitute most of the difference between the statutory tax rate applicable to the Company in Israel and the Group's effective tax rate. For the components of this difference, see Note 20j to the financial statements.

6.6 Accumulated losses for tax purposes

See Note 20g to the financial statements.

7. Environmental Risks and their Management

7.1 Amot – Environmental Risks and their Management

7.1.1 Amot, as owner and/or lessee and/or entrepreneur and/or manager of real estate properties, may be found liable by law for breaches of law, including in terms of planning and construction law, business licensing law, competition law and tort law, for breaches of the law in the event that a breach took place within the boundaries of real estate in its possession and/or real estate it leases.

7.1.2 Environmental legislation from recent years, and the increasingly severe environmental enforcement, was designed to ensure that entities that cause damage to the environment will bear the full financial cost of the damage, so that the damage to the environment will become a tangible financial risk to polluting companies and to the entities that finance them. Along with the increase in environmental legislation, enforcement in the field is also increasing and there has been a significant increase in the number of indictments filed against polluting companies. Increased enforcement may expose Amot to several risks, including: legal risk – the risk of criminal action being taken against Amot, and the filing of personal indictments against Amot executives due to their failure to uphold environmental laws, among other things due to the expansion of information available to the public; operational risks – the risk of damage to Amot's activities due to delay or refusal to issue or renew permits and/or other licenses and their conditionality in compliance with standards or other activities; image risk.

7.1.3 Recognizing the need to strengthen environmental risk management in Amot's activities and as part of Amot's distinct policy on this issue, Amot has decided to formulate an internal environmental enforcement plan through its legal advisers who specialize in environmental law and accompanied by environmental consultants. The plan is designed to ensure that Amot activities are carried out in accordance with the requirements of environmental regulation and to reduce exposure to environmental risks.

7.1.4 Amot rents space to cellular companies for the installation and operation of cellular antennas and/or micro-transmitters. According to the agreements signed between Amot and the cellular companies, the responsibility for obtaining the approvals required by any law for the construction and operation of the antennas and/or the micro-transmitters rests with the cellular companies. In addition, the cellular companies undertake to comply with the safety provisions under any law and are responsible for bearing the liability imposed on them by law and indemnifying Amot for any damage caused as a result of their activity in the lease, except for damage caused as a result of an act or omission by Amot. In addition the cellular companies are required to insure, among other things, their legal liability for harm and/or damage that may be caused to third parties due to their activity in the rental property, with the insurance expanded to compensate Amot and the management companies.

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

7.1.5 As of the date of this report, Amot is not a party to any significant legal or administrative proceeding related to the environment in which Amot or any of its senior executives is a party. Furthermore, according to Amot's assessment, as of the date of this report, no event or issue exists related to Amot's activity that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact or implications for Amot.

7.1.6 Amot's environmental risk management policy is conducted within the framework of its general risk management policy and focuses on actions to minimize possible negative effects on Amot's activities. Risk management is carried out mainly by Amot's management through ongoing monitoring of regulatory developments related to the Amot Group's activities, including regarding environmental risks. In view of the fact that most of Amot's properties are rented to office and/or commercial businesses, (which are not in the food and/or industrial sectors), Amot's management does not expect substantial exposure for the Group in terms of environmental issues for these properties.

7.2 Carr – Environmental Risks and their Management

Carr's environmental risk management policy is managed in accordance with the manner in which its general risk management policy is managed, while focusing on actions minimizing any damage to Carr's activity. Risk management is carried out mainly by Carr's management through ongoing monitoring of regulatory developments related to Carr's activity, including regarding environmental risks. In view of the fact that most of Carr's properties are rented to commercial businesses and/or offices (which are not in the food and/or industrial sectors), Carr's management does not expect substantial exposure for the Group in terms of environmental issues to the extent that such matters relate to these properties.

7.3 BE – Environmental Risks and their Management

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

BE or its senior executives are not party to any legal proceedings or claims in connection with environmental risks or risk management and it has not been required to bear any expenses in respect of environmental issues during the reporting period.

7.4 Energix – Environmental Risks and their Management

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

Energix acts in accordance with all relevant laws to reduce environmental risk and to the best of is knowledge, it is in compliance with all environmental regulations required for the receipt of permits to operate Energix facilities.

Energix's environmental risk management policy is within the framework of its general risk management policy, and focuses on activities that reduce to a minimum any possible adverse effects on the Group's activity. Risk management is mainly conducted by the Energix CEO through ongoing monitoring of regulatory developments related to Energix's operations, including with regard to environmental risks. As part of the Group's general risk management, the Energix Board of Directors has decided that the Energix CEO will report regularly to the Chairman of the Board regarding the degree of existing exposure.

As of the reporting date, Energix is not a party to legal proceedings (including a significant legal or administrative proceeding) related to the environment, to which Energix or a senior officer is a party. Furthermore, Energix has not been a party to any such proceedings in the year preceding this report. As of the reporting date, no amounts were ruled or provisions recognized in the financial statements and there were no additional environmental costs applicable to Energix.

Photovoltaic field

Environmental aspects related to Energix's activity in the photovoltaic field may be related to the wear and tear of the components of the photovoltaic systems at the end of their activity. In this regard, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, imposed various obligations on the owners of electronic equipment and batteries, including the disposal and treatment of electronic waste. As of the date of approval of these statements, the law does not have a significant effect on Energix's operations as it currently stands, and it is not aware of any proceedings taken against it under this law, however it may have an effect in the future as long as the systems and their parts are considered "electronic waste". Furthermore, as part of statutory promotion for the construction of facilities, environmental considerations and the impact of the facilities on the environment are considered, including in terms of land use and impact on the landscape. Energix's project at Neot Hovav may have additional aspects as the system in Neot Hovav was built in areas of rehabilitated pools on land that was previously contaminated and underwent a restoration process that was approved and monitored by the Ministry of the Environment. In this regard it should be noted that as part of the agreements between Energix and the Neot Hovav Council, the Council confirmed that Energix would bear no liability regarding the system area rented from the Council, except as a result of Energix violating its commitments regarding the land.

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

As part of Energix's land interest agreements for the projects, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land.

Wind energy

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

As part of Energix's land interest agreements for the projects, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land.

7.5 General – Environmental Risks and their Management

7.5.1 As of the date of this report, the Group is not a party to a significant legal or administrative proceeding related to the environment to which the Company or any of its senior executives is a party, and as of the date of this report, no amounts were ruled or provisions recognized in the financial statements and no other environmental costs apply to the Group. Furthermore, according to the Group's assessments, as of the reporting date, no event or issue exists related to activity in the Group that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact on the Group.

7.5.2 The environmental risk management of the investees is managed by each investee and focuses on actions to minimize possible negative effects on the activities of that company. Risk management is mainly conducted by each investee's management, while regularly monitoring regulatory developments related to its activity, including with regard to environmental risks.

For additional information regarding the management of environmental risks and environmental impacts on the Group's activities, see Section 4 of the Board of Directors' Report.

8. Restrictions and supervision of the Company's activity

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

8.2 The Group's real estate activity in Israel and abroad is subject to real estate law, planning and construction law, accessibility law for people with disabilities and environmental law applicable at the location of the properties.

8.3 The Group's activity in the renewable energies field in Israel is subject to legislation relevant to the Electricity Sector through the Electricity Sector Law, 1996, the Electricity Law, 1954, the regulations and rules issued thereunder, as well as decisions of the Public Services Authority – Electricity, including the book of criteria and decisions of the Government of Israel and the Ministry of Energy and Water. In addition, the development and construction of renewable energy projects, similar to other infrastructure projects, is carried out in accordance with the provisions of the Planning and Building Law, 1965 and national master plans published in connection with the construction of renewable energy facilities. In the U.S. and Poland, Energix is subject to the comparable regulation there.

8.4 On December 11, 2013, the Promotion of Competition and Reduction of Centralization Law, 2013 (in this section: "**the Centralization Law"** or "**the Law**") was published in Reshumot (the official gazette). On March 2, 2021, the Committee for the Reduction of Centralization published the list of centralized entities in which the name of the Company and its subsidiaries appeared on both the list of centralized entities and the list of significant real corporations. As the Company has no control core, the companies directly held by the Company (which are a reporting corporation) are considered "first tier" companies, as this term is defined in the law.

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

This may affect Energix, which is defined as a centralized entity in the field of essential infrastructure because the Company, which is a controlling shareholder in Energix, is a centralized element, in the event that Energix requests a production license for the construction and operation of electric power plants with a capacity exceeding 175 MW connecting to the electricity grid. It should be noted that as of the date of publication of the report, Energix does not have and is not developing a project that exceeds this threshold.

9. Significant agreements

With the exception of agreements in the Group's normal course of business, any of the following agreements (which are in effect) as well as agreements signed by the Group and are binding or were binding for the Group during the reporting period can be considered significant agreements:

A. Regarding the shareholders' agreement between the Company and JPM and Clal Insurance in connection with the investment in Carr, see Note 6g to the financial statements.

B. Regarding the Company's management agreement with Mr. Natan Hetz, the Company CEO, director and who was, until November 26, 2019, one of the controlling shareholders in the Company, see Note 18a to the financial statements.

C. Regarding a system of agreements with the Brockton Managers for the establishment of a real estate company in London – Brockton Everlast, see Note 6d to the financial statements.

d. (1) For agreements regarding the indemnification of the Company's officers, in relation to their activities in the Company, in subsidiaries and in companies in which the Company has holdings, see Note 18c to the financial statements.

(2) For indemnification arrangements for officers in Amot, Energix, BE and Carr, see Note 18c to the financial statements.

10. Legal proceedings

See Note 15a to the financial statements.

11. Goals and Business Strategies

The Company usually makes long-term investments in the areas of income-generating property and in renewable energy through investments in companies in which the Company has a significant influence. As a result of its business approach, the Group intends to continue focusing on developing its existing investments, locating new investments and realizing mature investments.

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

The Group has a conservative financial management policy reflected in financial flexibility resulting from maintaining a high level of unencumbered assets, long-term durations of financial liabilities, ensuring that credit facilities are maintained and that leverage is reasonable.

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

- The continued growth of Carr in Washington DC and in Boston (with an emphasis on entrepreneurism), including examination of entrance into an additional office market in Austin, Texas;
- Focus of Amot's business in the office sector in the center of the Israel, including investments in logistics centers while updating its multi-year strategy ;
- Expansion of Brockton Everlast's London office operations (including promoting development plans for two of its London properties) as well as investing in income-generating property for the Life Science and Innovation Technology industries, including offices and laboratories in Cambridge and Oxford.
- Implementation of Energix's new strategic plan for further expansion of operations in Israel (photovoltaic and wind), building its operations in the United States in photovoltaic projects, and establishment of additional wind projects in Poland.
- Continuous dialogue between all the Group companies engaged in real estate in relation to trends affecting the demand for offices, with reference to the following key factors: the future of the labor market, through property management and operation focused on the FLEX field, construction and operation, green buildings and urbanization processes.
- Sustainability, society and the environment – The Group companies plan to engage in forming a uniform concept related to the issue of ESG (environment, social responsibility and corporate governance).

Naturally, there is no certainty that the Group companies will be able to achieve their goals in 2021, since the realization of the goals depends on many factors that are not under their control.

12. Projected Developments in the Coming Year

The Group will act in the coming year to achieve its business goals as stated in Section 11 above.

13. Financial Information regarding Geographic Regions

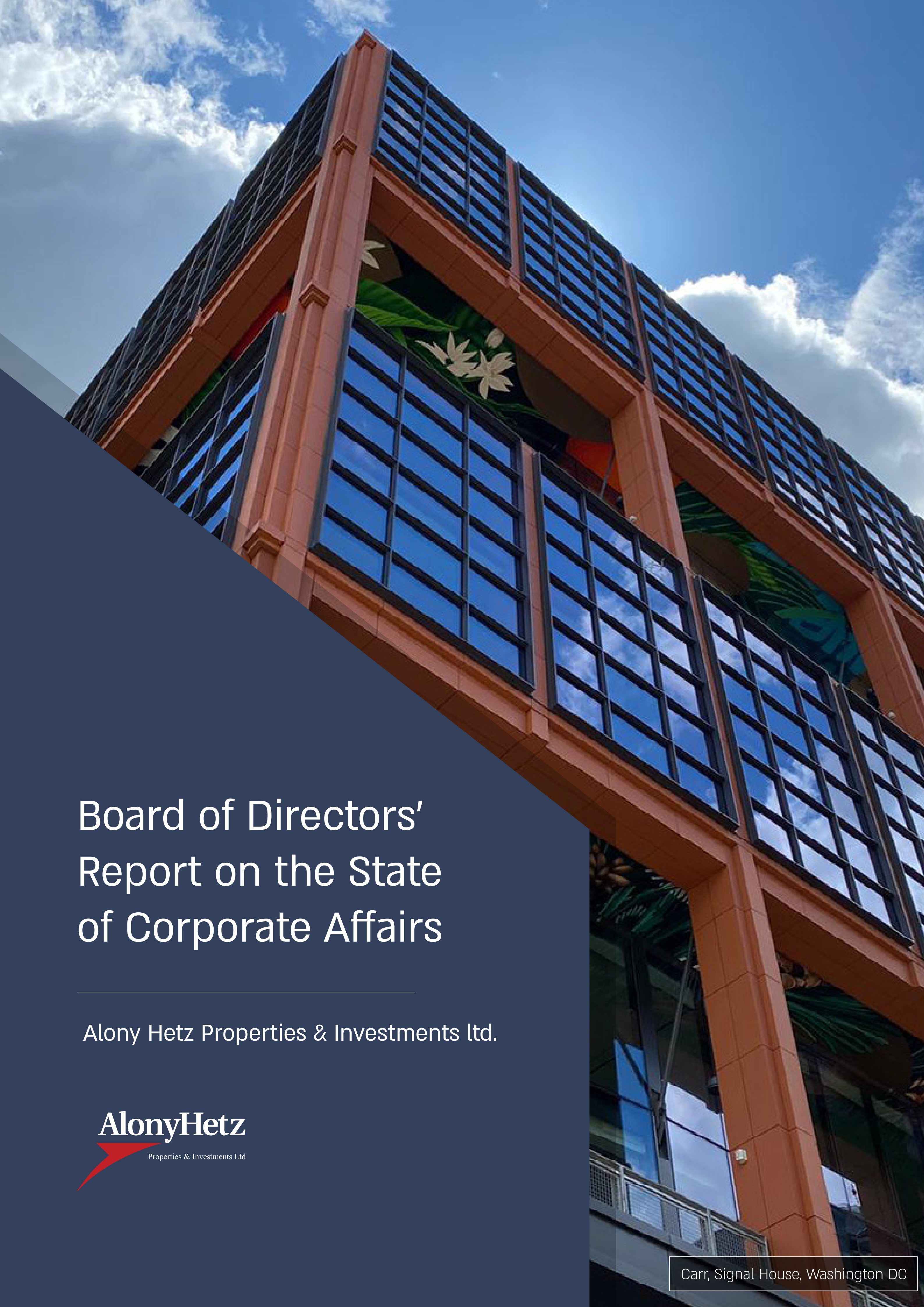
For financial information regarding geographic regions in which the Group operates, see Note 21 to the financial statements.

14. Discussion of Risk Factors

See Section 5 of the Board of Directors' Report.

March 16, 2021
Names and positions of signatories:
Aviram Wertheim, Chairman of the Board of Directors
Nathan Hetz, CEO

Alony-Hetz Properties and Investments Ltd.



Carr, Signal House, Washington DC

Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Contents

Ramat Gan, March 16, 2021

Board of Directors' Report on the State of Corporate Affairs for the Year ended December 31, 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 year ended December 31, 2020 (hereinafter: "**the Reporting Period**").

1. 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 energies. 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.

1.1 The Group's main investments in the field of income-generating real estate as of December 31, 2020:

Activity in Israel

Holdings at a rate of 57.06% in Amot Investments Ltd. (hereinafter: "**Amot**"), a publicly traded income-generating property company whose securities are listed on the Tel Aviv Stock Exchange Ltd. For additional information, see Section 3.3.4 below.

Activity in the United States

- Holdings at a rate of 44.19% in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, an income-generating property company all of whose properties are located in the Washington DC and Boston areas. For additional information, see Section 3.3.5 below.

- Holdings at a rate of 55% of the equity rights and 50% of the control 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 additional information, see Chapter C(2) to the Description of the Corporation's Business and Note 6(i) to the financial statements.

Activity in the UK

- Holdings at a rate of 96.02%[1] in Brockton Everlast Inc. Limited (hereinafter: "**BE**"), a private company that operates in the income-generating property field in the London, Cambridge and Oxford metropolitan areas in the UK. For additional information, see Section 3.3.6 below.

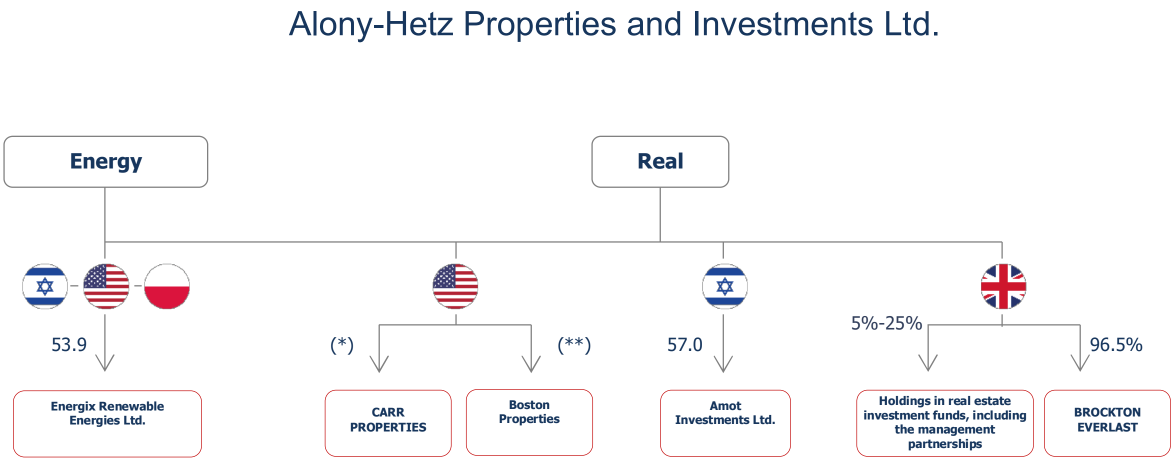
- Holdings in three British real estate funds from the Brockton Group: 25% in Brockton Capital Fund I LP, 5% in Brockton Capital Fund II LP and 9% in Brockton Capital Fund III LP. For additional information, see Note 5 to the financial statements.

[1] The rate of holdings in BE close to the date of publication of the report is 96.52% – see Section 3.3.6 below.

1.2 The Group's investments in the renewable energy field as of December 31, 2020:

Holdings at a rate of 53.96% stake in Energix - Renewable Energy Ltd. (hereinafter – "**Energix**"), a public company whose securities are listed for trading on the TASE. Energix is engaged in the development, construction management and operation of photo-voltaic systems under its ownership in Israel and in the United States, and in the sale of electricity therefrom. In addition, Energix is engaged in the development, construction, management and operation of electricity-generation projects in the wind energy field in Israel and in Poland and the sale of the electricity therefrom. For additional information, see Section 3.3.8 below.

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



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

** Joint holdings with Oxford Properties in three property companies that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

1.4 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.

1.5 Main events from the beginning of 2020 to the publication of this report

The Company Expanded Solo

- Investment in investee companies in the amount of approx. NIS 1 billion from the beginning of the year until the date of publication of the report.
- Realization of 3.2 million PSP shares from the beginning of the year until the date of publication of the report, for a total consideration of approx. CHF 383 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.
- Subsequent to the balance sheet date, the issuance of tradable bonds by way of a series expansion for a gross total consideration of NIS 144 million and an extension of a credit facility in the amount of NIS 150 million from a bank in Israel.

- Win (together with a partner, 50%) in a tender for the lease of a plot of land with an area of approx. 4.5 dunams in the "City Gate" complex, to be built at the entrance to Jerusalem, with a planned investment amount of approx. NIS 1.1 billion (Amot's share – NIS 550 million).
- Capital raising for the amount of NIS 400 million, of which the Company invested the amount of NIS 320 million.
- Debt raising in the reporting period in the total amount of approx. NIS 1.8 billion, which was used, among other things, for the voluntary repayment of bank credit and repayment of bonds in the total amount of NIS 0.8 billion. The bonds bear CPI-linked effective interest of 1.6% and have an average weighted duration of 8 years. Subsequent to the balance sheet date, debt was raised totaling approx. NIS 450 million with an weighted average duration of 9 years at a CPI-linked effective interest rate of 1%.

- Acquisition of 50% of the rights in the complex incorporating two adjacent office buildings in Boston according to a value of USD 485 million and receipt of a loan in the amount of USD 280 million to finance the acquisition for a period of 5 years at fixed interest of 1.94% (Carr's share – 50%).
- Realization of two properties located in the Washington DC metropolitan area in consideration for USD 218 million (Carr's share).
- Subsequent to the balance sheet date, a memorandum of understanding was signed for the sale of 49% of the Midtown Center complex in Washington DC at an expected value of approx. USD 980 million. The net consideration, less the balance of the loan secured by the encumbrance of the complex, is a total of USD 455 million (Carr's share – USD 223 million).
- Issuance of capital in the amount of USD 93 million, of which the Company invested USD 44 million (NIS 151 million).

- Acquisition of a business park for GBP 80 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%.
- Subsequent to the balance sheet date, BE entered into agreements for the acquisition of two complexes at the Cambridge Science Park in the total amount of GBP 142 million:
    - A signed agreement for the acquisition of two buildings at the Cambridge Science Park with a total rental area of 70 thousand sq.ft. in a complex with an area of 17 dunams for GBP 45 million. Completion of the transaction is subject to preconditions. BE anticipates that the above transaction will be completed by the end of March 2021.
    - Completion of the acquisition of five buildings at the Cambridge Science Park with a total area of 200 thousand sq.ft. in a 33-dunam complex for a total of GBP 97 million. The acquisition of the complex was financed with equity that the Company invested in BE and through a bridging loan provided by the Company to BE, until bank financing is received for the property.

BROCKTON EVERLAST

- Commercial operation of the first four projects established by Energix in Virginia, USA with a total capacity of 82MWp.
- Accelerated growth in Energix's operations in the photovoltaic field in Virginia, USA – beginning of construction work on projects with a capacity of 140 MWp and estimates for the construction of projects in advanced development with a total capacity of 345 MWp. Also, subsequent to the balance sheet date, signing of a memorandum of understanding for the acquisition of 100% of the rights in a photovoltaic project with a capacity of approx. 150 MWp in Virginia, which is in advanced development stages and has an interest in the land, a binding connection survey to the electricity grid and a building permit.
- Establishment of photovoltaic projects in Israel with a total capacity of 139 MWp at high voltage. In addition, estimates for the development and construction of projects with a capacity of 180-200 MWp as part of the win in a second tender (PV with combined storage) and the promotion and planning of an extra-high voltage project with a capacity of 90 MWp in the National Infrastructure Commission.
- Construction of two wind farm projects in Poland with a total capacity of 126 MW and a win in a tariff tender for another project with a capacity of 56 MW.
- Completion of significant milestones for the promotion of a wind project in the northern Golan Heights with a capacity of approx. 100 MW (ARAN project), including receipt of government approval for the project plan, receipt of a conditional license for the project and conducting of a binding connection survey. Energix is in an advanced stage for obtaining a building permit.
- Raising of capital in public offerings totaling NIS 472 million, of which the Company invested a total of NIS 34.5 million, and a raising of capital in the exercise of option warrants (Series 3) in the total amount of NIS 94 million, of which the Company invested the amount of NIS 24 million.
- Raising of bonds convertible into shares in the amount of approx. NIS 500 million in the reporting period bearing unlinked annual interest at a rate of 0.25%.
- Signing of an agreement for project financing in the amount of up to NIS 380 million for the financing of photovoltaic projects with a capacity of up to 139 MWp (third and fourth competitive procedures).

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1.6 Summary of the main data – the Group

	Unit	2020	2019	2018	% Change[2]
Main Financial Results – Consolidated Statement					
Revenues from rental fees and management of investment property	NIS thousands	891,632	830,156	704,299	7.4
Fair value adjustments of investment property	NIS thousands	(187,782)	995,791	260,200	
Group share in the profits of associates, net	NIS thousands	99,670	413,437	341,737	(75.9)
Net profit for the year	NIS thousands	465,485	1,448,075	751,100	(67.9)
Net profit attributable to Company shareholders	NIS thousands	302,998	956,100	514,146	(68.3)
Comprehensive income for the year attributable to Company shareholders	NIS thousands	56,119	596,962	737,787	(90.6)
FFO attributable to Company shareholders[3]	**NIS thousands**	**495,433**	**525,533**	**493,223**	**(5.7)**
Total balance sheet	NIS thousands	26,500,374	25,098,865	19,893,176	5.6
Equity (including non-controlling interests)	NIS thousands	9,912,830	9,507,835	8,138,489	4.3
Financial debt (bank credit and bonds)[4]	NIS thousands	13,394,404	12,852,209	10,037,153	4.2
Net financial debt[5]	NIS thousands	11,179,623	12,080,460	9,023,038	(7.5)
Ratio of net financial debt to total balance sheet[6]	%	46.0	49.7	47.8	
Main Financial Results – Expanded Solo[7]					
Total balance sheet	NIS thousands	10,791,514	11,400,370	9,989,476	(5.3)
Equity attributable to Company shareholders	NIS thousands	6,401,866	6,336,545	5,851,503	1.0
Financial debt (bank credit and bonds)[4]	NIS thousands	3,680,979	4,496,547	3,789,339	(18.1)
Net financial debt[5]	NIS thousands	3,078,047	3,977,747	3,226,630	(22.6)
Ratio of net financial debt to total balance sheet[6]	%	30.2	36.6	34.2	
Earnings per share data					
Earnings per share – basic	NIS	1.75	5.55	3.01	(68.4)
Comprehensive income per share – basic	NIS	0.32	3.47	4.32	(90.6)
FFO per share[3]	**NIS**	**2.87**	**3.05**	**2.89**	**(6.1)**
Current dividend per share[8]	NIS	1.16	1.14	1.10	1.8
NAV per share	NIS	37.04	36.68	34.19	1.0
NNAV per share[9]	NIS	44.16	44.91	41.08	(1.7)
Price per share at end of period	NIS	44.90	54.60	34.89	(17.8)

2. 2020 compared to 2019.
3. 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.
4. Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
5. Financial debt presented net of cash balances.
6. Net financial debt as a percent of total balance sheet, less cash balances.
7. 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).
8. The above dividend amount does not include an additional dividend for the years 2020 and 2018 in the amount of NIS 0.2 per share and NIS 0.42 per share, respectively.
9. When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

	Unit	2020	2019	2018	% Change[3]
Investment in Israel – Amot Investments Ltd. (57.06% rate of holdings)[10]					
Number of income-generating properties	Unit	104	104	102	
Value of investment property (without property in development)	NIS thousands	12,718,390	12,847,643	10,244,564	(0.1)
Weighted capitalization rate deriving from investment property	%	6.52	6.44	7.03	
Occupancy rate at end of period	%	97.2	97.7	97.2	
Value of investment property in development	NIS thousands	1,222,883	620,954	870,838	96.9
Ratio of net financial debt to total balance sheet	%	43	42.5	45.4	
NOI[11]	NIS thousands	734,204	727,552	678,479	0.9
FFO[12] per share	NIS	1.32	1.44	1.42	(8.5)
Ordinary dividend per share	NIS	0.98	0.94	0.90	4.3
Additional dividend per share[13]	NIS	-	0.31	0.30	
Total dividend per share	NIS	0.98	1.25	1.20	(21.6)
NAV per share	NIS	15.42	16.02	13.92	(3.7)
NNAV per share	NIS	18.73	19.46	16.84	(3.8)
Price per share at end of period	NIS	17.99	25.07	18.14	(28.2)
Investment in the United States – Carr Properties Corporation (rate of holdings – 44.19%)[14]					
Number of income-generating properties	Unit	13	14	17	
Value of investment property (without property in development)	USD thousands	2,894,350	2,903,630	3,103,480	(0.3)
Occupancy rate at end of period	%	90.53	93.46	90.94	
Rental rate at end of period	%	92.55	96.10	92.87	
Number of properties in development	Unit	4	4	4	
Value of property in development[15]	USD thousands	995,297	638,788	274,193	55.8
Ratio of net financial debt to total balance sheet	%	44.9	41.3	41.3	
NOI[16]	USD thousands	155,096	156,189	120,849	(0.7)
FFO[17]	USD thousands	92,386	87,187	72,856	6.0
NAV per share	USD	1.32	1.35	1.40	(1.9)
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings – 96.02%)					
Number of properties	Unit	5	4	-	
Value of investment property	GBP thousands	665,250	566,250	-	17.5
Occupancy rate at end of period	%	95.1	97.8	-	
Ratio of financial debt to total balance sheet	%	50.7	49.3	-	
NOI	GBP thousands	25,868	15,241	-	69.7
FFO	GBP thousands	7,909	1,068	-	
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53.96%)					
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	222.8	173.2	129.5	28.7
Installed capacity from connected wind systems (MW) – Energix's share	Unit	119.2	119.2	119.2	
Balance of connected electricity-generating facilities – according to book value	NIS thousands	1,635,328	1,252,562	1,301,949	30.6
Revenues from sale of electricity and green certificates	NIS thousands	261,803	237,126	170,440	10.4
FFO from projects[17] – Energix's share	NIS millions	181	170	113	6.5
Price per share at end of period	NIS	14.66	10.31	4.78	42.2

10. 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 coming into effect.
11. Net operating income
12. Funds from operations.
13. 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.
14. 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.
15. Not including the Clarendon 2025 project located in the Washington DC metropolitan area with a value of approx. USD 19 million (Carr's share – USD 16 million), which was classified as held for sale as of December 31, 2020.
16. In 2020 and 2019, the NOI and the FFO include revenues of a non-recurring nature in the amount of USD 12 million and USD 9 million in respect of termination fees upon the departure of tenants.
17. Not including Energix's development, administrative and general cash flow costs that are not connected with projects.

2. The global Corona pandemic – 2020

2.1 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 2020, has resulted in a global health and economic crisis, different from anything the world has known in the past. 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 most countries, 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, traffic was restricted within and between countries, gatherings in public places were banned and in some countries, entry to non-residents was also banned.

At the end of the year, recovery began along with the development and approval of the vaccine against the virus. Pharmaceutical companies led by Pfizer reported better-than-expected results in the third phase of the clinical trials and towards the end of 2020 some have received FDA approval for the use of vaccines. At the same time, the above companies established an infrastructure for the mass production of vaccines, a move that enabled the start of their distribution to various countries as early as December 2020.

The research departments of central banks around the world predict a wide range of options for emerging from the crisis.

The rate of recovery in the Group companies' activity markets is derived from the population vaccination campaigns (including mutations that may be resistant to the vaccines).

Naturally, the crisis has an effect on the entire activity of the Group, with an emphasis on the income-generating property.

2.2 Information regarding the implications of the crisis on income-generating property activities

- The crisis described has led to a global recession which has resulted in a decline in demand for space resulting from the need for business entities to become more efficient. The unemployment rate rose in all of the Group's activity markets. Many companies have closed their offices and have asked most employees to work from home. Government restrictions in the form of closures while reducing mass transit systems (with an emphasis on markets with subways) intensified the decline in the demand for rentals.

- The economic slowdown has led to a decline in the rate of construction starts on new projects by entrepreneurial companies. The Group is of the opinion that this trend should create a future shortage in the rental space of modern offices with a return to economic growth. This growth should raise the active demand for office space.

- At the same time as the 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. In the group's activity markets, there has been a slowdown in the volume of rentals, and in some there have been price reductions with an increase in "incentive packages" for tenants (free rental period and an allocation of investments in the rental property). The average duration of the Group companies' long-term rentals has, in most cases, neutralized a substantial part of the aforementioned negative effects.

- The vast majority of the Group's properties (over 90%) are in the office field, while in Israel the Group also operates in the industry and logistics fields, which have hardly been affected by the crisis. In contrast, the commercial sector (with the exception of supermarkets, pharmacies, and bank branches), whose activity was more severely affected by "closure rounds" since the outbreak of the pandemic, constitutes only about 9% of the Group's total assets in Israel and around the world.

- The Group companies received requests from some of their tenants for relief (including postponement and spreading out of payments) in the payment of rent. It should be noted that the overwhelming majority of the requests were in Israel. From the beginning of the crisis, the total collection rate in the Group companies was 94% in Israel, 96% in the UK and 99% in the United States.

- The following is information regarding the impact of the crisis on the Group companies' NOI in 2020:

Geographic Region	**Currency**	**Investee's Share in millions**	**Company's Share In NIS millions**	**Main Use Affected**
Israel (Amot)	ILS	(64)	(36)	Commerce
USA (Carr and AH Boston)	USD	(6)	(10)	Parking lots
UK (BE)	GBP	(2)	(7)	Commerce
Company's Share			**(53)**	

- The Corona crisis has affected the value of the Group's real estate assets in Israel and around the world.

  The changes in value were mainly due to the loss of revenues from tenants in commerce in Israel and the UK, a significant decrease in revenues from parking lots in the U.S., an increase in the discount rate of cash flows (appraisals on the basis of the discounted cash flow) 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.

  The following is a concentration of investment property revaluations made by the Group in 2020:

Geographic Region	**Currency**	**Investee's Share in millions**			**Company's Share In NIS millions**
		Negative Revaluations of Income-Generating Properties	**Positive Revaluations of Properties in Development**	**Total**	**Total**
Israel (Amot)	ILS	(171)(*)	8	(163)	(90)
USA (Carr and AH Boston)	USD	(103)	80	(23)	(44)
UK (BE)	GBP	(10)(**)	-	(10)	(42)
Company's share before the tax effect					**(176)**
Tax effect					**41**
Company's share after tax					**(135)**

(*) Includes a negative revaluation in the amount of NIS 63 million due to the decline in the CPI.
(**) Includes a negative revaluation in the amount of GBP 6 million due to the reduction in property acquisition costs.

2.3 Information regarding additional processes in the office sector

The working assumption according to which the Group operates is that the crisis intensified the following processes:

- 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, including streamlining at work due to artificial intelligence.

- The beginning of a trend of expanding the personal space allocated to the employee, in contrast to the process in recent years of reducing the employee's office space, especially with the transition to shared work spaces.

- Flexible Office – An area that combines several development directions regarding property management, 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 for the use of operating units, 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.

- "Emphasis on environmental sustainability" – a demand for rentals of office space in towers with various green standards ("BREEAM") / "CARBON NET ZERO" / "WELL" / "LEED").

2.4 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 contracts arranged at fixed prices and transactions for fixing prices or for hedging foreign exchange rates carried out by Energix.

During 2020, 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, 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.

It should be noted that despite or due to the Corona pandemic, dozens of other giant international corporations have joined corporations such as Apple, Facebook, Microsoft, Google, and others who have set themselves 100% green energy consumption targets by 2050 under the RE100 initiative.

2.5 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.

The Company's estimates of the possible consequences of future developments in the economic environment in which the Group operates 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 available to the Company, on publications and research on these subjects and on the guidelines of the relevant authorities in the various countries in which the Group operates. It should be clarified that there is no certainty that the above assessments will be realized, in whole or in part, due to factors beyond the Company's control.

3. Board of Directors' Explanations for the State of Corporate Affairs

3.1 The business environment

For details regarding the business environment in which the Group operates, see Section A(6) of the chapter Description of the Corporation's Business.

3.2 Statement of Financial Position

Statement of Financial Position Item	**31.12.20 NIS millions**	**31.12.19 NIS millions**	**Notes and Explanations**
Cash and cash equivalents	2,215	772	For Statement of Cash Flows – see Section 3.6 below.
Investment property	16,250	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 687 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 existing properties and in property in development in the amount of approx. NIS 417 million. On the other hand, there was a decrease of approx. NIS 188 million in respect of adjustments to the fair value of investment property in the reporting period and a decrease in the amount of approx. NIS 104 million due to the appreciation of the NIS against the GBP. For additional information regarding the Group's investment property – see Note 4 to the financial statements.
Investments in associates Securities measured at fair value through profit and loss (including the investment in PSP that is classified as an investment "held for sale").	4,688	6,121	The following are the main changes: • Partial realization of the investment in PSP in the amount of NIS 1.2 billion. • New investments during the period in the amount of NIS 207 million (mainly an investment of NIS 151 million in Carr's capital. • A decrease in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 262 million. • A decrease in respect of dividends or returns of capital received in the amount of NIS 284 million. • An increase in investments due to equity profits in the amount of NIS 100 million. For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in associates, see Notes 5 and 6 to the financial statements, respectively. In addition, see Section 3.3 below.
Electricity-generating facilities – connected and in development	2,664	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 Notes 7 and 8 to the financial statements.
Other assets	683	627	
Total assets	26,500	25,099	
Loans and bonds	13,606	12,888	The following are the main changes: • Increase in respect of the raising of bonds offset by repayments in the amount of NIS 1.4 billion. • Repayment of loans and credit facilities (net from the receipt of loans) in the amount of NIS 0.4 billion. For details regarding the main changes in the Group's financial debt – see Section 3.4.3 below.
Other liabilities	2,981	2,703	
Total liabilities	16,587	15,591	
Equity attributable to shareholders	6,402	6,337	For details regarding the main changes in equity attributable to shareholders – see Section 3.7.2 below.
Non-controlling interests	3,511	3,171	
Total equity	9,913	9,508	
Total liabilities and equity	26,500	25,099	

3.3 Investments

3.3.1 The following are the Company's investments (expanded solo) as of December 31 2020

	Currency	Number of Shares	Balance in NIS thousands	Adjusted Value in NIS thousands	Adjusted Value Measurement Basis
Amot	NIS	233,718,872	3,586,540	4,204,603	Stock market value
Energix	NIS	260,352,283	821,405	3,816,764	Stock market value
CARR	USD	-	3,004,322	3,004,322	Equity method
BOSTON	USD	-	778,230	778,230	Equity method
BROCKTON EVERLAST	GBP	-	1,386,009	1,386,009	Equity method
PSP	CHF	531,309[18]	200,311	229,404	Stock market value
BROCKTON FUNDS	GBP	-	160,197	160,197	Equity method
Other (mainly cash)			681,375	681,375	
Total			10,618,389	14,260,904	

3.3.2 Investments in the Reporting Period and Subsequent to the Balance Sheet Date

During the reporting period and subsequent to the balance sheet date, the Company invested the amount of approx. NIS 1 billion in its investees and in securities measured at fair value through profit or loss, as detailed below:

	2020	Subsequent to the Balance Sheet Date In NIS millions	Total	
Amot	342	-	342	See Section 3.3.4 below
CARR	151	-	151	See Section 3.3.5 below
Brockton Everlast	194	207[19]	401	See Section 3.3.6 below
Boston	28	14	42	
Energix	59	-	59	See Section 3.3.8 below.
Brockton Funds	12	-	12	
	786	221	1,007	

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

During the reporting period, the Company completed the sale of the majority of its holdings in PSP, an investment made by the Company in 2006.

During the reporting period, the Company sold 3.1 million PSP shares for a consideration of CHF 372 million (approx. NIS 1.4 billion). Subsequent to the balance sheet date, the Company sold an additional 100 thousand PSP shares for a consideration of CHF 11.5 million (NIS 42 million).

[18] As of the date of publication of the report, the Company holds 431,309 PSP shares.
[19] In addition to the aforementioned investment, subsequent to the balance sheet date, the Company granted BE a bridging loan in the amount of GBP 57 million (NIS 259 million) – see Section 3.3.6 below.

3.3.4 Investment in Real Estate in Israel – Via Amot

Additional investments in Amot in the reporting period:

In the reporting period, Amot raised capital in the gross amount of NIS 400 million, of which the Company invested the amount of NIS 320 million.

Amot's business development in the reporting period and subsequent to the balance sheet date:

- The Amot NOI amounted to NIS 734 million in the reporting period, compared to NIS 728 million in the corresponding period, an increase of approx. 1%. The increase is due to revenues from newly acquired properties, additional revenues in respect of spaces that were completed and started to generate income, offset by the effect of the total amount of relief granted to tenants, which amounted to NIS 64 million in 2020 (of which NIS 60 million for commercial center tenants and the rest for hotel tenants).
- During 2020, Amot signed 383 new leases, including option exercises and contract renewals amounting to 131 thousand sq.m. in annual rental fees in the amount of NIS 123 million. The spaces were leased at average rental fees per sq.m. higher than the rent generated by these properties until that date.
- In June 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 extension period of 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. The parties are working together to plan, establish 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%.
- Subsequent to the balance sheet date, Amot signed an agreement to purchase half of the rights in a logistics center near Kibbutz Hafetz Haim, with rental space of 18.5 thousand sq.m., for the amount of NIS 71 million. The property is fully leased for a period of 10 years and is expected to yield NOI in the amount of NIS 8.1 million (Amot's share – 50%).

The following is a summary of data regarding projects in stages of construction as of December 31, 2020:

Name of Property	Location	Main Use	Rate of Holdings	Land Area (100%, in dunams)	Thousands of Marketable Above-Ground sq.m., 100%	Estimated Completion Date	Value of Project in Amot's Books as of December 31, 2020	Estimated Construction Cost, including Land and Parking Basements	Balance to Completion as of December 31, 2020	Expected NOI upon Project Occupancy
							Amot's Share – in NIS millions			
Amot Holon	Holon	Offices	77.8%	11	60	2021	396	570	174	47
Amot Modi'in[20]	Modi'in	Offices	75%	-	9	2022	26	66	40	5
HaLehi Complex	Bnei Brak North	Offices	50%	16	82	2024	155	617	462	49
Total				27	151		577	1,253	676	101
Parking lot ToHa 2	Tel Aviv	Parking lot	50%				37	150	113	

The information in this Section 3.3.4 regarding the estimated end of construction date, estimated construction cost, expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, security situation, demand for offices, changes in the City Building Plan that are subject to the approval of the authorities, etc.

The information is based on the Amot management's assessments assuming full occupancy, the realization of which is not under Amot's control.

[20] During the third quarter of 2020, Amot classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

The following is a summary of data regarding projects in stages of planning and development as of December 31, 2020:

Name of Property	Location	Main Use	Thousands of Marketable Above-Ground sq.m., 100%	Rate of Holdings	Thousands of Marketable Above-Ground sq.m.	Estimated Construction Cost, including Land and Parking Basements in NIS millions (a)
				Amot's Share		
ToHa 2	Tel Aviv	Offices	140	50%	70	1,000
K Complex – Jerusalem	Jerusalem	Offices	103	50%	51.5	550
The 1000 Complex	Rishon Letzion – West	Offices	19	100%	19	260
Platinum Stage B (b)	Petach Tikva	Offices	27	100%	27	220
Land at the Kfar Saba - Ra'anana North Junction	Kfar Saba	Offices	35	50%	17.5	170
Total			324		185	2,200

(a) The cost of construction includes the land component and does not include adjustments to tenants and capitalizations.
(b) Subject to the completion of the purchase of additional construction rights in order to build a matching tower to Platinum Stage A.

The information included in this section regarding the construction costs and construction completion dates constitutes forward-looking information as defined in Section 32a of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

Fair value of investment property[21]:

In the reporting period, Amot recorded a negative revaluation of assets in the amount of NIS 163 million, compared to a positive revaluation of assets in the amount of NIS 891 million in the corresponding period last year. The revaluation in the current period was mainly due to the effect of the decrease in the CPI during the period and a decrease in value due to the effect of the Corona crisis on Amot's assets.

For additional information regarding the investment in Amot, see Chapter B of the Description of the Corporation's Business and Note 6(c) to the financial statements.

3.3.5 Investment in Carr

Raising capital

In June 2020, Carr raised a total of USD 93 million from its shareholders, from which the Group invested a total of USD 44 million (NIS 151 million).

[21] According to Amot's Pro Forma Statements (Consolidated Expanded Statements of Income).

Carr's business development in the reporting period and subsequent to the balance sheet date:

- In March 2020, Carr acquired 50% of the rights to the complex of two adjacent and connected office buildings located in Boston (75-101 Federal Street) (hereinafter: "the Complex"), according to a value of USD 485 million for the entire complex (Carr's share – USD 242.5 million). To finance the acquisition of the complex, Carr and the partner took a loan in the amount of approx. USD 280 million against a lien on the Complex, such that the equity component invested by Carr in the transaction was approx. USD 105 million.
- During 2020, Carr sold two properties located in the Washington DC metropolitan area in consideration for USD 218 million (Carr's share). The properties have a rental area of 436 thousand sq.ft. (41 thousand sq.m.) (Carr's share), which generated a representative annual NOI of USD 9 million (Carr's share). Subsequent to the balance sheet date, in January 2021, Carr sold land that was held jointly with a partner for development located in the Washington DC metropolitan area, for a consideration of USD 19 million (similar to the property's book value).
- In January 2021, subsequent to the balance sheet date, Carr signed a memorandum of understanding for the sale of 49% of the rights and the debt of the Midtown Center in Washington DC ("**the Complex**"), according to a total value of the Complex of USD 980 million (a value equal to the value in Carr's books as of the end of December 2020). A loan of USD 525 million (to be repaid in October 2029) will be deducted from the value of the Complex, which is guaranteed by a lien on the Complex, so that the scope of the transaction (100%) amounts to USD 455 million. If and when the sale is completed, Carr is expected to receive USD 223 million for 49% of the rights in the Complex, less the loan as stated.

  Execution of the aforesaid transaction is conditional on the signing of a detailed and binding agreement, performance of a due diligence to the satisfaction of the acquirer and compliance with preconditions, as is customary in transactions of similar sizes. Carr anticipates that the closing of the transaction will be completed in the course of the second quarter of 2021.

  As part of the main goals in its business development plan, Carr intends to direct most of its proceeds from the above sale to investments in office space in Austin, Texas. As a result of the implementation of the above strategy, Carr is considering the acquisition of an office building in the Austin CBD.

  The information regarding the closing of the partial sale of the Midtown complex and regarding Carr's future office investments in Austin, Texas is forward-looking information within the meaning of Section 32A of the Securities Law and as such its realization is not certain and is not only under Carr's control. The information is based on the assessments of Carr's management.

For additional information regarding the investment carried out by Carr in the reporting period and subsequent to the balance sheet date, see Note 6(g)(2) to the financial statements.

- The following is a summary of data regarding projects in stages of construction and planning as of December 31, 2020:

Name of Property	Location	Main Use	Rate of Holdings	Thousands of Marketable Above-Ground sq.ft., 100%	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in Carr's Books as of December 31, 2020 (a)	Balance for Completion of Construction Costs as of December 31, 2020	Expected NOI upon Project Occupancy (middle of forecast range) (b)
						Carr's Share – in USD millions			
The Wilson and The Elm	Metropolitan Area - DC	Offices + Rental Housing	100%	802	End of 2020 – Mid-2021	535	504	31	33
Signal House	Metropolitan Area - DC	Offices	100%	228	April 2021	144	91	53	10
One Congress	Boston CBD	Offices	75%	987	March 2023	675	255	420	45
Total				2,017		1,354	850	504	88

(a) The cost does not include real estate revaluations. The cumulative revaluations recorded as of December 31, 2020 amount to a total of USD 146 million.
(b) The expected NOI data for at the time of occupancy refer to the NOI in the first year of cash flow stabilization, after the end of the free rental period, and does not take escalation bump-ups into account.
(c) The above table does not include the Clarendon 2025 Project located in North Virginia (Arlington), a market belonging to the Washington DC metropolitan area, which was sold subsequent to the balance sheet date for a consideration of USD 19 million (Carr's share – USD 16 million).

The information in the above table regarding the estimated completion date, estimated construction cost, expected NOI upon occupancy of the project, and the information on the expected annual average NOI for the next five years in the "Complex" referred to in Subsection 2 above is forward-looking information as defined in Section 32A of the Securities Law since it is influenced by factors independent of the Group such as construction costs, demand for offices or rental housing, etc.

Fair value of investment property

in the reporting period, Carr recorded a net negative revaluation in the amount of USD 2 million, consisting of a positive revaluation of USD 80 million in respect of projects in development, which were offset by a negative revaluation of USD 82 million in respect of income-generating properties (the Group's share in the negative revaluation before tax is approx. USD 1 million, approx. NIS 3 million).

Additional Information

In November 2019, JPM notified the company its intention to sell its entire holding in Carr (which is approx. 35% of Carr's equity).

For additional information regarding provisions on the matter of the transferability of rights between the Company and JPM that were signed in 2013, see Note 6(g)(2) to the Financial Statements.

For additional information regarding the investment in Carr – see Chapter C(1) in the Description of Corporate Business and Note 6(g) to the Financial Statements.

3.3.6 Investment in Brockton Everlast:

Additional investments in BE in the reported period and subsequent to the balance sheet date:

In the reporting period, the Company invested the amount of GBP 44 million (NIS 194 million) in BE's capital. Also, subsequent to the balance sheet date, the Company invested a total of GBP 46 million (NIS 207 million) in BE's capital and also granted BE a bridging loan in the amount of GBP 57 million (NIS 259 million) for the acquisition of a complex in the Cambridge Science Park, as detailed below.

From BE's date of establishment until the date of publication of the report, the Company has invested a total of GBP 352 million (approx. NIS 1.6 billion) in BE's equity[22]. The Company's holding rate in BE close to publication is 96.52%.

In order to implement BE's business plan to build a portfolio worth more than GBP 3 billion over the coming years, the Company intends to invest an additional GBP 200 million (whether in BE's equity or in loans to BE) beyond its original commitments (in the amount of GBP 340 million).

BE's business development in the reporting period and subsequent to the balance sheet date:

- 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). The business park, which includes office space and an open commercial center, with a total rental area of approx. 16 thousand sq.m., is located on an 11-acre land division (approx. 44 dunams).
- As part of BE's entrepreneurship plan, during the reporting period BE acquired two buildings adjacent to existing buildings under its ownership for a total consideration of approx. GBP 14 million (approx. NIS 62 million) (not including transaction costs).
- Subsequent to the balance sheet date, BE entered into agreements for the acquisition of seven buildings in two complexes at the Cambridge Science Park in the city of Cambridge for a total consideration of GBP 142 million:

  418 & 436 Cambridge Science Park

  In January 2021, BE signed an agreement to purchase two buildings with a total rental area of approx. 70 thousand sq.ft. with the right to lease the land for a period of 150 years, in a complex with an area of 17 dunams for GBP 45 million (approx. NIS 208 million) (not including transaction costs) ("the Complex"). The complex has the potential for future betterment for the establishment of a modern science park, while significantly increasing building rights.
  Completion of the transaction is subject to preconditions. BE anticipates that the above transaction will be completed by the end of March 2021.

  214-240 Cambridge Science Park

  In February 2021, BE acquired a leasehold right for a period of 90 years in a complex (located in the vicinity of the property described above) on an area of 33 dunams, on which five buildings with a total area of approx. 200 thousand sq.ft. are built, in consideration for GBP 97 million (NIS 437 million) (not including transaction costs) ("the **Acquisition Consideration**" and" the **Complex**", respectively).

  <u>The complex includes two adjacent areas</u>:

  Area A – An area of approx. 19 dunams on which three buildings have been built with a total area of approx. 135 thousand sq.ft. and which are fully leased with an average lease duration of 6.6 years, to companies from the Life Science industry.

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22. Includes an investment of GBP 40 million designated for the acquisition of Brockton Capital LLP.

Area B – An area of approx. 14 dunams on which two buildings are to be demolished during the coming year, and in their place new buildings for the Life Science industry will be built (subject to the approval of the city building plan), with a total area of approx. 130 thousand sq.ft. BE estimates that the total expected construction cost (not including the land component) will reach approx. GBP 44 million (NIS 198 million).

For the acquisition of the complex, subsequent to the balance sheet date, the Company invested a total of approx. GBP 46 million (approx. NIS 207 million) in BE's capital and provided BE with a bridging loan in the amount of approx. GBP 57 million (approx. NIS 259 million). BE is expected to repay the bridging loan over the next few weeks, upon taking bank credit against the acquired complex.

The information detailed in Section 3.3.6 above regarding the completion of the transactions, the expected construction costs and the taking of bank credit is forward-looking information as defined in Section 32A of the Securities Law as it is influenced by factors that are not dependent on BE.

For additional information regarding the investment carried out by BE in the reporting period and subsequent to the balance sheet date, see Note 4(c) to the financial statements.

Fair value of investment property:

In the reporting period, BE recorded a negative property revaluation in the amount of GBP 10 million, compared with a positive revaluation of GBP 34 in the corresponding period last year. The revaluation in the current period was due to the amortization of the properties' acquisition costs in the amount of GBP 6 million and a negative revaluation of a property in the amount of GBP 4 million.

For additional information regarding the investment in BE, see Chapter D of the Description of the Corporation's Business and Note 6(d) to the financial statements.

3.3.7 Investment in AH Boston

In early March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD), decided to leave the building. This space constitutes 76% of the total rental space in the building. In view of the above, a request was submitted for a forfeiture of the bank guarantee provided by We Work in the amount of USD 3.5 million, representing six months' rent. The Company and Oxford, its partner, are working to lease the space and at the same time are exploring the possibility of an entrepreneurial project to transform the entire building from an office building to a Life Science laboratory building.

For additional information regarding the investment in AH Boston – see Chapter C(2 in the Description of Corporate Business and Note 6(i) to the Financial Statements.

3.3.8 Renewable energy investments through Energix

Raising capital

In the reporting period, Energix raised capital in the amount of NIS 472 million, of which the Company invested NIS 34.5 million. In addition, in the reporting period, Energix raised capital through the exercise of options (Series 3) in the amount of NIS 94 million, of which the Company invested the amount of NIS 24 million.

Energix's business development in the reporting period and subsequent to the balance sheet date:

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to 402 MW in commercially operated projects, approx. 461 MW in projects in development or preparing for construction, approx. 725 MW in projects in advanced stages of development and over 1,800 MW in projects in the development stage.

- **United States**

  During the reporting period, the first four photovoltaic projects that Energix established in Virginia, USA with a total capacity of approx. 82 MWp commenced commercial operation. The projects' construction was financed through equity and from an investment by a tax partner with which Energix engaged in the amount of USD 47 million.In addition, Energix is in the midst of construction work on additional projects in Virginia, USA with a capacity of approx. 140 MWp, which are expected to be connected to the electricity grid over the course of the second and third quarters of 2021, and it continues to work to promote a massive project backlog in advanced development in Virginia with a capacity of 345 MWp, with the aim of starting their construction in the coming year.

  Also, subsequent to the balance sheet date, Energix signed a memorandum of understanding for the acquisition of 100% of the rights in a photovoltaic project with a capacity of approx. 150 MWp in Virginia, which is in advanced development stages and has an interest in the land, a binding connection survey to the electricity grid and a building permit.

- **Poland**

  In the reporting period, Energix commenced construction work on two wind farm projects in Poland with a total capacity of approx. 126 MW. In addition, in the reporting period, Energix won a guaranteed tariff tender for another project with a capacity of approx. 56 MW.

- **Israel**

  As of the date of approval of the report, Energix is in the midst of construction work on photovoltaic projects with a total capacity of approx. 139 MWp at high voltage. In addition, Energix is in preparations for the development and construction of projects with a capacity of 180-200 MWp as part of the win in a second tender (PV with combined storage) and is also promoting an extra-high voltage project with a capacity of approx. 90 MW in the National Infrastructure Commission following the government's approval, in the reporting period, of the project for the winner of the first tender for extra-high voltage as a national infrastructure project.

  Energix is also in advanced stages of development and construction of the ARAN wind farm project in the northern Golan Heights with a capacity of approx. 110 MW. During the reporting period, Energix completed a number of significant milestones for advancing the ARAN project prior to construction, including government approval for the project plan, a conditional license and a binding connection survey, and it is in the advanced stages of obtaining a building permit.

That stated in Section 3.3.8 above, in connection with projects under construction and planning, is forward-looking information as defined in Section 32A of the Securities Law, based on the assessments of Energix's management and for reasons that are not under Energix's control, it may not be realized and/or not in the manner described above.

For additional information regarding Energix's business development in the reporting period and subsequent to the balance sheet date, see Chapter E of the Description of the Corporation's Business and Notes 7 and 8 to the financial statements.

For additional information regarding the investment in Energix, see Chapter E in the Description of the Corporation's Business and Note 6(e) to the financial statements.

3.3.9 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2020 and the projected receipts of dividends for 2021:

	2020 Actual	2021 Projected	Additional Information in the Financial Statements
	In NIS millions		
Amot	277	234	Note 6(c)(3)
Energix	41	47	Note 6(e)(3)
BE	-	53	Note 6(d)(3)
CARR	95	91[23]	Note 6(g)(2)(f)
PSP	35	-	Note 6(h)(1)
AH Boston	32	29	Note 6(i)(3)
	480	454	

- The dividend receipt forecast for 2021 is calculated in accordance with the declared dividend distribution policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report. From the beginning of the year until the date of publication of the report, dividends and returns on capital were received in the amount of NIS 88 million.
- The above table does not include dividends and returns on investments from the Brockton Funds, which were received and which may be received upon realization of their properties. From the beginning of 2020 to the date of publication of the report, dividends and investment repayments were received from Brockton in the amount of GBP 2 million (NIS 10 million).
- The information on dividend receipts for 2021 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.

3.3.10 Management fee receipts

The following are the management fees received by the Company (expanded solo) in 2020 and the projected receipts of management fees for 2021:

	2020 Actual	2021 Projected	Additional Information in the Financial Statements
	In NIS millions		
Amot	9	9	Note 6(c)(4)
Energix	5	6	Note 6(e)(5)
	14	15	

3.4 Liquidity and financing sources

3.4.1 Cash and credit facilities

As of December 31, 2020, the Group has cash balances of approx. NIS 2.2 billion (of which the Company's expanded solo balance – NIS 603 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).

As of the date of publication of the report, the Group has unutilized lines of credit in the amount of approx. NIS 1.4 billion (of which the Company's expanded solo lines of credit – NIS 330 million).

[23] Until the date of publication of the report, the Company has received the amount of approx. USD 27 million (approx. NIS 88 million) from Carr in respect of 2021.

3.4.2 Unencumbered assets

As of December 31, 2020, the Company's assets (expanded solo) are not encumbered. The balance of the Company's assets (expanded solo) (not including cash and other current assets) is in the amount of NIS 10 billion (a market value of NIS 13.7 billion). As of December 31, 2020, Amot has a balance of unencumbered assets in the amount of approx. NIS 13.7 billion.

3.4.3 Financial debt

As of December 31, 2020, the Group's net financial debt amounted to NIS 11.2 billion, constituting 46.0% of all Group assets, compared to a net financial debt of NIS 9 billion, constituting 47.8% of the Group's assets, as of December 31, 2019.

As of December 31 2020, the Company's (expanded solo) net financial debt amounted to 3.1 billion NIS, or 30.2% of the Group's total assets (expanded solo), compared to net financial debt of 3.2 billion NIS, or 34.2% of the Company's assets (expanded solo), as of December 31 2019.

<u>During the reporting period and subsequent to the balance sheet date, the Company (expanded solo) performed the following:</u>

- During the reporting period, the Company repaid bonds in the amount of approx. NIS 347 million.
- In the reporting period, the Company made a 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.
- Subsequent to the balance sheet date, the Company signed a credit facility agreement with the Bank of Israel in the amount of NIS 150 million for a one-year period ("**the utilization period**") to be repaid by the end of two years from the end of the utilization period.
- Subsequent to the reporting period, the Company raised debt by expanding an existing bond series for a total consideration of NIS 144 million (before issue expenses).

As of the date of the report, the Company is in compliance with all of the financial covenants of the loans and the bonds.

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

Amot:

- In the reporting period, Amot issued tradable bonds (Series F) in the amount of approx. NIS 1 billion PV. The bonds bear CPI-linked effective interest of 1.8% and have an average duration of 8 years.
- In the reporting period, Amot issued a new series of tradable bonds (Series G) in the amount of NIS 800 million PV with an average duration of 9 years and CPI-linked effective interest at a rate of 1.3% (taking into consideration the hedging transactions conducted by Amot with financial entities in Israel that converted the NIS principal and interest CPI-linked principal and interest).
- In February 2020, at its own initiative, Amot made an early repayment of a loan to a banking institution in the amount of NIS 268 million (including the early repayment fee). Following the early repayment, in 2019, Amot recorded approx. NIS 39 million as non-recurring financing expenses paid in cash on the repayment date.
- Subsequent to the balance sheet date, Amot issued bonds through an issuance of a new series (Series H) in a total amount of NIS 450 million PV for a net consideration of NIS 446 million. The bonds bear an effective CPI-linked interest rate of 1% and have an average duration of 9 years.

Brockton Everlast:

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

Energix:

- In December 2020, Energix signed an agreement with an Israeli institutional body, through a project under its control (hereinafter: "the Partnership"), for the receipt of project financing of up to NIS 380 million, for the financing of photovoltaic projects with a capacity of up to 139 MWp established under a quota it won as part of the third and fourth competitive procedures for high-voltage photovoltaic facilities published by the Electricity Authority. The loan is CPI-linked and will bear interest at an annual rate to be determined on the date of withdrawal according to the rate of return on government bonds with a similar average duration plus a margin of 2.1%, as stipulated in the agreement, and will be repaid proportionately over a period of 22 years.
- 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 in August 2027 and bear a fixed annual interest rate of 0.25% (unlinked).

As of the date of the report, Amot, Energix and BE are in compliance with all of the financial covenants of the loans and the bonds.

For information regarding the Group's reportable substantial credit, see Chapter F, Section 5.2 in the Description of the Corporation's Business.

For additional details regarding the Group's liabilities, see Notes 11 and 12 to the financial statements.

3.5 Operating results

In the reporting period, the Group recorded a net profit of NIS 465 million, compared to a net profit of NIS 1,448 million attributable to Company shareholders in the corresponding period last year. The share of Company shareholders in the profit amounted to NIS 303 million, compared to a profit of NIS 956 million attributable to Company shareholders in the corresponding period last year.
In the reporting period, the Group recorded comprehensive income of NIS 201 million. The share of Company shareholders in the income amounted to NIS 56 million, compared to a profit of NIS 597 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.

The following is the calculation of the FFO (in NIS thousands):

	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	302,998	956,100	514,146
Adjustments to profit and loss:			
Fair value adjustments of investment property	187,782	(995,791)	(260,200)
Company share in real estate revaluations and other non-FFO items in investees	125,297	(153,676)	(66,587)
Profit from decrease in rate of holding, from purchase and realization of investees	(200,953)	(96,680)	(47,676)
Loss (profit) from securities	19,094	5,966	(7,480)
Others (mainly depreciation and amortizations)	89,381	66,930	68,204
Accumulated linkage differentials and exchange rate differentials	(30,403)	57,494	39,845
Deferred taxes and current taxes from the realization of securities and real estate, net	134,834	475,074	243,165
Share of non-controlling interests in the above adjustments to FFO	(132,597)	210,116	9,806
FFO (*)	**495,433**	**525,533**	**493,223**
The sources of the FFO are as follows:			
Revenues			
Investment property NOI	817,010	762,166	643,009
NOI from the sale of electricity, less development costs	215,609	200,230	141,250
PSP's share in FFO without real estate revaluations	31,495	73,964	78,022
Carr's share in FFO without real estate revaluations	139,903	126,910	130,288
Boston's share in FFO without real estate revaluations	43,244	43,635	41,955
Energix, Brockton Everlast and Amot associates' share in FFO	10,324	15,252	24,885
Dividend income from investments and others (mainly Brockton Funds)	5,142	32,666	27,508
Total revenues	**1,262,727**	**1,254,823**	**1,086,917**
Expenses			
Real financing, net	(300,932)	(284,157)	(258,232)
Administrative and general	(111,462)	(109,966)	(75,910)
Current taxes	(59,816)	(53,308)	(32,404)
Share of non-controlling interests attributable to current operations	(295,084)	(281,859)	(227,148)
Total expenses	**(767,294)**	**(729,290)**	**(593,694)**
FFO	**495,433**	**525,533**	**493,223**
FFO per share (NIS)	**2.87**	**3.05**	**2.89**

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

	For the Year			Q4	Q3	Q2	Q1
	2020	2019	2018	2020	2020	2020	2020
				NIS thousands			
Revenues and profits							
Revenues from rental fees and management of investment property	891,632	830,156	704,299	215,276	231,652	204,319	240,385
Fair value adjustments of investment property	(187,782)	995,791	260,200	(8,785)	10,440	(103,193)	(86,244)
Group share in the profits of associates, net	99,670	413,437	341,737	32,617	64,337	(22,730)	25,446
Net profit, relating to investments in long-term securities intended for sale	(15,250)	24,711	33,150	4,241	1,220	(11,558)	(9,153)
Profit from decrease in rate of holding, from purchase and realization of associates	200,953	96,680	47,676	4,377	45,848	26,483	124,245
Revenues from sale of electricity and green certificates	261,803	237,126	170,440	67,526	62,812	61,725	69,740
Other revenues (expenses), net	(553)	1,027	2,132	(1,774)	627	12	582
	1,250,473	**2,598,928**	**1,559,634**	**313,478**	**416,936**	**155,058**	**365,001**
Costs and expenses							
Cost of investment property rental and operation	74,622	67,990	61,290	19,919	19,070	16,339	19,294
Development, maintenance and operation costs of electricity-generating facilities	37,565	30,482	38,509	10,091	7,024	8,836	11,614
Depreciation and amortization	82,598	60,549	46,683	18,950	28,592	18,873	16,183
Administrative and general	125,024	121,799	88,406	34,814	30,462	28,839	30,909
Financing expenses, net	270,529	341,651	298,077	62,748	74,670	71,158	61,953
	590,338	**622,471**	**532,965**	**146,522**	**159,818**	**144,045**	**139,953**
Profit before taxes on income	**660,135**	**1,976,457**	**1,026,669**	**166,956**	**257,118**	**11,013**	**225,048**
Income tax expenses	194,650	528,382	275,569	93,458	36,973	(5,701)	69,920
Net profit for the period	**465,485**	**1,448,075**	**751,100**	**73,498**	**220,145**	**16,714**	**155,128**
Distribution of net income for the period:							
Company shareholders' share	302,998	956,100	514,146	37,475	157,827	3,715	103,981
Non-controlling interests	162,487	491,975	236,954	36,023	62,318	12,999	51,147
	465,485	**1,448,075**	**751,100**	**73,498**	**220,145**	**16,714**	**155,128**

Comparison of 2020 operating results and 2019 operating results:

Revenues from rental fees and investment property management – amounted to NIS 892 million in the reporting period, compared to NIS 830 million in the corresponding period last year, a 7% increase. Approx. NIS 52 million of the increase stems from revenues from new properties acquired by Brockton Everlast during 2019 and in the reporting period. The balance of the increase in the amount of approx. NIS 9 million stems from an increase in revenues in Amot due to additional revenues from newly acquired properties, additional revenues in respect of space that whose construction was completed and which began to yield, and less the effect of the total relief for Amot's commercial center tenants in the amount of approx. NIS 60 million, which were fully recognized in the reporting period.

Fair value adjustment of investment property – In the reporting period, a negative value adjustment of investment property was recorded in the amount of NIS 188 million, compared to a positive fair value adjustment of NIS 996 million in the corresponding period last year.
The loss in the current period is due to the negative value adjustment recorded by Amot in the amount of NIS 144 million, mainly due to the impact of the Corona crisis on its properties and due to the decline in the CPI in the reporting period and due to a negative value adjustment in the amount of NIS 44 million recorded by Brockton Everlast, mainly due to the amortization of acquisition expenses for properties acquired in the reporting period. The profit in the corresponding period was due mainly to a decrease in Amot's cap rate of approx. 0.5%. In addition, in the corresponding period, income was recorded for the first time in the amount of NIS 153 million in respect of the fair value adjustment of Brockton Everlast's investment property.

Group share in the profits of associates, net – the profit in the reporting period stems mainly from:

- Group share in AH Boston's profits – A loss of NIS 4 million was recorded in the reporting period, compared to a profit of NIS 164 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.

- Group share in PSP's profits – A profit of NIS 13 million was recorded in the reporting period, compared to a profit of NIS 154 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 129 million was recorded in the reporting period, compared to a profit of NIS 81 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 compared to the corresponding period last year (see explanation in Section 3.3.5 above).

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 201 million, stems mainly from the sale of 3.1 million PSP shares. See also Section 3.3.3 above.

Revenues from the sale of electricity and Green Certificates – the NIS 25 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) in the amount of approx. NIS 19 million and from projects in the United States (82 MWp) in the amount of approx. NIS 6 million, which were not commercially operated in the corresponding period.

Depreciation and amortization – The increase in costs in the reporting period compared to the corresponding period last year stems from the depreciation of electricity-generating systems not connected in the corresponding period.

Financing expenses – There was a NIS 71 million decrease in financing expenses in the reporting period compared to the reporting period last year. Most of the decrease 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 0.3% in the corresponding period last year. In addition, in the corresponding period last year, the Group recorded a non-recurring expense of approx. NIS 33 million, due to a voluntary early repayment of loans by Amot and Energix. On the other hand, there was an increase in financing expenses due to the increase in the Group's financial debt.

Tax expenses – There was a NIS 338 million decrease in tax expenses in the reporting period compared to the reporting period last year. Most of the decrease is 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.

Comparison of 2019 operating results and 2018 operating results:

Revenues from rental fees and management of investment property – totaled 830 million NIS in 2019, compared to 704 million NIS in 2018, a 18% increase. The increase was due mainly to revenues from new properties purchased by Brockton Everlast in 2019 in the amount of approx. NIS 2.4 billion and from the occupancy of the ToHa1 tower in Amot, the construction of which was completed.

Fair value adjustment of investment property – revenues from the fair value adjustment of investment property in 2019 amounted to NIS 996 million, compared to NIS 260 million in 2018. The increase was due mainly to a decrease in Amot's cap rate of approx. 0.5%. In addition, in 2019, income was recorded for the first time in the amount of NIS 153 million in respect of the fair value adjustment of Brockton Everlast's investment property.

Group share in the profits of associates, net – The profit in 2019 stemmed mainly from the following:

- Group share in AH Boston's profits – A profit of NIS 164 million was recorded in 2019, compared to a profit of NIS 70 million in 2018. The increase in AH Boston's profits stems from higher real estate revaluations recorded in 2019 compared to 2018, mainly from the signing of new rental contracts and from an increase in occupancy rates.
- Group share in PSP's profits – A profit of NIS 154 million was recorded in 2019, compared to a profit of NIS 136 million in 2018. The increase in PSP's profits stems from higher real estate revaluations recorded by PSP in 2019 compared to 2018, and from non-recurring tax income recorded in 2019 following the decrease in tax rates in the various Swiss cantons. On the other hand, there was a decrease in the holding rate of PSP due to the sale of PSP shares at the end of 2018 and during 2019 which reduced the Group's share in PSP's profits.
- Group share in Carr's profits – In 2019, a profit of NIS 81 million was recorded, compared to a profit of NIS 136 million in 2019. The decrease in Carr profits stems mainly from lower revaluations of property recorded by Carr in 2019 compared to 2018.

Net profit, relating to investments in securities measured at fair value through profit and loss – The profit in 2019 and 2018 stems from the fair value adjustment of securities measured at fair value through profit or loss (including Brockton funds). In addition, the profit in 2018 included a capital gain of NIS 18 million from the realization of the Company's share in the Brockton Funds' management company as part of the establishment of Brockton Everlast and the purchase of the management company by Brockton Everlast.

Profit from decrease in holdings, from purchase and realization of investees – The profit in 2019, in the amount of NIS 97 million, stems mainly from the sale of 950 thousand PSP shares. In 2018, a profit of NIS 42 million was recorded from a change in the rate of holdings in Carr following Carr's raising of capital from Clal Insurance and entities under its management, and a profit of NIS 6 million from the sale of 1 million PSP shares. The increase in profit from the sale of PSP shares in 2019 compared to 2018 is mainly due to the exercise price per share which was higher in 2019.

Revenues from the the sale of electricity and Green Certificates – The NIS 67 million increase in revenues in 2019 compared to 2018 stems from an increase in electricity-generating facilities in Poland due to an increase in the production volume and in the price of green certificates, offset by the effect of the NIS appreciation of 9% against the PLN in 2019. In addition, in 2019 revenues were recorded in the amount of approx. NIS 30 million from photovoltaic systems that had not been connected in the corresponding period.

Depreciation and amortization – The increase in costs in 2019 compared to 2018 stems from the depreciation of electricity-generating systems not connected in 2018, and from depreciation expenses recorded in respect of a right-of-use asset in accordance with IFRS 16 "Leases", which came into effect in January 2019.

Administrative and general expenses – The increase in expenses in 2019 compared to 2018 stems mainly from administrative and general expenses of Brockton Everlast, which began operating in the second half of 2018.

Financing expenses – There was a NIS 44 million increase in financing expenses in 2019 compared to 2018. In 2019, the Group recorded a non-recurring expense of approx. NIS 33 million, due to a voluntary early repayment of loans by Amot and Energix. In addition, there was an increase of NIS 26 million due to loans taken by Brockton Everlast for the purpose of financing the properties it acquired in 2019. On the other hand, higher CPI-linkage expenses were recorded in 2018.

Tax expenses – There was a NIS 253 million increase in tax expenses in 2019 compared to 2018. The increase in tax expenses is mainly due to higher real estate valuations recorded by the Group in 2019 as well as tax expenses related to the partial realization of the investment in PSP.

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

	For the Year			Q4	Q3	Q2	Q1
	2020	2019	2018	2020	2020	2020	2020
				NIS thousands			
Net income for the period:	**465,485**	**1,448,075**	**751,100**	**73,498**	**220,145**	**16,714**	**155,128**
Profit (loss) from investment in Carr (1) (2)	(135,706)	(230,763)	105,841	(91,322)	(14,664)	(51,178)	21,458
Profit (loss) from investment in PSP (1)	10,919	(35,545)	72,153	(2,152)	6,773)	3,452)	2,846
Profit (loss) from investment in Boston properties (1)	(34,748)	(38,555)	21,508	(25,088)	(4,649)	(13,538)	8,527
Profit (loss) from investment in BE (1) (3)	(30,408)	(16,016)	960	(4,603)	19,213	(24,261)	(20,757)
Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax) (4)	(36,335)	(5,885)	(13,066)	(1,309)	(18,183)	(7,887)	(8,956)
Profit (loss) from other investments	(40,354)	(50,151)	(2,032)	(27,463)	16,551	7,216	(36,658)
Tax effects	1,999	(875)	35,909	(13,711)	10,779	(2,429)	7,360
Other Comprehensive Income (Loss) for the Period	**(264,634)**	**(377,790)**	**221,273**	**(165,649)**	**15,820**	**(88,625)**	**(26,180)**
Total comprehensive income (loss) for the period	**200,851**	**1,070,285**	**972,373**	**(92,151)**	**235,965**	**(71,911)**	**128,948**
Distribution of comprehensive income (loss) for the period:							
Company shareholders' share	56,119	596,962	737,787	(115,940)	165,251	(87,473)	94,281
Non-controlling interests	144,732	473,323	234,586	23,789	70,714	15,562	34,667
	200,851	**1,070,285**	**972,373**	**(92,151)**	**235,965**	**(71,911)**	**128,948**

(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 (7.0%), (3.7%) and (2.1%) against the USD, the GBP and the CHF, respectively.

In 2019, there was an appreciation of the NIS by a rate of (7.8%), (4.9%) and (6.1%) against the USD, the GBP and the CHF, respectively.

In 2018, there was a devaluation of the NIS by a rate of 8.1%, 2.4% and 7.1% against the USD, the GBP and the CHF, respectively.

(2) The net profit (loss) from the investment in Carr in 2019 and 2018 includes a loss of NIS 75 million and a profit in the amount of NIS 12 million, respectively, in respect of the Company's share in the changes in the fair value of interest rate fixing transactions carried out by Carr.

(3) The net profit (loss) from the investment in BE in the reporting period and in the corresponding period last year includes a loss of NIS 4 million and NIS 12 million, respectively, in respect of the Company's share in the changes in the fair value of interest rate fixing transactions carried out by BE.

(4) In the reporting year and in 2019 and 2018, the profit from realization of investment in long-term securities and intended for sale that was classified to the statement of income is in respect of the sale of the PSP shares – see details in Section 3.3.3.

3.6 Cash flows

	2020	2019	2018
		NIS millions	
Total cash provided by operating activities	**754**	**706**	**620**
Cash flows used in investing activities			
Investment in associate by BE	-	-	(194)
Investment in Carr	(151)	(246)	-
Investment in Boston properties	(28)	(44)	(24)
Proceeds from the sale of PSP	1,359	440	364
Investment in investment property and fixed assets	(1,139)	(3,839)	(797)
Investment in electricity-generating facilities	(628)	(481)	(319)
Investment in Brockton Funds	(12)	(62)	(28)
Repayment of investment from Brockton Funds	10	65	91
Realization of investment property	-	-	107
Net decrease (increase) in pledged deposits and restricted cash in Energix	137	(124)	75
Proceeds (payment) of repaid hedging transaction	25	19	(94)
Other	(39)	(12)	17
Total cash used in investing activities	**(466)**	**(4,284)**	**(802)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	428	1,582	206
Proceeds from the issue of bonds and bond options	2,300	2,745	1,325
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(1,705)	(1,260)	(754)
Receipts from Brockton Everlast's non-controlling interests	-	-	64
Capital raised by the Company	4	47	15
Capital raised by Amot (net of the Company's investment in Amot in the issue)	18	338	271
Capital raised by Energix (net of the Company's investment in Energix in the issue)	598	361	13
Acquisition of Amot and Energix shares from non-controlling interests	(22)	(14)	(42)
Payment of dividends to Company shareholders and to Amot non-controlling interests	(457)	(460)	(424)
Other	-	(2)	(19)
Total cash provided by financing activities	**1,164**	**3,337**	**655**
Total increase (decrease) in cash balances in the period	**1,452**	**(241)**	**473**
Other influences	**(9)**	**(1)**	**(5)**
Cash and cash equivalents at end of period	**2,215**	**772**	**1,014**

3.7 Equity

3.7.1 Equity per share

	As of December 31 2020	As of December 31 2019
	NIS millions	
Equity	9,913	9,508
Less non-controlling interests	(3,511)	(3,171)
Equity attributable to Company shareholders	**6,402**	**6,337**
NAV per share	**37.04**	**36.68**
NNAV per share	**44.16**	**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 65 million. The main changes are as follows:

- Net profit attributable to Company shareholders in the amount of NIS 303 million – see additional details in Section 3.5.2 above.
- Other comprehensive loss attributable to Company shareholders in the amount of NIS 247 million – see additional details in Section 3.5.3 above.
- A reduction in capital due to dividends paid in the amount of NIS 200 million.
- Increase in capital reserves due to the profit created in the capital offering of associates in the amount of NIS 204 million.

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

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of December 31, 2020 (in NIS millions):

Currency	Assets	Liabilities	Assets, net	%
USD	3,946	(2,532)	1,414	22%
CHF	200	(179)	21	0%
GBP	1,546	(978)	568	9%
Other (mainly PLN and CAD)	150	(26)	124	2%
Excess assets over liabilities in foreign currency	5,842	(3,715)	2,127	33%
Excess assets over liabilities in NIS	4,950	(675)	4,275	67%
Equity as of December 31, 2019	10,792	(4,390)	6,402	100%

- In 2020, the Company's capital was reduced by approx. NIS 205 million, net (before the tax effect) due to changes in the NIS against the foreign currencies in which the Group operates (mainly changes against the USD).

For details regarding the Company's currency exposure policy, see Section 5.2.1 below.

3.7.4 Dividends

For details regarding dividends distributed by the Company in 2020 and regarding the dividend policy for 2021, see Note 16(d) to the financial statements.

3.8 Remuneration of Senior Employees

On October 9, 2018, the General Assembly approved a remuneration policy that adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: "**the Remuneration Policy**"), which replaced the remuneration policy that was in effect until that date.

The Remuneration Committee and the Board of Directors at their meetings of March 14, 2019 and March 19, 2019, respectively, determined the range of the annual cash bonus according to a formula in accordance with the remuneration policy for 3 Company officers (hereinafter: "**the VPs**") for the years 2019-2021 (hereinafter: "**the formula-based cash bonus framework**").

The Remuneration Committee and the Board of Directors at their meetings of March 9, 2021 and March 16, 2021, respectively, discussed and determined the Company's annual bonus for the VPs in respect of 2020 according to the formula-based cash bonus framework and according to the remuneration policy and the economic value of the capital bonus to be granted to each of the VPs in 2021 according to the remuneration policy.

The Remuneration Committee and the Board of Directors examined, with respect to each VP separately, all the criteria determined in the remuneration policy, and stated, among other things, that:

(א) The bonuses offered are for the benefit of the Company in the long term.

(ב) The total remuneration of each of the VPs, including the remuneration of the VP of Business Development and the CFO, including the variable components, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), is in accordance with the remuneration policy and constitutes a fair consideration for the contribution of each VP to the Company's operations and its results.

(ג) They do not believe that the bonuses detailed above will have an effect on employment relationships in the Company.

Regarding the remuneration terms for 2 Company officers (VPs), see details in Regulation 21 in the Additional Details chapter of the Periodic Report.

Remuneration of the Company CEO -

On October 9, 2018, the General Assembly approved a new management agreement with a company owned by Mr. Nathan Hetz, the Company CEO (hereinafter: "**the Management Company**") in accordance with the remuneration policy, for a period of three years beginning January 1, 2019 (hereinafter: "**the 2019 Agreement**"). The 2019 Agreement replaces a previous agreement with the Company CEO. For additional information, see Note 18(a) to the financial statements.

Remuneration of the Chairman of the Company's Board of Directors -

On October 9, 2018, the General Assembly approved a management agreement with a company owned by Mr. Aviram Wertheim, Chairman of the Company's Board of Directors for a period of three years beginning January 1, 2019, and for as long as he serves as Chairman of the Company's Board of Directors. For details, see Note 18(b) to the Financial Statements.

Remuneration of officers -

Regarding the terms of office and employment of the nine officers with the highest remuneration among the senior executives of the Company or of companies under its control, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) 1970 (of which three are officers of the Company itself), see details in Regulation 21 in the Additional Information in the Periodic Report.

Regarding the granting of option warrants to officers and employees of the Company, see Note 16(e) to the financial statements. Regarding the granting of option warrants to directors, see Note 18(c)(2) to the financial statements.

4. Sustainability and Social Responsibility – Environmental Risk Management, Environmental Responsibility and the Environmental Impact on the Group's Activities

The Group operates in all its branches around the world, out of awareness of its responsibilities and the environmental consequences resulting from its activities. The Group operates out of a commitment to minimize the environmental impact of its activities, with an emphasis on sustainability. The Group recognizes that proper environmental risk management may provide it with a business advantage that will benefit it, its employees and its customers and increase trust in the community. Therefore, the Group works to integrate environmental considerations into the business and management decision-making system of the Group companies.

From 2006, the Company has been rated by Maala. As of the reporting date, the Group is rated at the **platinum rating level**.

The aspects of sustainability and social responsibility applied in the Company can be characterized in several areas:

1. **Corporate governance -**

The Group conducts itself in accordance with procedures and high standards of corporate governance, strict ethical standards in the business conduct and supports a high level of transparency. Among the Group's core values: fair business conduct, managers' responsibility for their employees, maintaining individual confidentiality and privacy, safeguarding employees' rights and family values.

The Company has an ethical code that presents the above core values, and its policy on social, environmental and community issues, which is published on the Company's website.

It should be noted that approx. 60% of the directors who serve on the Company's Board of Directors are independent directors (including external directors).

2. **Environment -**

The Group promotes the integration of green building methods in the Group companies' planning, development and improvement programs, in accordance with the strict and advanced standards that exist in the green construction industry that ensure the preservation of the environment and the health of the Group's customers.
Green construction, or sustainable construction, refers to an environmentally responsible and resource-efficient process throughout the life cycle of a building. Green buildings are designed to reduce the overall impact of the built up environment on human health and the natural environment through the efficient use of energy, water and other resources, and by reducing pollution. The buildings are equipped with efficient and environmentally friendly air systems that measure the indoor air quality, systems for water utilization for reuse and charging stations for electric vehicles are installed.

Some examples:

a. Leadership in Energy and Environmental Design (hereinafter: "**LEED**") – The LEED standard, which was drafted by the U.S. Green Building Council, includes five main categories as follows: sustainable sites; efficient use of water; energy and atmosphere; materials and resources; and the environmental quality within a building. All projects initiated and in development by the Group are planned in accordance with the most stringent LEED standards, LEED Platinum or LEED Gold. It should be noted that the Amot Atrium project, built by the Group in Ramat Gan, has received the LEED Platinum standard. After that, the "ToHa1" project in which the Group is a partner also received that standard. The Amot Campus project in Holon is also in the process of being certified for the LEED Platinum standard.

b. The Israeli standard for green building (5281) – The standard includes several categories for review, including: energy, water, materials, waste, health, transportation and more, as well as a number of indicators for defining a green building. The standard is divided according to common building types, including residential buildings. offices, educational institutions, commerce and public buildings. In this context, it should be noted that the "Amot Platinum" office tower in Petah Tikva is the office tower that received the highest score in Israel in this category.

These green construction methods, both for the construction phase and for the operation and maintenance phase, are intended, among other things, to enable the Group to reduce the carbon footprint of its assets in its vision of achieving the "Net Zero Carbon" standard.

c. Along with the compliance with the most stringent environmental standards in construction, the Group currently uses advanced construction technologies, such as the following:
   1.) Double Skin Facade – A technology for the exterior cladding of buildings, using a double glass wall (which provides thermal and acoustic insulation) and an automatic shading system that follows the angle of the sun and allows maximum natural light to enter the building without direct radiation (the system is controlled by an automatic control system).
   2.) Use of recycled materials – The Group companies make sure to use materials with recycled content, in accordance with the stringent requirements of the LEED Platinum standard.

In addition, the Group, through Energix, actively supports and participates in the financing of the establishment of visitor centers for education and to expose the younger generation to the sustainability field, with an emphasis on the environment and preservation of the earth's resources.

3. Proximity to public transportation -

The Group works, in its various branches around the world, to develop projects close to public transportation in order to reduce the use of polluting private transportation, and encourages the use of non-polluting tools by creating designated areas for bicycle parking, installation of charging stations for electric vehicles, etc., in new projects and projects in development.

4. Renewable energy -

The Group is engaged, through Energix Renewable Energy Ltd., in the development, construction and operation of electricity-generation systems from solar and wind energy in Israel, the United States and Poland. The Group, through Energix, has set itself the goal of becoming a private electricity producer, taking an active and leading role in the green energy revolution. The Group emphasizes the creation of additional added value, which is reflected in the Triple Win strategy: contribution to the environment, contribution to the community and added value to the Group's activities, such as establishing projects in the periphery, while investing in infrastructure and creating hundreds of jobs that contribute to the community in which the project is built and to the environment. Such projects help the economic development of the region by creating an additional source of income for landowners and sources for paying taxes and property taxes that strengthen local councils in the periphery.

5. Social responsibility -

The Group considers itself as an integral part of its community and with this in mind, the Group supports many charities, which share its values, such as: reducing inequality, helping and promoting young people, organizations and initiatives related to health and child education and more. The following are several examples of the Group's activities in this area:

- **Contribution to the community -** During 2020, the Group in Israel made contributions in the amount of approx. NIS 6.2 million.
- **Volunteering -** The Group companies encourage their employees to contribute to the community by volunteering and initiate organized volunteering days for employees who are interested. The Group's employees volunteer, among other things, in the education of Beduin youth, in agriculture, protection of agricultural fields, preparation of food packages, the Israel Police and more.
- **Reduction of inequality in minority groups -** The Group, through Energix, creates collaborations with the Bedouin community in the south of Israel, including holding enrichment workshops and seminars, and also with the Druze community in the north of the country, including providing scholarships for pre-military preparatory schools.
- **Gender equality -** 45% of the Group's employees in Israel are women. 29% of the Group companies' employees in Israel are women and 27% of the Group companies' directors in Israel are women.
- **Accessibility -** Most of the group's properties are fully accessible to people with disabilities, in accordance with the law, in recognition of the importance of equal rights for people with disabilities.

- **Environmental development -** The group works to develop ancillary facilities in its various projects for the benefit of its customers and the public, such as: open and shaded gardens (by building tall buildings and clearing the land resource for the public), ornamental pools, green roofs, some of which are open to the general public, conference halls, restaurants and cafes (even when it is not economically viable for the Group).
- **Capital remuneration -** The Company considers the great importance of its employees identifying with its goals and accordingly, all Company employees enjoy capital remuneration. Each year, the Company allocates, without consideration, non-tradable option warrants that can be exercised for the Company's shares, on preferential terms, from a long-term perspective.
- **The Corona crisis -** During the Corona crisis, and out of a sense of social responsibility, the Group thought it appropriate to maintain its workforce and refrained from sending workers on unpaid leave and/or layoffs and even refrained from reducing wages.

The Group intends to continue to operate, out of a commitment to environmental and social responsibility, while integrating environmental considerations and environmental risk management into the business and managerial decision-making system of the Group companies, in order to benefit the environment, society and community in which the Group operates.

5 Market risk exposure and management

Mr. Nathan Hetz, the Company's CEO, is responsible for the risk management. For details in his regard, see the reporting according to Regulation 26 in the Additional Information Report.

5.1 Description of market risk to which the company is exposed::

- The Company's management estimates that the appearance of a severe global recession, to the extent it occurs, will affect the Group's income from its income-generating property activities in Israel and in the markets in which it operates. These effects may be reflected in a slowdown and/or a decline in demand with the possibility of a decrease in prices and/or a decline in the value of the income-generating properties. Decreases in share prices may, among other things, have an adverse affect on the compliance with financial ratios, lead to an increase in financing prices, difficulty in obtaining financing sources and difficulty in the recycling of existing loans.
- Amot, Carr, the Boston property companies and BE operate in the income-generating property market in Israel, the U.S. and in the UK (respectively) and are exposed to risks including: economic slowdown, decline in demand for rental space, decrease in rental prices, excess speculative construction, an increase in the cost of raising capital, an impairment of the strength of major tenants and an increase in the prices of construction inputs.
- Most of the Group's continuing operations are carried out through the holding of shares in the companies holding income-generating property in Israel, the U.S. and the UK. Consequently, the changes in interest rates (and in their risk margins), the exchange rates and the demand for real estate in the above countries may have a material impact on the Group's business results. In addition, the volatility of the stock markets in which the shares of some of the Group's companies are traded may have an effect on the ability to realize them and on their future value, if and when the Group seeks to realize these investments as well as on the financial covenants related to the value of collateral connected with the loans taken by the Group.
- BE's activities are effected by developments related to the implementation of the Brexit agreement and the uncertainty involved.
- The Group is dependent on the capital market and the banking system from which it raises capital and debt. The Group's activity in the capital market is subject to fluctuations due to the influence of macroeconomic factors in Israel and abroad and regulatory changes on which the Group has no influence. These fluctuations affect the rates of securities traded on the stock exchange, the amount of the credit sources provided by the banking system and the extent of the public's activity in the capital market. These fluctuations may affect the Group and the options it will have at its disposal for raising the financing sources that will be needed to continue its operations.

- The Company has CPI-linked NIS financing sources (mainly bonds). As a result, the Group is exposed to changes in the CPI. As of December 31, 2020, the Company's net exposure (expanded solo) to the CPI amounted to NIS 0.7 billion (excess liabilities over assets). Because the Company considers its investment in Amot, and part of its investment in Energix (the CPI-linked part), as CPI-linked investments from an economic perspective (for the long term), the Company has excess assets over CPI-linked liabilities in the amount of NIS 3.4 billion as of December 31, 2020.
- The Group is exposed to changes in the short-term and long-term interest rates in the international markets in which it operates. In addition, the investees have loans that are linked to the Libor interest rate, as well as transactions in derivatives for these loans. Regarding most currencies, the mandatory quoting of the Libor interest rate will be discontinued at the end of 2021. Regarding the USD, in December 2020, it was decided to extend the publication of Libor interest rates until the end of June 2023. At this stage, the Group is unable to assess the effect of the discontinuation of the use of the Libor interest rates.
- The Group has investments and sources of financing denominated in foreign currency. Therefore, the Group is exposed to changes in the exchange rates of these currencies against the NIS.
- The Group, through Energix, is exposed to the risk of a decline in the price of green certificates or a decline in the demand for them, and as a result, it is exposed to a reduction in the flow of revenues from the Group's projects in Poland and in the U.S. The Company is also exposed to changes in electricity prices in Poland and in the U.S.
- The Group's revenues from the sale of electricity are exposed to changes that may occur in the Israeli, American and Polish regulatory environments, among other things, regarding tariffs set for the sale of electricity, to the various conditions Energix must meet in order to receive the licenses for the construction of renewable energy facilities, the new regulatory conditions in Poland, changes in the Polish Renewable Energy Law, changes in the American tax regime, such as a reduction in the tax benefits granted to photovoltaic facilities.
- The Group's revenues from the sale of electricity are significantly affected by weather conditions. At wind farms, revenues are affected by the strength of the wind and photovoltaic systems are affected by the intensity of solar radiation (radiation level and hours of radiation), temperature conditions and other climatic parameters. In addition, extreme weather conditions can also lead to delays in project construction or in extreme cases, to the temporary shutdown of electricity-generation systems.

The following are the risk factors described above and their impact, according to the Company's management, on its business results:

	Degree of Risk Factor's Impact on the Company's Activity	
	Major	**Moderate**
Macro-economic risk factors:		
Interest risks	X	
Changes in exchange rates	X	
Lack of growth and severe economic recession	X	
Changes in the value of tradable securities	X	
Regulatory changes in banking, capital markets and taxation	X	
Change in employment rate	X	
Changes in inflation rates		X
Implementation of the Brexit agreement in the UK		X
Industry risk factors:		
Change in the demand for rental space	X	
Changes in rental prices	X	
Excess speculative construction	X	
Increase in capital raising cost	X	
Financial strength of tenants		X
Increase in construction input costs, including delays in the supply chain for projects in development		X
Changes in electricity prices and in the price of green certificates in Poland		X
Changes in the regulatory environment in Israel, Poland and the U.S. regarding Energix's activity in these countries		X

For details regarding interest, inflation and currency exposure risks, see Note 22 to the financial statements.

5.2 The Corporation's policy for market risk management

5.2.1 The Company has a policy of partially hedging the currency exposure for its investments, as follows: 35%-45% of the Company's capital will be "allocated" (through hedging as required) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio (according to market value on an expanded solo basis), but the Company's management will have the authority to increase or decrease exposure in each currency.

Regarding the exposure of the Company's equity to the various currencies, see Section 3.7.3. above.

Regarding financial derivative positions, see Note 22 to the financial statements.

5.2.2 The Group has a conservative financial management policy that is reflected in financial flexibility resulting from maintaining a high level of unencumbered assets and long-term average durations of financial liabilities, while carefully maintaining unutilized credit facilities (except for short-term facility utilization as needed) and reasonable leverage ratios.

5.2.3 The Group companies invest, on a cumulative basis, in hundreds of income-generating properties with an extensive variety of thousands of tenants that generates a regular, steady and long-term cash flow.

5.2.3 The Group companies with a significant development component, engage with construction contractors in contracts that include structured engineering milestones, including mechanisms to protect against increases in project costs.

5.3 Means of monitoring and implementing the Corporation's market risk management policy

The Company's CEO and CFO regularly monitor developments in relevant markets. In the event of unusual developments in the currency and interest markets, they study the data, and from time to time reach decisions to perform actions in the derivative markets in order to protect against interest and exchange rate risks.

The Company's Board of Directors receives reports on developments in the market risk management, if any, on a quarterly basis.

5.4 Cyber risk

The Company has various databases. The Company estimates that the amount of damage that could be caused it as a result of a cyber attack is not high. Nevertheless, the Company is assisted by information security consultants, and purchases systems designed to protect against cyber threats, loss of information, the risk of information hijacking and destruction by malicious parties, and works to back up information and the ability to recover quickly in the event of an attack.

5.5 Linkage bases report - for the linkage basis report as of December 31, 2020, see Appendix B below.

The risks mentioned in Section 5 above are the risks that, according to the Company management's estimates, may have a specific impact on the Company due to the nature and scope of its activities. It should be noted that other risks that are not necessarily specific to a company of the this type may have an influence on the Company, including risks of war, hostilities, regulation risks, changes in fiscal policy, economic crises and geopolitical crises in countries in which the Group operates.

6. Aspects of Corporate Governance

6.1 The Company Board of Directors; Board Members with Accounting and Financial Capabilities

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.

4 members of the Board of Directors (2 of which are external directors) are independent directors (as the term is defined in the Companies Law).

During 2020, 7 meetings of the Company's Board of Directors were held, with the average attendance of members of the Board of Directors at 98%.

The Company considers Messrs. Aviram Wertheim, Nathan Hetz, Gittit Guberman, Prof. Zvi Eckstein and Shlomi Shuv, who serve on the Company's Board of Directors, as having accounting and financial expertise, based on their education and business experience as specified in Regulation 26 in the Additional Information on the Corporation.

For details regarding the minimum number of directors with accounting and financial capabilities appropriate for the Company, see Section 9(a) of the Corporate Governance Questionnaire attached to the Periodic Report.

6.2 The Company's accountant - for details regarding the Company's accountant, see Appendix D.

6.3 The Company's internal auditor – for details regarding the Company's internal auditor, see Appendix C.

6.4 Internal enforcement plan

On May 21, 2012, the Company adopted an internal enforcement plan regarding securities, in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15, 2011, and updated in August 2013. On November 20, 2019, the Company adopted a new internal enforcement plan regarding securities that replaced the previous plan as of that date.

6.5 Donations

According to the Company's policy on donations, it regularly allocates up to 1.4% of the Group's annual profits (not including the real estate value adjustment and capital gains component) for contributions to the community that are mainly dedicated for mainly intended for supporting, educating and helping disadvantaged youths.

Within the framework of this policy, in 2020 the Group donated a total of NIS 6.2 million to non-profits and organizations with the aforementioned goals (2019: NIS 6.3 million and 2018: NIS 5.6 million).

To the best of the Company's knowledge, and according to a review conducted, there are no links between entities to whom the amount of contributions in 2020 exceeded NIS 50 thousand, and the Company and/or a Director and/or the CEO, except:

1. During 2020, the Group donated NIS 95 thousand to the Hetz Vamatara Association. The Hetz Vamatara Association is an association founded by the daughters of Mr. Nathan Hetz, a Company director and CEO, in which Ms. Adva Sharvit, a Company director, serves as CEO. The Association operates a bicycle riding center for at-risk children and youths.

2. The Lasova Association, to which the Company has donated for 20 years, in order to maintain three youth homes (Hetz-Kadima)[24], and the Society for the Advancement of Education in Tel Aviv-Yafo[25], both of which sent groups of at-risk youths to activities at the Hetz Vamatara Association for a payment of 35% of the cost of the activity.

3. Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, is a member of the "Masa Israeli" (I Belong Israel) organization[26] and a member of the Executive Committee of the Movement for Quality Government in Israel[27].

24. In 2020, the Company donated NIS 1,151 thousand to the Lasova Association.
25. In 2020, the Group donated NIS 267 thousand to the Society for the Advancement of Education in Tel Aviv-Yafo.
26. In 2020, the Group donated the amount of NIS 150 thousand to the Masa Israeli.
27. In 2020, the Group donated an amount of NIS 84 thousand to the Sheba Medical Center.

7 Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 25 to the financial statements.

8 Dedicated disclosure for bondholders

For details regarding bonds issued by the Company and regarding the rating reports, see Appendix E below.

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

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

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 December 31 2020	As of December 31 2019
	NIS thousands	
Current assets		
Cash and cash equivalents	602,932	518,800
Tradable securities	39,537	40,876
Investment in associate held for sale	200,311	-
Other accounts receivable	105,791	32,781
Total current assets	948,571	592,457
Non-current assets		
Securities measured at fair value through profit or loss	186,335	203,803
Investments in Investees	9,589,274	10,567,750
Others	67,334	36,360
Total non-current assets	9,842,943	10,807,913
Total assets	**10,791,514**	**11,400,370**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	347,541	350,002
Other accounts payable	123,069	113,370
Total current liabilities	470,610	463,372
Non-current liabilities		
Bonds	3,461,797	3,840,621
Loans from banking corporations and others	593	358,987
Deferred taxes	446,365	396,322
Others	10,283	4,523
Total non-current liabilities	3,919,038	4,600,453
Equity	6,401,866	6,336,545
Total liabilities and equity	**10,791,514**	**11,400,370**

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

	2020	2019	2018
		NIS thousands	
Revenues			
Group share in the profits of associates, net	306,656	1,124,095	672,605
Profit from decrease in rate of holding, from purchase and realization of investees	200,953	96,680	47,676
Net profit, relating to investments in long-term securities intended for sale	(15,250)	24,711	33,150
Other revenues, net	14,134	14,424	14,133
	506,493	1,259,910	767,564
Expenses			
Administrative and general (including contributions)	32,757	37,392	32,164
Financing expenses, net	96,659	97,410	107,411
	129,416	134,802	139,575
Profit before taxes on income	**377,077**	**1,125,108**	**627,989**
Income tax expenses	74,079	169,008	113,843
Net profit for the period	**302,998**	**956,100**	**514,146**

2 The Company's Liabilities (Expanded Solo) Payable after December 31, 2020

	Bonds	Bank Loans	Total	%
		NIS thousands		
Current maturities	344,800	791	345,591	9
Second Year	404,967	593	405,560	11
Third Year	404,064	-	404,064	11
Fourth Year	522,589	-	522,589	14
Fifth year	522,589	-	522,589	14
Sixth year onward	1,529,190	-	1,529,190	41
Total repayments	**3,728,199**	**1,384**	**3,729,583**	**100**
Others			**99,103**	
Asset balance in connection with foreign currency forward transactions			**(147,707)**	
Total financial debt (taking foreign currency forward transactions into account)			**3,680,979**	

(*) 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. For additional information, see Note 11(c) to the financial statements.

(**) Subsequent to the reporting date, in January 2021, the Company issued NIS 137.5 million PV bonds (Series L) by way of series expansion through a private placement.

For information regarding the Company's total financial debt (expanded solo) as of December 31, 2020, see Section 3.4.3 above.

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of December 31, 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	Adjustments - Non-Monetary Items	Total
Current assets									
Cash and cash equivalents	597,507	-	16	1,632	46	3,731	602,932	-	602,932
Tradable securities	39,537	-	-	-	-	-	39,537	-	39,537
Investment in associate held for sale	-	-	-	-	-	-	-	200,311	200,311
Other accounts receivable	101,061	-	30	-	-	-	101,091	4,700	105,791
Total current assets	738,105	-	46	1,632	46	3,731	743,560	205,011	948,571
Non-current assets									
Securities measured at fair value through profit or loss	26,138	-	-	-	160,197	-	186,335	-	186,335
Investments in associates	-	-	-	-	-	-	-	9,589,274	9,589,274
Others	63,430	-	-	-	-	-	63,430	3,904	67,334
Total non-current assets	89,568	-	-	-	160,197	-	249,765	9,593,178	9,842,943
Total assets	**827,673**	**-**	**46**	**1,632**	**160,243**	**3,731**	**993,325**	**9,798,189**	**10,791,514**
Current liabilities									
Short-term credit and current maturities of long-term liabilities	132,044	214,706	-	791	-	-	347,541	-	347,541
Other payables	60,073	25,683	-	126	-	32	85,914	37,155	123,069
Total current liabilities	192,117	240,389	-	917	-	32	433,455	37,155	470,610
Non-current liabilities									
Bonds	3,013,362	448,435	-	-	-	-	3,461,797	-	3,461,797
Loans from banking corporations and others	-	-	-	593	-	-	593	-	593
Deferred tax liabilities	-	-	-	-	-	-	-	446,365	446,365
Others	9,312	-	-	804	-	-	10,116	167	10,283
Total non-current liabilities	3,022,674	448,435	-	1,397	-	-	3,472,506	446,532	3,919,038
Total liabilities	**3,214,791**	**688,824**	**-**	**2,314**	**-**	**32**	**3,905,961**	**483,687**	**4,389,648**
Excess assets over liabilities (liabilities over assets)	**(2,387,118)**	**(688,824)**	**46**	**(682)**	**160,243**	**3,699**	**(2,912,636)**	**9,314,502**	**6,401,866**
Financial derivatives	**3,323,057**	**-**	**(159,861)**	**(2,226,426)**	**(936,770)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**935,939**	**(688,824)**	**(159,815)**	**(2,227,108)**	**(776,527)**	**3,699**	**(2,912,636)**	**9,314,502**	**6,401,866**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**(82,606)**	**4,110,614**	**181,175**	**3,640,873**	**1,344,915**	**119,531**	**9,314,502**	**(9,314,502)**	**-**
Excess assets over liabilities (liabilities over assets)	**853,333**	**3,421,790**	**21,360**	**1,413,765**	**568,388**	**123,230**	**6,401,866**	**-**	**6,401,866**

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	22.3	(22.3)
GBP	9.4	(9.4)
CHF	1.6	(1.6)
Total expanded solo	33.3	(33.3)

(*) Does not include the effect of changes in the exchange rates on the underlying assets (the Company's investments) and on foreign currency credit.
(**) For additional information regarding transactions in derivatives carried out by the Group, see Note 22 to the financial statements.

Appendix C - Details of the Company's Internal Auditor

Auditor's name: Yisrael Gewirtz of Fahn Kanne Control Management Ltd.

Start of term in office: May 23, 2017.

Appointment: The appointment of the current internal auditor (who is an internal auditor from the same firm as the Company's previous internal auditor) was approved by the Audit Committee at its May 16, 2017 meeting and by the Company's Board of Directors at its May 23, 2017 meeting. The firm of Fahn Kanne Control Management Ltd. was selected (at the August 18, 2010 meeting of the Board of Directors) from a number of candidates whose candidacy was examined by the Audit Committee, while assigning a great deal of significance to the fact that Fahn Kanne Control Management Ltd. is a reputable and experienced company with a large number of employees with expertise in internal audits.

Auditor's qualifications: The Auditor has a degree in Accounting and Economics from Bar Ilan University and certification in Risk Management Assurance (CRMA). The Auditor is a CPA and a CIA (Certified Internal Auditor).

The auditor provides internal auditor services as an external entity through Fahn Kanne Control Management Ltd. The above company, which is a subsidiary of Fahn Kanne & Co. (Grant Thornton Israel), is a company engaged in control and auditing services for 30 years, which employs approx. 80 dedicated employees: accountants, internal auditors (CIA), information systems auditors (CISA) and embezzlement auditors (CFE).

Scope of employment: In 2020, the internal auditor invested 295 hours in the audit work he carried out in the Company. The internal auditor serves as the internal auditor at the consolidated company Energix – Renewable Energies Ltd., where he is directed by the Energix Audit Committee, while Amot Investments Ltd. has a separate internal auditor directed by the Amot Investments Ltd. Audit Committee.

Audit plan and audit reports submitted and discussed in the reporting period:
In recent years, the internal auditor's audit plan is an annual plan, and is derived from a multi-year plan.
The annual audit plan is approved by the Audit Committee after discussion of the Auditor's proposal. The annual planning of audit tasks, setting of priorities and audit frequency are affected by the following factors:
The exposure to risk of activities and operations, the probability of the existence of managerial and administrative deficiencies, findings from previous audits, subjects in which audits are required by administrating bodies, legally mandated subjects, according to internal or external procedural directives and the need for maintaining recurring cycles.
The work plan is received and approved by the Audit Committee at the end of each year for the following year or at the beginning of each year for the current year.
On March 14, 2019, the Audit Committee approved a multi-year work plan, based on a risk survey, for the years 2019-2022, and on December 26, 2019, the above multi-year work plan was updated for 2020.

On November 12, 2020, the Audit Committee approved the work plan for 2021, which includes the following subjects:
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.

The internal auditor may not deviate from the work plan determined, at his sole discretion.

In the period from January 1, 2020 until the publication of this report, the following internal auditor reports were submitted in writing to the Company and the Audit Committee and discussed:

Subject of Report	Date of Submission in Writing to the Company	Date of Discussion in Audit Committee	Work Hours Dedicated	The report refers to the Company's activity / the report refers to the activity of investees outside of Israel
Fraud and embezzlement survey	April 2020	13.5.2020	65	The Company's activity in Israel
Information security	July 2020	17.8.2020	90	The Company's activity in Israel
Mapping the internal audit in Amot Investments Ltd.	July 2020	12.11.2020	70	The Company's activity in Israel
Examination with respect to Alony-Hetz's control over BE	October 2020	12.11.2020	70	The Company's activity outside of Israel

Significant corporate holdings – the audit plan addresses the management of the Company's holdings in corporations that constitute significant holdings controlled by the corporation, with the exception of the consolidated companies Amot Investments Ltd. and Energix Renewable Energies Ltd., which maintain a separate internal auditors.

Professional standards – The internal auditor is in compliance with all conditions determined in Section 3(a) of the Internal Audit Law, 1992 ("**the Audit Law**"). The internal auditor, according to his statement, conducts the internal audit in accordance with accepted professional standards, as stated in Section 4(b) of the Audit Law. The Auditor is complies with Section 146(b) of the Companies Law, 1999 and Section 8 of the Audit Law.

The Auditor's organizational supervisor – The Company's CEO.

The scope, nature and continuity of the internal auditor's activity and work plan – To the best of the Company Board of Directors' knowledge, the nature and continuity of the Auditor's activities and work plan are reasonable under the circumstances and are able to achieve the goals of the corporation's audit.

Free access for the internal auditor – The internal auditor is provided free access as stated in Section 9 of the Audit Law, 1992, which includes constant and direct access to the corporation's information systems, including financial data.

Remuneration - The Auditor's fees for 2020 amounted to approx. NIS 75 thousand. Remuneration for the audit work is according to the internal auditor's working hour budget. There are no concerns that the remuneration detailed above, which derives from the auditor's actual work hour budget, may influence the application of the auditor's professional judgment.

Appendix D - Details of the Company's Accountant

The following are the fees for the Company's auditing accountants and and for its significant consolidated companies (in NIS thousands):

Company Name	Accountants		2020 Audit and Tax Services	2020 Other Services	2019 Audit and Tax Services	2019 Other Services
Alony-Hetz Properties and Investments Ltd.	Brightman Almagor Zohar & Co.					
		Fee	520	82	545	30
		Work hours	3,300	163	3,630	23
Amot Investments Ltd. (*)	Brightman Almagor Zohar & Co.					
		Fee	646	181	600	117
		Work hours	2,885	384	3,024	196
Eilot Companies Group	Ziv Haft Accountants					
		Fee	331	-	297	-
		Work hours	1,780	-	1,700	-
Energix – Renewable Energies Ltd.	Brightman Almagor Zohar & Co.					
		Fee	630	410	590	-
		Work hours	3,539	1,116	3,416	-
	Deloitte Poland					
		Fee	137	-	180	-
		Work hours	910	-	920	-
	Deloitte USA					
		Fee	234	-	225	-
		Work hours	325	-	240	-
Brockton Everlast Inc. (**)	Deloitte UK					
		Fee	686	407	660	1,030
		Work hours	1,451	270	1,232	639
	Total fee		3,184	1,080	3,097	1,177
	Total work hours		14,190	1,933	14,162	858

(*) Not including others in the amount of approx. NIS 30 thousand.
(**) The fees are paid in GBP. The translation into NIS is according to the average exchange rate for the period.

In its May 17, 2020 meeting, the Financial Statements Examination Committee examined the planned scope of work of the Company's auditing accountant and his proposed wage for 2020, taking the Company's size and the complexity of its statements into consideration. In its May 20, 2020 meeting, the Company's Board of Directors approved the wage of the Company's auditing accountant for auditing activity in 2020. The Financial Statements Examination Committee, at its meeting on March 10, 2021, was satisfied, immediately prior to the Company Board of Directors' approval of the 2020 Periodic Report, that the extent of the work of the auditing accountant and his wage in the reporting year are sufficient for performing auditing and reviewing work appropriate for the financial statements in the reporting year.

Appendix E - Details of Bonds Issued by the Company

The following are details regarding the Company's bonds as of December 31, 2020 (in NIS thousands)[28]

	NIS thousands	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)[29]
1	**Issue date**	February 23, 2012	December 1, 2015	December 1, 2015	August 11, 2019	August 11, 2019
2	**Par value on issue date**	246,113	275,000	275,000	200,932	400,730
3	**Par value as of December 31, 2020**	623,731	1,188,399	1,315,153	200,932	400,730
4	**Linked par value as of December 31, 2020**	644,118	N/A	N/A	N/A	N/A
5	**Value in the financial statements as of December 31, 2020 (at amortized cost)**	663,141	1,217,069	1,332,783	198,052	397,502
6	**Stock exchange value as of December 31, 2020**	659,398	1,335,879	1,356,975	213,189	422,009
7	**Accrued interest as of December 31, 2020**	24,356	38,378	2,607	4,498	8,127
8	**Interest Rate / Fixed Annual Margin**	4.45%	3.85%	2.24% above Bank of Israel interest rate, as it will be from time to time	2.66%	2.41%
9	**Materiality of the Series[30]**	Yes	Yes	Yes	No	Yes
10	**Principal payment dates**	8 annual payments: the first payment at a rate of 5.5% of the principal will be repaid on February 24, 2016, and seven payments of 13.5% of the principal, each, will be repaid on February 24 of each of the years 2017-2023.	8 annual payments: the four (4) first payments of 10% of the principal each will be paid on February 28 of each of the years 2020-2023; and four (4) payments of 15% of the principal, each, will be repaid on February 28 of each of the years 2024-2027.	Four (4) annual payment of 25% of the principal, to be paid on February 28 of each of the years 2024-2027.	6 annual payments, in cash or in Company shares, according to the Company's absolute discretion (see Section 13 below) in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	6 annual payments in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;
11	**Interest Payment Dates**	February 24 of each of the years 2013 to 2023 (inclusive).	February 28 of each of the years 2016-2027 (inclusive).	Four payments per year, on February 28, May 31, August 31 and November 30 of each of the years 2016-2027 (inclusive)	February 28 of each of the years 2020-2031 (inclusive) The interest will be paid either in cash from February 22, 2022 or in Company shares, at the absolute discretion of the Company (see Section 13 below).	February 28 of each of the years 2020-2031 (inclusive)
12	**Linkage base (principal and interest)**	CPI for January 2012	Unlinked	Unlinked	Unlinked	Unlinked
13	**Conversion right**	None	None	None	As of February 28, 2022, the Company	None

28. Not including bonds issued by Amot Investments Ltd. and Energix Renewable Energies Ltd.
29. Subsequent to the reporting date, in February 2021, the Company issued NIS 137.5 million PV bonds (Series L) by way of series expansion through a private placement.
30. The bond series is material if the amount of the Company liabilities according to it as of the end of the reporting period as presented in the Company's separate financial Statements (according to Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, constitutes 5% or more of the Company's total liabilities as presented in the data stated.

	NIS thousands	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)[29]
					may, at its absolute and exclusive discretion, pay the principal and/or the interest, with its shares, all as detailed in Section 7 of the Bond.	
14	**Main conversion conditions**	N/A	N/A	N/A	The Company's absolute discretion	N/A
15	**Guarantee for payment of the liability**	None	None	None	None	None
16	**Early redemption**	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	(1) In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines; or (2) at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment; or (3) according to a decision by the Company's Board of Directors, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.
17	**Liens in favor of bondholders**	None[35]	None[34]	None[33]	None[32]	None[31]
18	**Limitations on the creation of additional liens**	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series H).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series I).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series J).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series K).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series L).
19	**Limitations regarding the authority to issue**	None	None	None	None	None

31. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series L) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
32. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series K) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
33. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series J) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
34. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series I) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
35. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series H) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.3 of the deed of trust.

	NIS thousands	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)[29]
	additional bonds					
20	**Lien validity period**	N/A	N/A	N/A	N/A	N/A
21	**Bond conditions for changing, releasing, replacing or canceling a lien**	In this regard see Section 5.3 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust
22	**Changes in the bond conditions regarding liens during the reporting period**	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred
23	**The manner in which the changes were approved**	N/A	N/A	N/A	N/A	N/A
24	**Did the Company, during and at the end of the reporting year, comply with all the conditions and obligations according to the deed of trust**	Yes	Yes	Yes	Yes	Yes
25	**Have the conditions for the immediate repayment of the bonds or the realization of the guarantees been met**	No	No	No	No	No
26	**Description of the breach (if any)**	N/A	N/A	N/A	N/A	N/A
27	**Was the Company was required to take various actions by the trustee**	No	No	No	No	No
28	**Name of Trust Company** **Name of Series** **Supervisor** **Address** **Telephone**	Reznik Paz Nevo Trusts Ltd. Yossi Reznik, C.P.A. 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200
29	**Holders' Meetings**	No holders' meeting was held.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	No holders' meeting was held.	No holders' meeting was held.
30	**Rating**					
	Rating Company	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot
	Rating on the issue date	N/A	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating as of December 31, 2020 [36]	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating Company	Midroog	Midroog	Midroog		Midroog
	Rating on the issue date	A1 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook
	Rating as of December 31, 2020 [37]	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook

36. In January 2012, Maalot announced the ratification of the ilA rating with a stable outlook for the Company's bonds in circulation and the raising of debt through a new series of bonds. In January 2013, Maalot announced that it was raising the Company's rating to A+ with a stable outlook.In October 2014, Maalot ratified its ilA+ rating for the bond series in circulation and raised the outlook from stable to positive. In December 2014, Maalot confirmed its rating of ilA+ with a positive outlook for the bond series in circulation. In May 2015, Maalot announced that it was raising the Company's rating to ilAA- with a stable outlook. In November 2015, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series I and Series J). In July, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series K and Series L).

37. In January 2012, Midroog announced the ratification of its A1 rating with a stable outlook for the Company's bonds in circulation and for the raising of debt through a new bond series. In January 2014, Midroog announced that it was ratifying the rating of ilA for the Company and for the bond series in circulation, and raising the outlook from stable to positive. In December 2014, Midroog announced that it would be raising the rating of thee bonds in circulation from A1 with a positive outlook to Aa3 with a stable outlook. In November 2015, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series I and Series J). In July 2019, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series L).

Up-to-date rating reports [38]

- For an up-to-date Midroog rating report see the immediate report published by the Company on March 7, 2021 (Ref: 2021-01-027990).
- For a current Maalot, the Israeli Securities Rating Company Ltd. rating report, see the immediate report published by the Company on July 9, 2020 (Ref: 2020-01-066058) and the immediate report dated February 1, 2021 (Ref: 2021-01-013551).

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

Consolidated Financial Statements

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot on The Park, Tel-Aviv

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of Alony Hetz Properties and Investments Ltd. Regarding Audit of Components of Internal Control over Financial Reporting in accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of **Alony Hetz Properties and Investments Ltd.** and subsidiaries (hereafter - "the Company") as of December 31, 2020. Those components of control were determined as explained in the following paragraph. The Board of directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their evaluation of the effectiveness of the components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" thereto (hereafter – "Audit Standard (Israel) 911"). These Components are: (1) Organization level control, including control over the financial closing and reporting process and information technology general controls; (2) control over accounting and debt management; (3) control over corporate investment; (4) control over investment property at Amot Investments Ltd and Brockton Everlas Inc. Limited; (5) control over rental income and management of investment property at Amot Investments Ltd and Brockton Everlast Inc. Limited; (6) control over project procurement at Energix - Renewable Energies Ltd; (7) revenues from the sale of electricity at Energix - Renewable Energies Ltd; (all together referred to hereafter as "the Audited Components of Control").

We conducted our audit in accordance with Audit Standard (Israel) 911. That Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance as to whether those components of control were maintained effectively in all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, identification of the Audited Components of Control, evaluation of the risk that a material weakness exists in the Audited Components of Control, and examination and evaluation of the effectiveness of the planning and operation of such components of control, based on the estimated risk. Our audit regarding such components of control also included the performance of other such procedures that we considered necessary under the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual effects between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections based on the present evaluation of effectiveness are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit, the Company effectively maintained the Audited Components of Control in all material respects, as of December 31, 2020.

We also have audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2020 and 2019, and for each of the three years in the period ending on December 31, 2020, and our report as of March 16, 2021, expressed an unqualified opinion on those financial statements based on our audit.

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

Tel Aviv March 16, 2021

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English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Auditors' Report to the shareholders of Alony Hetz Properties and Investments Ltd.

We have audited the accompanying consolidated statements of financial position of **Alony Hetz Properties and Investments Ltd** (hereafter – "the Company") as of December 31, 2020 and 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies whose assets included in consolidation constitute approximately 15% and 17% of total consolidated assets as of December 31, 2020 and 2019, respectively, and whose revenues included in consolidation constitute approximately 20%, 10% and 17% of total consolidated revenues for the years ended in December 31, 2020, 2019 and 2018, respectively. Furthermore, We did not audit the financial statements of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,013 million NIS and 5,536 million NIS as of December 31, 2020 and 2019, respectively, and the share of the results of which for the years ended in December 31, 2020, 2019 and 2018, amounted to approximately 167 million NIS, 350 million NIS and 315 million NIS, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2020 and 2019, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended in December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2020 and our report dated March 16, 2021 included an unqualified opinion on the effective maintenance of those components.

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

Tel Aviv, March 16, 2021

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	Note	As of December 31 2020 NIS thousands	As of December 31 2019 NIS thousands
Assets			
Current assets			
Cash and cash equivalents	3a.	2,214,781	771,749
Deposits, tradable securities and restricted cash	3d.	90,340	185,483
Trade receivables	3b.	60,565	43,783
Current tax assets, net	20	11,462	5,434
Other receivables	3c.	258,811	182,345
		2,635,959	1,188,794
Investment in associate held for sale	2g. 6h.	200,311	-
Total current assets		2,836,270	1,188,794
Non-current assets			
Investment property	4	15,100,135	14,891,954
Investment property in development	4	1,149,644	550,354
Long-term investments:			
Securities measured at fair value through profit or loss	5	186,335	203,803
Investments in associates	6f, 6g, 6i, 6j, 6k, 6l	4,301,655	5,917,551
Deferred tax assets	20	10,646	3,895
Electricity-generating facilities:			
Connected electricity-generating facilities	7	1,635,328	1,252,562
Right-of-use asset	7	198,657	160,614
Electricity-Generating Facilities in Development	8	781,818	682,153
Restricted Deposits	9	47,768	41,173
Fixed assets, net	7	94,257	77,898
Other assets		157,861	128,114
Total non-current assets		23,664,104	23,910,071
Total assets		26,500,374	25,098,865

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

		As of December 31	
		2020	2019
	Note	NIS thousands	NIS thousands
Liabilities and equity			
Current liabilities			
Short-term credit and current maturities of long-term loans	10a.	148,333	351,368
Current maturities of bonds	11a.	876,816	880,220
Current maturities of lease liabilities		4,722	3,844
Current tax liabilities, net	20	118,333	47,685
Other payables	10b.	628,087	649,333
Total current liabilities		1,776,291	1,932,450
Non-current liabilities			
Bonds	11a.	10,334,792	9,003,390
Loans from banking corporations and financial institutions	12	2,245,626	2,653,367
Lease liability		179,557	138,801
Deferred tax liabilities	20	1,809,154	1,720,121
Provisions	15	16,483	16,483
Other liabilities	14	225,641	126,418
Total non-current liabilities		14,811,253	13,658,580
Equity	16		
Equity attributable to Company shareholders		6,401,866	6,336,545
Non-controlling interests		3,510,964	3,171,290
Total Equity		9,912,830	9,507,835
Total liabilities and equity		26,500,374	25,098,865

The attached notes constitute an integral part of the 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

March 16, 2021

Financial Statements Date of Approval

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

	Note	2020 NIS thousands	2019 NIS thousands	2018 NIS thousands
		For the Year ended December 31		
Revenues and profits				
Revenues from rental fees and management of investment property	17a	891,632	830,156	704,299
Fair value adjustments of investment property	4	(187,782)	995,791	260,200
Group share in the profits of associates, net	6f(2)	99,670	413,437	341,737
Net profits (losses) from investments in securities measured at fair value through profit or loss	17d	(15,250)	24,711	33,150
Profit from decrease in rate of holding, from purchase and realization of associates	6h	200,953	96,680	47,676
Revenues from sale of electricity and green certificates	7	261,803	237,126	170,440
Other revenues (expenses), net		(553)	1,027	2,132
		1,250,473	2,598,928	1,559,634
Costs and expenses				
Cost of investment property rental and operation	17b	74,622	67,990	61,290
Development, maintenance and operation costs of electricity-generating facilities	17e	37,565	30,482	38,509
Depreciation and amortization	7א.	82,598	60,549	46,683
Administrative and general	7c	125,024	121,799	88,406
Financing income	7g	(9,270)	(21,739)	(21,185)
Financing expenses	7f	279,799	363,390	319,262
		590,338	622,471	532,965
Profit before taxes on income		660,135	1,976,457	1,026,669
Income tax expenses	20	194,650	528,382	275,569
Net profit for the period		465,485	1,448,075	751,100
Company shareholders		302,998	956,100	514,146
Non-controlling interests		162,487	491,975	236,954
		465,485	1,448,075	751,100
Net earnings per share attributable to Company shareholders (in NIS):	19			
Basic		1.75	5.55	3.01
Fully diluted		1.74	5.52	3.00
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)				
Basic		172,784	172,170	170,744
Fully diluted		173,060	172,992	171,013

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

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

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	465,485	1,448,075	751,100
Other comprehensive income (loss)			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	(375,228)	(464,344)	418,532
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	(17,678)	3,021	(15,742)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate, net of tax	8,977	(11,213)	426
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(13,250)	2,305	2,250
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	122,483	171,859	(201,574)
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging	11,112	(21,672)	2,384
Company share in other comprehensive income (losses) of associates, net of tax	(1,050)	(57,746)	14,997
Other comprehensive income (loss) for the period, net of tax	(264,634)	(377,790)	221,273
Total comprehensive income for the period	200,851	1,070,285	972,373
Distribution of comprehensive income (loss) for the period			
Company shareholders	56,119	596,962	737,787
Non-controlling interests	144,732	473,323	234,586
	200,851	1,070,285	972,373

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2020 (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	-	-	(258,678)	11,799	-	302,998	56,119	144,732	200,851
Dividends paid to Company shareholders	-	-	-	-	-	(200,446)	(200,446)	-	(200,446)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(256,507)	(256,507)
Exercise of employee options	116	3,983	-	(412)	-	-	3,687	-	3,687
Allocation of benefit in respect of employee and executive options	-	-	-	3,330	-	-	3,330	20,395	23,725
Issue of capital in consolidated companies	-	-	-	203,873	-	-	203,873	407,522	611,395
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(1,242)	-	-	(1,242)	(21,048)	(22,290)
Change in non-controlling interests								(1,578)	(1,578)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	46,158	46,158
Balance as of December 31, 2020	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830

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

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

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	189,216	2,417,916	(8,885)	(17,185)	(589)	3,271,030	5,851,503	2,286,986	8,138,489
Impact of initial implementation of IFRS 16	-	-	-	-	-	(2,940)	(2,940)	(1,142)	(4,082)
Balance as of January 1, 2018 after initial implementation	189,216	2,417,916	(8,885)	(17,185)	(589)	3,268,090	5,848,563	2,285,844	8,134,407
Total comprehensive income for 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 consolidated companies	-	-	-	-	-	-	-	(191,916)	(191,916)
Exercise of employee options	1,600	50,683	-	(5,190)	-	-	47,093	-	47,093
Allocation of benefit in respect of employee and executive options	-	-	-	3,350	-	-	3,350	21,322	24,672
Issue of capital in consolidated companies	-	-	-	115,118	-	-	115,118	588,235	703,353
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(5,982)	-	-	(5,982)	(8,287)	(14,269)
Issue of options to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	2,769	2,769
Balance as of December 31, 2019	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2018
(NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Capital Reserve in respect of Available-for-Sale Financial Assets	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2018	188,659	2,402,294	(215,421)	(20,495)	1,423	(589)	3,002,212	5,358,083	1,969,077	7,327,160
Impact of initial implementation of IFRS 9	-	-	142	(6,297)	(1,423)	-	7,578	-	-	-
Balance as of January 1, 2018 after initial implementation	188,659	2,402,294	(215,279)	(26,792)	-	(589)	3,009,790	5,358,083	1,969,077	7,327,160
Total comprehensive income for the period	-	-	206,394	17,247	-	-	514,146	737,787	234,586	972,373
Dividends paid to Company shareholders	-	-	-	-	-	-	(252,906)	(252,906)	-	(252,906)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	(171,576)	(171,576)
Exercise of employee options	557	15,622	-	(1,546)	-	-	-	14,633	-	14,633
Allocation of benefit in respect of options to employees and others	-	-	-	3,136	-	-	-	3,136	15,472	18,608
Issue of capital in consolidated companies	-	-	-	6,693	-	-	-	6,693	182,819	189,512
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(11,969)	-	-	-	(11,969)	(29,896)	(41,865)
Exercise of stock options in consolidated companies	-	-	-	(2,588)	-	-	-	(2,588)	69,858	67,270
Increase in non-controlling interests	-	-	-	(1,366)	-	-	-	(1,366)	6,463	5,097
Issue of options to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	-	10,183	10,183
Balance as of December 31, 2018	189,216	2,417,916	(8,885)	(17,185)	-	(589)	3,271,030	5,851,503	2,286,986	8,138,489

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

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

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net income for the period	465,485	1,448,075	751,100
Net income not entailing cash flows (Appendix A)	240,159	(761,044)	(150,136)
	705,644	687,031	600,964
Changes in working capital (Appendix B)	48,681	19,399	18,593
Net cash provided by operating activities	754,325	706,430	619,557
Cash flows - Investing activities			
Investment in investment property funds	(12,024)	(61,716)	(27,730)
Proceeds from the repayment of investments in investment property funds	10,468	65,089	90,940
Proceeds from the realization of investment in associates, net of tax	1,359,305	447,073	363,989
Proceeds from the realization of investment property	-	-	107,420
Investment in fixed assets and investment property (including investment property in development)	(1,139,492)	(1,927,177)	(797,152)
Investment in electricity-generating facilities	(627,883)	(481,320)	(318,817)
Investment in associates	(179,588)	(290,470)	(212,923)
Increase in pledged deposit and restricted cash	(35,658)	(156,730)	(26,011)
Decrease in pledged deposit and restricted cash	172,981	32,798	101,388
Acquisition of companies consolidated for the first time (see Appendix E below)	-	(1,911,619)	-
Repayments of loans provided to associates, net	6,312	7,622	9,181
Repayment of investment in associate	3,250	-	-
Decrease (increase) in deposits and tradable securities, net	(48,966)	(27,387)	2,366
Cash provided by (used in) forward transactions and options designated for hedging	25,070	19,145	(94,405)
Others	330	197	55
Net cash used in investing activities	(465,895)	(4,284,495)	(801,699)
Cash flows – Financing activities			
Proceeds from the issue of bonds and bond options by the Group, net	2,299,631	2,745,048	1,325,014
Repayment of bonds	(874,411)	(811,336)	(609,053)
Receipt of long-term loans, less recruitment expenses (payment of recruitment expenses)	427,769	1,581,523	205,876
Repayment of long-term loans	(664,092)	(364,337)	(82,950)
Proceeds from the issue of shares and options	3,687	47,093	14,633
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	616,352	698,040	329,784
Purchase of shares and options from non-controlling interests in consolidated companies, net	(22,290)	(14,269)	(41,865)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	(165,270)	(84,047)	(62,326)
Dividends paid to Company shareholders	(200,446)	(268,559)	(252,906)
Dividends paid to non-controlling interests in consolidated companies	(256,507)	(191,916)	(171,576)
Others	-	-	254
Net cash provided by financing activities	1,164,423	3,337,240	654,885
Increase (decrease) in cash and cash equivalents	1,452,853	(240,825)	472,743
Cash and cash equivalents at beginning of period	771,749	1,014,115	546,268
Effect of changes in exchange rates on foreign currency cash balances	(9,821)	(1,541)	(4,896)
Cash and cash equivalents at end of period	2,214,781	771,749	1,014,115

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

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
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	187,782	(995,791)	(260,200)
Net profits from changes in holding rate and from realization of investments in investees	(200,953)	(96,680)	(47,676)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(83,993)	(5,005)	12,489
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	18,342	(17,591)	(35,386)
Company share in results of associates, less dividends and reductions of capital received	131,507	(200,671)	(123,825)
Tax payments for the realization of assets – attributed to investment activity	-	-	15,358
Net loss (profit) from tradable securities	146	(11,437)	324
Deferred taxes, net	81,935	481,049	223,165
Depreciation and amortization	82,598	60,549	46,683
Allocation of benefit in respect of share-based payment	22,537	24,672	18,608
Others, net	258	(139)	324
	240,159	(761,044)	(150,136)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in accounts receivable and debit balances	(5,906)	(43,308)	5,801
Decrease (increase) in current tax assets, net	(6,028)	10,628	27,689
Increase in accounts payable and credit balances	7,052	43,395	3,538
Increase (decrease) in current tax liabilities, net	53,563	8,684	(18,435)
	48,681	19,399	18,593
c. Non-cash activity			
Exercise of employee options against receivables	1,205	8,082	-
Investment in electricity-generating systems against supplier credit and accounts payable	30,399	130,959	1,296
Investment in electricity-generating systems against other liabilities	-	-	2,792
Increase in right-of-use asset against right-of-use liabilities	57,691	47,626	-
Investment in real estate and fixed assets against other accounts payable	11,210	99,675	15,072

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

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
d. Additional information			
Interest paid	398,748	369,241	333,728
Interest received	17,022	6,045	4,734
Taxes paid (*)	63,109	29,972	80,962
Taxes received	2,586	6,436	38,805
Dividends and receipts for reductions of capital received	283,888	231,712	240,262

e. Acquisition of companies consolidated for the first time

During 2019, BE purchased three buildings were purchased through the acquisition of "house property companies":

Cash flow in purchase:

	2019
Total purchase costs (including transaction costs)	1,911,660
Less - Cash and cash equivalents	(41)
Consideration, net	1,911,619

The amounts recognized on the acquisition date in respect of assets and liabilities:

	2019
Investment property (including transaction costs)	1,934,545
Working capital	(15,983)
Other liabilities	(6,943)
Total	1,911,619

(*) Taxes paid from 2018 include betterment taxes in respect of the sale of properties and taxes paid for an assessment agreement (see Note 20a and 20d.7)

Note 1 – General

a. General Description of the Company and its Activity

The Company was incorporated in Israel, its shares were listed for trading on the Tel Aviv Stock Exchange Ltd. (the TASE) in January 1993 and its registered office is located in Ramat Gan. The Group, as defined in Section (c) below, focuses mainly on long-term investments in income-generating property in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy. As of December 31, 2020, the Group has the following material investments:

- **Amot** – Holdings of 57.06% in Amot Investments Ltd. (hereinafter: "**Amot**"), a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., which has extensive income-generating property in Israel. For additional information, see Note 6c.

- **Carr** – Holdings of 50.77% in the rights in **Carr Properties Holdings LP** (hereinafter: "**Carr Holdings"**). **Carr Holdings** is an American partnership that holds (through indirect holdings of 87.05%) a partnership that has income-generating property in the Washington DC metropolitan area and in Boston, United States. For additional information, see Note 6g.

- **BE** – Holdings of 96.02% in the rights in **Brockton Everlast Inc. Limited** (hereinafter: "**BE**"), a company dealing in the purchase, development, betterment, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK. For additional information, see Note 6d.

- **Boston** – Holdings of 55% of the rights in three property companies in the Boston metropolitan area, two of them in the Boston CBD[1] and one in East Cambridge, USA. For additional information, see Note 6i.

- **Energix –** Holdings of 53.96% in the capital stock of **Energix Renewable Energy Ltd.** (hereinafter: "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange. Energix deals in the development, construction and sale of electricity from solar powered systems and wind farms in Israel, Poland and the United States. For additional information regarding Energix, see Note 6e.

b. The global Corona pandemic - 2020

The outbreak of the Corona virus in China, which spread to other parts of the world towards the end of the first quarter of 2020, 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 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, international traffic was restricted, gatherings in public places were banned and in some countries, entry to non-residents was also banned. Later in the year, recovery began along with progress in the development of the vaccine against the virus. Pharmaceutical companies reported better-than-expected results in the third phase of the clinical trials and towards the end of 2020 some have received FDA approval for the use of vaccines.

Regarding the impact of the crisis on fair value adjustments of investment property – see Note 4b.

[1] Central Business District.

Note 1– General (continued)

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.

c. Definitions

The Company | Alony-Hetz Properties and Investments Ltd. as well as legal entities wholly owned by it directly and indirectly.

The Group | The Company and its consolidated companies (as defined below). Details on the investments in the Group's substantial companies are provided in Note 6.

Consolidated companies | Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, whose financial statements are fully consolidated with the Company's financial statements.

Associates | Companies in which the Company has significant influence, as defined in IAS 28.

Investees | Consolidated companies, companies consolidated in proportionate consolidation and associates.

Joint arrangements | Companies held by a number of entities who have a contractual arrangement for joint control.

Related parties | As defined in IAS 24.

Interested parties | as defined in the Securities Law, 1968, its regulations and the regulations thereunder.

Controlling shareholder | Until November 26, 2019 (the date on which the Company ceased to be a company with a controlling shareholder) - Nathan Hetz and his wife Clara Hetz, directly and through corporations under their ownership and/or David Wertheim (through M. Wertheim (Holdings) Ltd.).

CPI | The Consumer Price Index, as published by the Central Bureau of Statistics.

Forward-looking information | as defined in Section 32A of the Securities Law, 1968.

NOI | Net Operating Income – Profit from the operation of properties, with the neutralization of depreciation and amortization.

KW/KWp | Peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

KW/KWp | 1,000 peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

Note 2 – Significant Accounting Policies

a. Statement regarding the implementation of International Financial Reporting Standards (IFRS):

The Group's consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**") and interpretations thereof published by the International Accounting Standards Board (IASB). The main accounting policies detailed below have been consistently applied for all reporting periods presented in consolidated financial statements, with the exception of changes in accounting policies stemming from the initial application of new standards, new interpretations and amendments to existing standards as detailed in Note 2(cc) below.

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

c. Format for the presentation of the Statement of Financial Position; the operating cycle period

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items. The Company's operating cycle is 12 months.

d. Consolidated Financial Statements

(1) General

The Group's Consolidated Financial Statements include the financial statements of the Company and of entities directly or indirectly controlled by the Company. An investing company controls an investee company when it is exposed, or has rights, to variable yields from its holding in the investee, and when it has the ability to influence those yields by exerting force on the investee.

The operating results of subsidiaries purchased or sold during the reported period are included in the Company's Consolidated Statements of Income starting from the date control was achieved or until the date control ended, as the case may be.

For consolidation purposes, all inter-company transactions, balances, revenues and expenses are fully canceled.

(2) Non-controlling interests

Some of the non-controlling interests in the net assets of consolidated companies are presented separately within the Group's equity. These interests include the amount of non-controlling interests on the original date of acquisition of a business combination as well as the share non-controlling interests in the changes that have occurred in the capital of the acquired corporation since the date of its inclusion.

The results of transactions with non-controlling interests dealing with the purchase or sale of an additional Group investment in a consolidated company while retaining control, are allocated to the equity attributed to the parent company shareholders.

Note 2 – Significant Accounting Policies (continued)

e. Joint arrangements and associates

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

There are two types of joint arrangements. The type of arrangement depends on the rights and obligations of the parties to the arrangement:

(1) A "joint venture" is a joint arrangement in which the parties have rights to the net assets attributed to the arrangement.

In joint arrangements that constitute a joint venture, the Group recognizes the joint venture as an investment and accounts for it using the equity method.
Regarding the equity method, see Section (f) below.

(2) A "joint operation" is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.

In joint arrangements that constitute a joint operation, the Group recognizes its relative share of the joint operation's assets and liabilities in the Group's Statement of Financial Position, including assets held and liabilities created jointly. The Statement of Income includes the Group's relative share of the revenues and expenses of the joint operation, including revenues produced and expenses created jointly.

An associate is a corporation in which the Group has significant influence. Significant influence is the ability to take part in decision making regarding the associate's financial and operational policy, which does not constitute control over these decisions.
Significant influence exists, as a rule, when the Group holds 20% or more of the voting rights of the investee corporation (unless it can be clearly proven that this is not the case). Significant influence also exists when the Group's holdings in the associate is less than 20%, provided that it can be clearly shown that such influence exists.

f. Investments in associates and joint ventures

The results, assets and liabilities of joint ventures are included in these financial statements using the equity method. According to the equity method, investments in joint ventures are included in the Consolidated Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the net assets, including capital reserves.

The results, assets and liabilities of associates are included using the equity method. According to the equity method, investments in associates are presented in the Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the associates' net assets, including capital reserves.

When an initial acquisition of an associate is carried out that constitutes a business, the Company applies the acquisition method. According to this method, the Company determines the acquisition consideration as the aggregate fair value (as of the acquisition date) of assets given, liabilities created, and the fair value of the Group's holdings in the acquired entity prior to the acquisition. A contingent consideration arrangement contingent upon the continued employment of the selling shareholders does not constitute part of the acquisition consideration, but is treated separately as compensation for future labor services.

Note 2 – Significant Accounting Policies (continued)

The excess acquisition cost of an associate or joint venture over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the time of acquisition is recognized as goodwill. Goodwill is included in the book amount of the investment in the associate or joint venture, and is tested for impairment as part of the investment. Any excess of the Group's portion of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the associate or joint venture, after revaluation, is recognized immediately in the Statement of Income.

Profits or losses from transactions between the Group and an associate, or a joint venture of the Group, are canceled according to the Group's share in the Company's rights in the relevant joint venture.

Upon partial realization of the holding in an associate, the part of the profits or losses accrued up to the date of realization, and which were recognized in other comprehensive income, including acquisitions in various periods, is recognized in profit and loss according to the relative share of the shares actually realized.

g. Investment in associate held for sale

An investment is presented as held for sale when its sale is highly probable, it is available for immediate sale in its current state and when the management has committed to making the sale within one year from the classification of the non-current asset as held for sale.
Therefore, the Company's investment in PSP is presented as an asset "held for sale" as of March 31, 2020 and is presented in current assets. The recognition of a share in profits (losses) of associates to profit or loss is discontinued from the date of classification of an investment in an associate. The comparative figures relating to the asset held for sale are not reclassified as stated.
The investment in an associate held for sale (PSP) is measured at the lower of its book value and its fair value less realization costs.

h. Impairment of investments treated according to the book value method:

As of each Statement of Financial Position date, the Group examines its investments in associates with the aim of determining whether there is objective evidence to indicate an impairment of their value. If such evidence exists, the recoverable amount of these investments is estimated in relation to their book value in order to determine the amount of the impairment loss that should be recognized, if any. An impairment loss is recorded to the Statement of Income.

The impairment examination is conducted for the investment as a whole. Accordingly, a recognized impairment loss of an investment is not attributed to the assets that comprise the investment account, including goodwill, but is attributed to the investment as a whole, and therefore the Group recognizes the reversal of losses recognized for investments accounted for according to the equity method, when an increase occurs in their recoverable amount.

In order to determine the amount of the impairment loss, if any, the investment's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the investment net of realization costs and its value in use. In determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows expected from the associate's operations and its realization or the present value of the estimated future cash flows, which are expected to stem from dividends received from the investment and from its ultimate realization.

Note 2 – Significant Accounting Policies (continued)

i. Statement of Income; Statement of Comprehensive Income; Statement of Cash Flows

Statement of Income presentation – The Group's activity and the nature of its revenues and expenses permit, in the opinion of the Company's Management, the presentation of Statement of Income items according to the single-step method, since this presentation format is compatible with the Company's nature as an investment and holding company.

(1) **Statement of Comprehensive Income** – The Group has selected a presentation format of two separate statements – a Statement of Income and a Statement of Comprehensive Income.

(2) **Statement of Cash Flows** – A statement of cash flows from operating activities is presented using the indirect method; interest paid and received by the Group is classified in the statement of cash flows as part of operating activities, with the exception of credit costs which are capitalized to a qualifying asset in which the investment in it and its construction is classified as investment activity; the cash flows resulting from income taxes and indirect taxes are classified under operating activities, unless they can be specifically identified with investment or financing activities; dividends paid are included in financing activities; dividends received from investees and other companies, including distribution by way of capital reductions recognized as income in its financial statements, are included in operating activities.

j. Functional and Presentation Currency

Functional and presentation currency – The financial statements of each Group company are prepared in the currency of the main economic environment in which it operates (hereinafter – "**the Functional Currency**"). The Company's functional currency, and that of the majority of companies and corporations held by it, is the NIS. The Company's Consolidated Financial Statements are presented in NIS (hereinafter – "**the Presentation Currency**").

Translation of transactions and balances not in the functional currency – Transactions carried out in a currency other than the functional currency of each Group corporation (hereinafter – "**foreign currency**") are translated into the functional currency for inclusion in the financial statements of that corporation, at exchange rates in effect on the date of each transaction.

Statement of financial position items originating in or denominated in foreign currency are translated as follows: monetary items denominated in foreign currency are translated according to exchange rates in effect on each statement of financial position date; non-monetary items included at fair value denominated in foreign currency are translated according to exchange rates in effect on the date the fair value was determined; non-monetary items measured at cost are translated according to the exchange rates in effect on the date the transaction was carried out for the non-monetary item.

Recording of exchange rate differentials – exchange rate differentials are, as a rule, recorded to the Statement of Income in the period in which they arose, with the exception of the following cases, in which exchange rate differentials are recorded directly to comprehensive income:

Exchange rate differentials in respect of loans and forward transactions on foreign currency designated for hedging investments in foreign operations, net (see Section r).

Note 2 – Significant Accounting Policies (continued)

Translation of financial statements of investees whose functional currency is different from NIS – For the presentation of Consolidated Financial Statements, the financial statements of foreign activities whose functional currency is different from NIS are translated to NIS in the following manner: assets and liabilities are translated to NIS according to exchange rates in effect as of the date of the statement of financial position; revenue and expense items are translated to NIS according to the average exchange rates in the reporting period, unless significant fluctuations have occurred in the exchange rates during the reporting period.

Translation differences are recorded to the "Capital Reserve from Translation of Financial Statements for Foreign Activities" item and are recognized in other comprehensive income. These exchange rate differences are classified in full to profit or loss on the date of realization of the entire foreign activity in respect of which the translation differences were created and when partial realization of foreign operations involves the loss of control or in a transition from an investment accounted for according to the equity method to a financial asset. In a partial realization of a subsidiary that includes foreign activity that does not involve loss of control, a relative share of the cumulative amount of exchange rate differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign activity. In any other partial realization, only the relative share of the aggregate amount of exchange rate differences recognized in other comprehensive income is reclassified to profit or loss.

Regarding the hedging of a net investment in a foreign activity, see Section r(4).

k. Cash and Cash Equivalents; Deposits and Tradable Securities

Cash and cash equivalents include cash that can be redeemed immediately, bank deposits that can be withdrawn immediately, as well as fixed-term deposits, which have no limit on use and whose maturity date, at the time of investment, does not exceed three months. This item also includes investments in monetary funds and certificates of deposit in Israel.

Deposits for which limitations exist on their use or for which the repayment period upon investment is greater than three months and no greater than one year are classified under deposits and tradable securities under current assets.

l. Investment property and investment property in development

Investment property is real estate (land or building – or part of a building – or both) held by the Group for the purpose of producing rental fees or for increasing capital value, or both, and not for administrative use or for sale in the ordinary course of business (hereinafter – "**Investment Property**"). The Group's investment property, including owned or leased buildings and land (mostly land leased from the Israel Lands Administration) that would otherwise comply with the above definition of investment property, are also classified and treated as investment property.

Investment Property is initially recognized at its purchase cost, which includes direct transaction costs such as purchase tax, professional consultant fees for legal and economic services. In addition, in accordance with IFRS 13, the Company allocates transaction costs created when purchasing new assets to the Statement of Income. In periods following initial recognition, investment property is measured at fair value. Profits or losses resulting from changes in the fair value of investment property are included in the Statement of Income in the period in which they arise, and are presented under "fair value adjustments of investment property".

In order to determine the fair value of investment property, the Group's management relies mainly on valuations performed by independent external real estate assessors with the required knowledge, experience and expertise and on the experience of the Group's management. For the manner of determining the fair value of investment property, see also Section z.4 below.

Note 2 – Significant Accounting Policies (continued)

Investment property in development – Investment property in development designated for future use as investment property is also measured at fair value, as noted above.

m. Fixed Assets and Active Electric Power Production Facilities

(1) General
A fixed asset is a tangible item that is held for use in the manufacture or supply of goods or services, or for rental to others, which is expected to be used for more than one period.

(2) Recognition and measurement
Fixed assets and photovoltaic and wind turbine facilities for electricity generation are measured at cost less accumulated depreciation and impairment losses.
The cost includes payments that can be directly attributed to the asset's purchase. The cost of assets developed independently includes the cost of materials and direct labor costs, as well as any additional costs that may be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. When significant parts of fixed assets have different lifespans, they are treated as separate items (significant components) of the fixed asset.

Profit or loss from the disposal of a fixed asset item is determined by comparing the proceeds from the disposal of the asset to its book value, and is recognized on a net basis in other income or other expenses, as applicable, in the Statement of Income.

(3) Depreciation
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

The depreciation of fixed assets is carried out separately for each component of a depreciable fixed asset item with a cost that is significant relative to the total cost of the item. Depreciation is carried out systematically (as detailed below) over the expected useful life of the item's components, from the date on which the asset is ready for its designated use, taking into account the expected residual value at the end of the useful life.

The method of depreciation of fixed assets best reflects the expected pattern of consumption of the future economic benefits inherent in the asset. The Group depreciates its fixed assets at equal annual rates based on estimates of the residual values. The depreciation method and useful life of the asset are reviewed by the Company's management at the end of each fiscal year. Changes are treated as changes in estimates, on a prospective basis.

The Group depreciates its assets using the straight-line method. Assets leased under lease arrangements are depreciated over their expected useful life on the same basis as owned assets, or over the lease term, the shorter of the two.

The useful life and the rates of depreciation used in calculating the depreciation are as follows:

	Useful Life	Depreciation %	Depreciation Method
Structures for self-use	10-50	2-10 (mainly 2)	Straight line
Vehicles	6.67	15	Straight line
Office furniture and equipment	3-16	6-33	Straight line
Electricity generating systems - wind energy	30	~3.33	Straight line
Electricity generating systems - photovoltaic energy (*)	10-35	~2.9-10	Straight line

(*) A significant residual value is calculated for these facilities.

Note 2 – Significant Accounting Policies (continued)

n. Leases

General:
The Group usually leases land for the installation and operation of photovoltaic systems and wind farms.

The following accounting policies were implemented until December 31, 2018

These leasing arrangements were classified as operating leases, that is: the leased assets were not recognized in the Statement of Financial Position in view of the fact that all risks and rewards associated with ownership remained substantially with the roofing lessor or landowner. Rent for the leasing of roofs are calculated as a percentage of the receipts received by the Company for the electricity supply to the Electric Company and are recognized in profit and loss at the time of entitlement to the receipts from the supply of electricity. In projects where the Group pays the lease payment in advance, this payment is recognized as an asset and is depreciated in a straight line as an expense over the lease term.

The following accounting policies have been implemented as of January 1, 2019

The Group assesses whether a contract is a lease (or includes a lease) at the time of engagement. On the one hand, the Group recognizes a right-of-use asset and on the other hand, a lease liability for all lease contracts in which it is the lessee, except in short-term leases (for a period of up to 12 months) and leases of low-value assets for which the Group recognizes the lease payments as operating expenses on a straight-line basis over the lease term.

Determining the lease term
The term of the lease is the non-cancelable period for which the lessee has the right to use the leased asset, including periods covered by an option to extend the lease if the lessee is reasonably sure that this option will be exercised. The likelihood of the exercise of the extension options is examined while taking into consideration, among other things, significant capital investments made by the Group in the leased asset (construction of electricity generating facilities), which is expected to have a significant economic benefit to the group during the extension period, extending the lease period so that it is consistent with the expected operating period of the electricity generating facilities, costs relating to the termination of the lease, the arrangement framework for the leased property, the location of the leased property and the availability of suitable alternatives.

Right-of-use Asset
A right-of-use asset is measured according to the cost model and depreciated in a straight line over the shorter period between the lease term and the useful life. The cost of the right-of-use asset at the start of the lease is determined by the amount of the initial measurement of the lease liability (see below), any lease payments made on or before the start of the lease, and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The depreciation of the asset is recorded as a depreciation expense and starts from the date of the start of the lease, which is the date on which the lessor makes the underlying asset available for use by the lessee. The useful life of the Group's leased assets is 23-20 years in Israel, 30 years in Poland and 35 years in the United States.

Right-of-use assets are presented in a separate item in the Statement of Financial Position. Land lease expenses recorded in previous periods in an item under this name join the right-of-use assets as of the date of application of the Standard.
The Group implements the provisions of IAS 36, Impairment of Assets, to determine if the right-of-use asset has been impaired and to deal with any impairment loss identified.

Note 2 – Significant Accounting Policies (continued)

Lease liability
The lease liability is presented in the Long-term Lease Liability Item in the Statement of Financial Position. Liabilities that will be repaid in the next 12 months are recorded in the Current Maturities of Short-term Lease Liabilities item in the Statement of Financial Position.

The lease payments included in the measurement of the lease liability consist of the following payments:
- Fixed payments;
- Variable lease payments that depend on the CPI, which are initially measured by using the CPI existing at the start of the lease.

The lease liability is initially measured on the date of the start of the lease at the present value of the lease payments that are not paid at the start of the lease, discounted using the lessee's incremental discounting interest rate, since the discount rate inherent in the lease is not easily determinable. After the initial measurement, the lease liability will be measured by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the book value to reflect the lease payments made.

The Group remeasures the lease liability (against an adjustment to the right-of-use asset) when:
- There has been a change in the term of the lease. In this case, the lease liability is measured by discounting the updated lease payments using an updated discount rate;
- The Group remeasures the lease liability using the original interest rate of the lease (against an to the right-of-use asset) when there is a change in future lease payments resulting from a change in the CPI used to determine these payments.

Variable lease payments that are not dependent on the CPI or the interest rate (for example, lease payments that are set as a % of the electricity output of the facilities installed on the leased assets) are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognized as an expense in the Statement of Income during the period in which the event or condition that activated these payments occurred.

Note 2 – Significant Accounting Policies (continued)

o. Financial assets

(1) General

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual terms of the instrument. Investments in these financial assets are initially presented at fair value plus transaction costs, except for investments in financial assets classified in the category of fair value through profit or loss, which are presented at fair value.

The Group's financial assets are classified into the categories listed below. The classification into these categories depends on the nature and purpose of the holding of the financial asset, and is determined on the date of initial recognition of the financial asset or in subsequent reporting periods if the financial assets can be reclassified to another category:

- Financial assets at fair value through profit or loss; and
- Financial assets measured at amortized cost

(2) Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" when those assets are held for trading purposes, when they are investments in equity instruments that are not held for trading purposes and are not designated at fair value through other comprehensive income or when they are designated as financial assets at fair value through profit or loss. The Group's financial assets included in this category include tradable securities held for trading and presented in current assets, investments in non-tradable equity instruments presented in non-current assets and forward transactions in foreign currency that are not hedged.

A financial asset is classified as held for trading if:

- It was purchased primarily for sale in the near future; or
- It is part of a portfolio of identified financial instruments managed together by the Group and for which there is evidence of a recent pattern of activity for the purpose of generating short-term profits; or
- It is a derivative that is neither a financial guarantee nor intended and effective as a hedging instrument.

A financial asset at fair value through profit or loss is presented at its fair value as of the date of the Statement of Financial Position. Profits or losses resulting from changes in fair value, including those due to changes in exchange rates, are recorded to the Statement of Income in the period in which the change occurred. Interest income and dividends originating from these assets are classified under the same item in the Statement of Income. Regarding the manner of determining fair value, see Section (z).

(3) Financial assets measured at amortized cost

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

- The Group's business model is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the asset set exact dates on which the contractual cash flows will be received, which constitute principal and interest payments only.

Note 2 – Significant Accounting Policies (continued)

Trade receivables, deposits, long-term and short-term loans and receivables, and other receivables with defined payments, are classified as financial assets measured at amortized cost, since the Group's business model is to hold these assets in order to collect contractual cash flows and the contractual terms of these assets specify the exact dates on which the contractual cash flows, which are only principal and interest payments, will be received.

The amortized cost of a financial asset is the amount at which the financial asset is measured when initially recognized, less principal payments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for a provision for any loss.

The effective interest method is a method used to calculate the amortized cost of a debt instrument and allocate and recognize interest income in profit or loss over the relevant period.

(4) Impairment of financial assets measured at amortized cost:

Impairment of financial assets at amortized cost is recognized and measured according to the projected credit losses.

The measurement of predicted credit losses is a function of the probability of a failure occurring, the amount of the loss in the event of a failure occurring and the maximum exposure to a loss in a failure event. Estimates of the probability of failure occurring and the amount of the loss are based on historical data adjusted by forward-looking information.

Regarding trade receivables, lease clients and lease assets, in accordance with IFRS 15, the Group chose to apply the lenient approach to measuring the provision for impairment according to the probability of default over the lifetime of the instrument. Predicted credit losses over the life of the instrument are the predicted credit losses from all possible failure events during the predicted lifetime of the instrument.

The predicted credit losses for these financial assets are estimated using a provision matrix based on the Group's past experience of credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend in conditions and the forecast trend of the conditions as of the reporting date.

p. Financial liabilities and equity instruments issued by the Group

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

- **Financial liabilities at fair value through profit or loss**

The Group's financial liabilities at fair value through profit and loss include various derivatives, as detailed in Section (q) below and non-hedging foreign currency forward transactions.

A financial liability at fair value through profit and loss is presented at fair value. Any profit or loss stemming from changes in the fair value is recorded to the Statement of Income. Profit or loss for these liabilities also includes interest paid in their respect. Transaction costs are recorded on the initial recognition date to the Statement of Income.

Note 2 – Significant Accounting Policies (continued)

- **Other financial liabilities**

The Group's other financial liabilities include short-term credit, other payables, bonds, and loans from banking corporations and others.
Other financial liabilities are initially recognized at fair value after deducting transaction costs. In periods following the initial measurement, other financial liabilities are measured, to the extent that such measurement results are material, on an amortized cost basis, with financing costs generally recognized in the Statement of Income based on the effective interest method. Regarding the treatment of other financial liabilities linked to the CPI, see Section (q).

- **Equity instruments**

An equity instrument is any contract that indicates a residual right to the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the amount of the proceeds received for them less expenses relating directly to their issuance.

- **Options for the purchase of shares of the Company and/or a consolidated company**

Receipts for the issue of options for the purchase of the Company's shares, which give the holder the right to purchase a fixed number of shares of common stock in exchange for a fixed amount of cash, are presented in capital under "receipts on account of stock options". Receipts for options issued by consolidated companies are presented in non-controlling interests. In this regard, an exercise price that varies according to the exercise date, when the exercise price can already be determined at each possible exercise date, is considered a fixed amount.

- **Split proceeds from the issuance of a securities block**

The proceeds from the issuance of a block of securities are attributed to the various package components. The consideration is initially attributed to financial liabilities measured at fair value through profit or loss and to other financial liabilities, which are measured at fair value only on the date of initial recognition, while the balance is attributed to equity instruments. When a number of equity instruments are issued as part of a securities block, the consideration for the block is attributed according to their relative fair value. The fair value of each of the block components measured at fair value is determined based on the market prices of the securities immediately after their issue. Issue costs are allocated among each of its components relative to the value determined for each component issued.
The issue costs allocated to financial liabilities measured at fair value through profit or loss are recorded to profit or loss on the issue date. Issuance costs allocated to other financial liabilities are presented net of the liability, and are recognized in profit or loss using the effective interest method. Issuance costs allocated to equity instruments are presented as a deduction from capital.

Note 2 – Significant Accounting Policies (continued)

q. CPI-linked financial assets and liabilities

The Group has financial assets and liabilities linked to the CPI that are not measured at fair value through profit or loss. For these assets and liabilities, financing income or costs are recorded according to the effective interest rate, to which linkage differentials are added based on actual changes in the CPI up to the date of each Statement of Financial Position, so that CPI-linked balances are presented according to the last known index on the date of the Statement of Financial Position (the CPI for the month preceding the date of the Statement of Financial Position in each period), or according to the CPI in lieu of the last month of the reporting period, according to the terms of the transaction.

r. Derivative financial instruments and hedging accounting

(1) General

The Group has derivative financial instruments that include, among others, foreign currency forward transactions.

The Group engages in transactions on derivative financial instruments, such as forward transactions on currency exchange rates, with the aim of hedging exposures to changes in foreign currency exchange rates. The Group also finances securities investments that are classified as financial assets at fair value through profit or loss or investments in foreign activities, net of credit taken in the foreign currency in which these investments are denominated.

Derivative financial instruments are initially recognized on the date of the engagement, and in each subsequent reporting period, at fair value. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss. The timing of the recognition of the profit and loss of changes in the fair value of derivative financial instruments designated for hedging purposes, where such hedging is effective and meets all conditions for determining hedging ratios, is contingent on the nature and type of hedging, as set out in Sections (2) to (5) below.

The balance sheet classification of derivative financial instruments, as current or non-current, is determined according to the contractual duration of the financial instrument from which they are derived. When the derivative's contractual time remaining exceeds 12 months, the derivative is presented in the Statement of Financial Position as a non-current item. When the contractual time remaining is less than 12 months, the derivative is presented as a current item, as long as the derivative liability is settled in cash, or by an exchange with another financial asset.

(2) Hedge accounting

The Group implements the IAS 39 hedge accounting model as its accounting policy.

The Group designates hedges of derivative financial instruments or non-derivative financial instruments (in the case of foreign currency risk) for the purpose of hedging fair value risk or for the hedging of investments in foreign activities, net. Hedging relationships are documented on the date of engagement in the hedging transaction. The documentation includes identification of the hedging instrument, the hedged item, the hedged risk, the hedging strategy applied, and the degree to which the strategy matches the Group's overall policy for each type of hedge. In addition, starting at the beginning of the hedging relationship and for its duration, the Group documents the degree to which the instrument is effective in offsetting the exposure to changes in the fair value or in the cash flows of the hedged item. Hedging is considered highly effective when the ratio between the fair value of the hedging instrument and the fair value of the hedged risk is within 80% and 125%.

Note 2 – Significant Accounting Policies (continued)

The balance sheet classification of hedging instruments is determined according to the remaining period of the hedging relationship at the end of the reported period – if, as of the date of the statement of financial position, the remaining period exceeds 12 months, the hedging instrument is classified in the statement of financial position as a non-current asset or liability; and if the remaining period is less than 12 months at the end of the reporting period, the hedging instrument is classified in the statement of financial position as a current asset or liability.

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

(3) Fair value hedging

Changes in the fair value of financial instruments designated for fair value risk hedging, which include changes in the forward rate of the CPI in the case of fair value hedging of unlinked NIS bonds using derivative financial instruments, are recognized in the Statement of Income together with changes in the fair value of the hedged item related to the hedged risk. The hedge accounting is terminated when the hedging instrument expires or is sold, canceled or realized, or when the hedging ratios no longer meet hedging threshold conditions.

(4) Hedging of investment in foreign activity, net

Hedging of investments in foreign activity, net through loans taken in the same currency in which the investment was made and through forward and cross currency swap transactions in foreign currency, is treated such that the effective part is recognized in the "Capital Reserve from the Translation of Financial Statements for Foreign Activity" item in the Company's comprehensive income, and the ineffective part is immediately recognized in the Statement of Income. Amounts recognized in comprehensive income are classified to profit or loss upon realization of the investments in the foreign activities, net.

(5) Cash flow hedging

The Group implements cash flow hedge accounting for future transactions for the purchase of foreign currency designated to guarantee payment in foreign currency and cash flow hedge accounting for variable-interest loans, for which the Group entered into interest rate swap agreements.

The effective part of changes in the value of financial instruments designated as cash flow hedges is recognized in other comprehensive income in the "profit (loss) in respect of cash flow hedging" item and the ineffective part is immediately recognized in profit or loss.

After termination of the hedge accounting, the amounts recorded to other comprehensive income are recorded to profit or loss, with the hedged item or the hedged expected transaction recorded to profit or loss.

When hedging an expected transaction on non-financial assets, profits or losses that were recorded to other comprehensive income are recorded to profit or loss over the course of the period in which the expected hedged cash flows impact the profit or loss.

Note 2 – Significant Accounting Policies (continued)

s. Holdings in Company shares

Company shares held by the Group are deducted from the Company's equity according to the treasury stock method.

t. Taxes on income

(1) General

Income tax expenses (revenues) in the Statement of Income include all current taxes, as well as total change in deferred tax balances, except for deferred taxes relating to a transaction or event that are recorded directly to equity or to comprehensive income. The tax results resulting from a transaction or event recognized directly to equity or to comprehensive income are also recorded directly to equity or to comprehensive income.

(2) Current taxes

Current tax expenses (income) are calculated based on the taxable income of the Company and the Group companies during the reporting period. Taxable income differs from income before income taxes, due to the inclusion or exclusion of income and expense items that are taxable or deductible in different reporting periods, or that are not taxable or deductible. Current tax assets and liabilities are determined using the tax rates and tax laws that have been enacted, or substantively enacted, up to the date of the Statement of Financial Position.

(3) Deferred taxes

The Company and the Group companies make an allocation of taxes for temporary differences between the value of assets and liabilities in the financial statements and their tax basis and for losses and benefits for tax purposes, which are expected to be realized. The deferred taxes are calculated at the tax rates expected to apply at the time of their application, based on the tax rates and tax laws enacted, or substantively enacted, until the end of the reporting period. Deferred tax liabilities are generally recognized in respect of all temporary differences between the value for tax purposes of assets and liabilities and their amounts in the financial statements. Deferred tax assets are recognized in respect of all deductible temporary differences up to the expected amount of taxable income against which the deductible temporary difference can be utilized. In addition, the Company records a tax reserve in its financial statements for its share of revaluation profits and depreciation differences for the assets of Carr, BE and the Boston companies, which is included in the financial statements under "deferred tax expenses" and "Group share in the profit of associates", respectively since Carr, BE and the Boston Companies are defined as REIT for tax purposes in the UK and in the United States, and therefore, they do not record a tax reserve in their books – see Notes 6d, 6g 6ז. and 6i.

The deferred tax calculation does not take into account: taxes that would apply in the event of the realization of investments in investees which, according to the Group's intentions, are expected not to be realized in the foreseeable future; taxes in respect of a distribution of profits in the Group for cases where dividend payments from investees are not expected to be taxable; taxes on profits of Group companies whose distribution is taxable, but the Group does not intend to distribute them as a dividend; taxes in respect of
receipts distributed by way of capital reduction by associates and the Company estimates that these receipts will be classified in Israel as capital gain; deferred taxes that would apply to investment property acquired in a non-business combination transaction, which at the time of the transaction does not affect the accounting profit nor the taxable income at the time of the transaction.

Note 2 – Significant Accounting Policies (continued)

Deferred tax assets and liabilities of each investee are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes imposed by the same tax authority, and the intention of that investee to settle its current tax assets and liabilities on a net basis.

u. Provisions

A provision is recognized when the Group has a commitment (legal or implied) as a result of a past event that is more likely than not to require a negative flow of resources, as long as a reliable estimate of the commitment amount to be discharged can be made. The provisions reflect the management's best estimate of the amounts that will be required to settle the commitments as of the date of the Statement of Financial Position, taking into consideration the risks and uncertainties involved.

When all or part of the amount required to settle the commitment as of the date of the Statement of Financial Position is expected to be settled by a third party, the Group recognizes an asset, for the restitution, up to the amount of the provision recognized, only when it is virtually certain that the indemnity will be received and can be reliably estimated.

The financial statements include provisions for legal proceedings and taxes that are contingent on the date of the Statement of Financial Position, against some of the Group companies that, according to the management's estimation based on its legal advisors for these proceedings, it is more likely than not that they will be realized.

v. Share-based payment

In share-based payment transactions with employees (including officers and others who provide similar services) that are settled in the Group's equity instruments (usually options), the benefit inherent in equity instruments granted is determined based on their fair value on the grant date. The fair value inherent in granted options is estimated on the basis of option pricing models (such as the Black and Scholes model), where, at each date of the Statement of Financial Position, the Group estimates the number of equity instruments expected to mature and any change in the estimate over previous periods is recognized in the Statement of Income over the remaining vesting period.

The benefit is recognized as an expense in the Statement of Income against an increase in equity, in a straight line over the vesting periods of the equity instrument granted, such that each sub-grant is considered a separate series (graded vesting).

In share-based payment transactions with employees (including with officers and other providing similar services) settled in cash, the Group measures the labor services and the liability created in respect of share-based payments cleared in cash according to the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the settlement date, with any changes in the fair value recognized in profit or loss for the period. If the arrangement includes vesting conditions, the Group recognizes the services received, and the liability to pay for them, over the vesting period.

Note 2 – Significant Accounting Policies (continued)

w. Recognition of revenue

Revenue is recognized in the financial statements as long as their collection is estimated to be expected on the date they are recognized and when the amounts of revenue and costs can be reliably measured. Revenue is measured and recognized according to the fair value of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for the benefit of third parties (such as taxes).

(1) Revenues from rental fees and investment property management are recognized in the Statement of Income as they accrue over the rental period. In leases where the rent increases at a fixed rate throughout the rental period, the effect of the fixed increase in rents is recognized in the Statement of Income evenly throughout the rental period. Revenue is recognized in the financial statements as long as its collection is estimated as expected as of the date of recognition and when the amount of revenue can be reliably measured.

Waiver in respect of lease payments from operating lease arrangements for which the projected due date has expired – Amot 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 in accordance with Accounting Standard IFRS 9 and consistent with the Securities Authority Staff Position 19-3. Accordingly, and after taking into account projected credit losses to the extent such exist, Amot 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, Amot recorded a decrease in revenues in the amount of approx. NIS 47 million.

Operating lease arrangements that combine fixed lease fees and variable lease fees – In operating lease arrangements that combine fixed lease fees and variable lease fees, Amot recognizes the fixed lease payments on a straight-line basis over the lease period. In lease agreements of this type, in which the tenants were given relief attributed to the corona crisis (COVID-19), according to which the fixed component was reduced to a lower amount for a fixed period, while leaving the variable component intact, Amot considers the updated floor of the fixed component as a systematic basis that better presents the pattern in which the benefit is reduced from the use of the underlying asset, and this is replaced by the spread of the reduction in the fixed component over the balance of the lease period on a straight-line basis.

Accordingly, in each period Amot 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. This accounting policy is in accordance with IFRS 16 and the Securities Authority Staff Position 19-3. In respect of the reduction of the fixed component to the updated floor, Amot recorded a decrease in revenues in the amount of approx. NIS 17 million.

(2) Dividend income is recognized in the Statement of Income on the determining date for dividend eligibility.

(3) Profits (losses) from the realization of investment property and investments in associates are recognized in the Statement of Income on the date of completion of the sale transaction upon transfer of control of the property to the buyer.

(4) Revenue from electricity sales is recognized in the Statement of Income as accumulated over the production period.

Note 2 – Significant Accounting Policies (continued)

(5) Revenues from green certificates are measured according to the market price of the certificates at the end of the month in which they accumulated and recorded against the green certificates inventory. At the time of realization of the certificate, revenues from the sale of green certificates are adjusted based on the actual sale price, except in cases of impairment of the value of the certificates. Impairments and cancellations are recognized in the expense items in the Statement of Income. Regarding green certificates, see Note 7.

(6) Financing income includes interest income in respect of invested amounts, changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues through the effective interest method.

x. Credit costs

Credit costs attributable to the construction of qualifying assets, the preparation of which for their intended use or sale require a significant time period, are capitalized to the cost of those assets until such time that the assets are mostly ready for their intended use or sale.

Credit costs were calculated as the multiple of the Group's average interest rate by the actual asset invested.

Revenues stemming from a temporary investment of specific credit received for the purpose of investing in qualifying assets is deducted from the credit costs qualifying for capitalization.

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

y. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Company's common stock shareholders, by the weighted average number of shares of common stock in circulation during the reporting period.

In order to calculate diluted earnings per share, the profit attributed to the Company's common stock shareholders, and the weighted average number of shares in circulation, is adjusted for the effects of all potential shares of common stock originating in the Company's convertible securities, as long as they result in dilution relative to the basic earnings per share.

z. Determining fair value

In order to implement some of the accounting policies, the Group is required to estimate the fair value of financial and non-financial assets and liabilities. Fair value amounts are determined mainly based on the following methods:

(1) **Non-derivative negotiable financial instruments** – the fair value of non-financial derivatives traded on active markets (mainly shares and other securities) has been calculated according to closing rates as of the balance sheet date quoted on various stock exchanges, multiplied by the amount of issued negotiable financial instruments on that date.

(2) **Derivative tradable financial instruments** – The fair value of derivative financial instruments traded in an active market was calculated according to quoted market prices at the end of the reporting period.

Note 2 – Significant Accounting Policies (continued)

(3) **Non-traded financial instruments** – The fair value of financial instruments, including derivatives, that are not traded in an active market (mainly forward and cross currency swap transactions in foreign currency and financial assets at fair value through profit or loss that are not traded) is estimated using generally accepted economic valuation techniques and models based on reasonable assumptions derived from the existing economic conditions at the end of each reporting period. The valuation methods include models for pricing options and the present value of future cash flows discounted at a discount rate that reflects, in the Company management's estimation, the level of risk inherent in the financial instrument.

(4) **Investment property**

The Group's investment property is presented at its fair value, with changes in its fair value recognized as income or expense in profit or loss.

For the purpose of determining the fair value of investment property, the Group's management relies mainly on assessments made by independent external real estate appraisers with the required knowledge, experience and expertise. The Company's management determines the fair value according to generally accepted valuation methods for real estate assets, mainly discounted cash flows (DCF) and comparison of sale prices of similar assets and Group assets in the immediate vicinity (and for real estate in development, mainly according to the "extraction" approach"). When the discounted cash flow method is used, the interest rate used to discount the net cash flows expected from the asset has a significant impact on its fair value.

Determination of the value takes into account, among other things and where relevant, the location and physical condition of the property, the quality and stability of the tenants, the rental periods, rental prices for similar assets, adjustments required to existing rental prices, the actual predicted occupancy of the property and its operating costs. A change in the value of some or all of these components can have a significant impact on the property's fair value as estimated by the Company's management.

The Group aims to determine fair value in objective a manner as possible, but at the same time the process of assessing fair value of investment property also includes subjective components, originating among other places in past experience of Group management and its understanding of future occurrences and developments in the investment property market on the date on which the fair value assessment was determined. In view of this, and in view of that stated in the previous paragraph, determination of the fair value of the Group's investment property requires discretion.
Changes in assumptions used to determine fair value can significantly affect the Group's financial condition and operating results.

(5) **Stock options to employees and officers –**

The fair value of the benefit inherent in the granting of stock options to employees and officers, providing similar services, is determined based on the fair value of each stock option on the grant date estimated using an option pricing model (such as the Black and Scholes model).

Determining fair value takes into account, among other things, the share price, the exercise price, the predicted volatility, the life of the option, expected dividends and the risk-free interest rate. Predicted volatility is estimated based on the past volatility of the stock price; the life of the option is determined in accordance with management's forecast of the stock option recipients' holding period of the stock options granted to them, given their role in the Company and the Company's past experience regarding the departure of employees; in estimating the predicted dividends, the Company takes into consideration the dividend distribution policy known on the grant date; the risk-free interest rate estimate is based on the yield inherent in government offerings, the remaining period of which is equal to or similar to the forecast period of the assessed option.

Note 2 – Significant Accounting Policies (continued)

x. Main estimates and uncertainties

Main estimates and uncertainties

The addition of information that was not available to the Company at the time an estimate was made may cause changes in the quantitative value of the estimate and therefore also affect the Company's financial position and operating results.

Therefore, although estimates or valuations are made in the best of the Company management's judgment, based on its past experience considering the unique factors of each case, and where relevant, even with the help of external experts, the final quantitative impact of transactions or matters requiring estimates may only become clear when these transactions or matters are concluded. Consequently, when the actual results in an event that requires determination of estimates and valuations becomes clear, they may differ, sometimes substantially, from these estimates and valuations when they are initially determined and updated over time.

The estimates and their underlying assumptions are reviewed periodically, and updated following information coming to the attention of the Company's management or an event that has occurred after the last date on which the estimate was made, and which was not available in the previous period when the estimate was made or last reviewed. Changes to accounting estimates are recognized in the period in which the estimate is changed, or also in future periods after the change is made if the change has implications that affect both the current and future periods.

The following are the main areas that require estimates and assessments to determine their value in the financial statements, which the Group management believes are expected to have a particularly significant impact:

- **Fair value of investment property and investment property in development –** see Note 4d.

- **Fair value of financial instruments** – as described in Note 23. Company management exercises discretion in selecting appropriate valuation techniques for financial instruments that do not have a quoted price in an active market. The valuation techniques used by the Company's management are those applied by market participants. The fair value of financial instruments is determined based on the discounted cash flows expected from them, based on assumptions supported by observable market prices and their rates. The fair value estimate of financial instruments that are not listed for trading in an active market includes a number of assumptions that are not supported by observable prices and market rates.

- **Impairment of investments in associates –** The Company tests for impairment of investments in associates in accordance with the provisions of IAS 36. As part of the impairment testing, the Company refers to a variety of indications, including, among other things, the investee's business situation, changes in its operating activities, rising trends in terms of operating and financial indices such as occupancy rates, cap rates, operating cash flows, ability to repay and raise debt, financial ratios, asset value per share, dividend per share, the duration of the period in which the investment cost exceeds its value according to stock market prices if there is a continuous decline in stock market prices over long periods, or if the decline in stock market prices is expected to be significant in view of a real deterioration in the investee's business, and so on. If, after examining all of the above parameters, the conclusion is that this is not an impairment, there is no need to estimate the amount of the loss.

Note 2 – Significant Accounting Policies (continued)

- **Provisions for legal proceedings** – In order to examine the legal issues of the legal claims, and to determine the likelihood that they will materialize to the Group's detriment, the Group's management relies on the opinion of legal and professional advisors. After the Group's advisors form their legal opinion and the Group's chances regarding the claim or proceeding at hand, whether the Group will have to bear the results or whether it has the ability to reject them, the Group's management estimates the amount to be recorded in the financial statements, if any. A different interpretation from that of the Group's legal counsel regarding an existing legal situation, a different understanding by the Group's management regarding engagement contracts, as well as changes stemming from relevant rulings or new facts, may have an effect on the value of the overall provision for the legal and tax proceedings that are pending against the Group, thereby significantly affecting the Company's financial position and operating results.

- **Taxes on income** – The Group operates in several countries that have different tax regimes. The Group recognizes a tax liability according to the tax rates applicable to the Group companies in accordance with the applicable tax laws. In determining the provision for current and deferred taxes, the management makes estimates and assessments, especially regarding transactions for which the tax rates or tax liability are not certain or final. When there is uncertainty, the Company's management usually assesses, based on the opinions of various tax advisors, whether it is more likely than not for that the Group has additional tax exposure, and the best estimate of the additional tax expense to be incurred by the Company. In addition, in cases where the Company's management estimates that additional tax is expected due to its international operations and the fact that it operates in several countries where different tax regimes exist, the Company recognizes a deferred tax liability according to the expected tax rates.

- **Deferred tax assets –** Deferred tax assets are recognized for losses carried forward for tax purposes and temporary unused differences, if it is expected that there will be future taxable income against which they can be utilized. Management's judgment is required to determine the deferred tax asset amount that may be recognized based on timing, the amount and source of expected taxable income and tax laws in the various tax territories. See additional information in Section (t).

bb. Exchange rates and linkage bases

Balances in or linked to foreign currency are included in the financial statements according to the representative rates of exchange published by the Bank of Israel and in effect as of the end of the reporting period.

Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the CPI of the month preceding the month of the financial statement date) or according to the Consumer Price Index for the last month of the reporting period (the CPI for the month of the financial statement date), according to the transaction terms.

Note 2 – Significant Accounting Policies (continued)

Below are details of the Consumer Price Index and the exchange rates of the following currencies against the NIS, as well as the increase (decrease) in the Consumer Price Index and changes in the exchange rates of the following currencies against the NIS:

	As of December 31 / Month of December			For the Year ended December 31		
	2020	2019	2018	2019	2019	2018
				%	%	%
Consumer Price Index (2000 base)						
In Israel (in lieu index)	132.634	133.561	132.764	(0.69)	0.60	0.80
In Israel (known index)	132.766	133.561	133.157	(0.60)	0.30	1.20
Exchange Rate against the NIS						
CHF	3.650	3.575	3.807	2.10	(6.09)	7.09
USD	3.215	3.456	3.748	(6.97)	(7.79)	8.10
GBP	4.392	4.560	4.793	(3.68)	(4.86)	2.37
PLN	0.854	0.911	0.999	(6.17)	(8.81)	0.39

cc. Newly published Financial Reporting Standards and Interpretations and Amendments to Standards

New standards, new interpretations and amendments to standards affecting the current period and/or previous reporting periods:

- **Amendment to IFRS 16 regarding lease relief:**

The amendment provides tenants with practical relief in the accounting treatment of waivers of lease payments relating to COVID 19. The practical relief allows the lessee to choose not to examine whether a waiver of lease payments relating to COVID 19 constitutes an amendment to the lease. A lessee making this choice will treat any change in lease payments due to a waiver of lease payments as if the change was not a lease amendment but as variable negative lease payments.
The practical relief applies only to waivers of lease payments that occur as a direct result of the COVID-19 pandemic if and only if all of the following conditions are met:

a. The result of the change in lease payments is an updated consideration for the lease that is in fact equal to or lower than the consideration for the lease immediately prior to the change;
b. Any reduction in lease payments only affects payments whose original due date is June 30, 2021 or before that date (for example, a waiver of lease payments will meet this condition if the result is reduced lease payments on or before June 30, 2021 and increased lease payments continuing after June 30, 2021); and
c. There is no significant change in other terms of the lease.

This amendment applies to annual reporting periods starting January 1, 2020 or subsequently. Early application is possible. The amendment will be applied retrospectively by adjusting the opening balance of retained earnings (or another component of equity, as necessary) as of the beginning of the annual reporting period in which the amendment is applied.

Note 2 – Significant Accounting Policies (continued)

- **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. In addition, the amendment omits reduced costs or other economic benefits from the definition of "business" and "outputs" and focuses on products and services provided to customers and adds guidelines that help determine whether a significant process has been acquired.
The amendment also adds an optional '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 did not have an impact on the Group's financial statements.

Note 3 – Additional Information regarding Current Asset Items

A. Cash and cash equivalents

	Interest Rate	As of December 31	
	As of December 31	2020	2019
	2020	NIS thousands	NIS thousands
	%		
Cash in banking corporations		1,031,529	356,539
Short-term deposits in banking corporations	0.05-0.21	1,183,252	335,015
Monetary funds (*)		-	80,195
		2,214,781	771,749

(*) Investment in short-term NIS mutual funds, and the average duration of their repayment date at the time of investment does not exceed 3 months.

B. Trade receivables

(1) Composition:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Outstanding debt	37,146	26,169
Checks collectible	8,298	3,824
Income receivable	29,520	20,311
	74,964	50,304
Less provision for doubtful debts	(14,399)	(6,521)
	60,565	43,783

(2) Movement in provision for doubtful debts:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Balance at beginning of year	6,521	5,081
Doubtful debt amounts written off	(30)	(1,261)
Amount of provisions made during the year	7,908	2,701
Balance at end of year	14,399	6,521

In determining the likelihood of payment of customer debts, the Group examines changes in the quality of customer credit from when the credit was extended and up to the reporting date. Credit risk concentration is limited, as the customer base is large and a transaction with any of them is immaterial. The Group did not conduct an additional Group-level examination as, in its opinion, it does not have an impact on the financial statements and it is not material.

Note 3 – Additional Information regarding Current Asset Items (continued)

The Group's management of credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group.
The Group does not have significant exposure to credit risk in respect of a specific customer or a group of customers with similar characteristics. The Company defines customers as having similar characteristics if they are related entities. The credit concentration level is limited due to the fact that the customer base is large and not related to each other. There have been no changes in compliance techniques or in significant assumptions carried out in the current reporting period. The Group writes off customer debts when information exists that indicates that the customer is in severe financial difficulty and there is no real chance to recover the debt. For example, when the customer enters liquidation or bankruptcy proceedings.

C. Other receivables

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Income receivable – interest, dividends, rental fees and other	1,865	4,544
Institutions	24,551	17,837
Prepaid expenses	5,738	3,872
Partners in joint ventures	297	2,288
Joint arrangements	8,055	6,676
Related companies	1,432	11,405
Green Certificates (*)	22,892	20,335
Derivative financial instruments designated as hedges (see Note 23)	136,751	32,864
Receivables in respect of contingent consideration arrangement – see Note 6j.	18,348	38,098
Current maturities of long-term loans to investees presented according to the equity method	5,262	5,294
Others	33,620	39,132
	258,811	182,345

(*) Green certificates amounting to approx. 189 GW at an average certificate price of approx. 140.49 PLN per certificate (in 2020, Energix produced approx. 445 GW green certificates).

D. Deposits, tradable securities and restricted cash

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Tradable securities		
Stocks	39,537	40,876
Bonds	50,160	-
Short-term restricted deposits	643	144,607
	90,340	185,483

Note 4 – Investment Property; Investment Property in Development

A. Composition and movement:

	Investment property		Investment Property in Development	Total
	Israel (Amot)	The UK (BE)	Israel (Amot)	
	NIS thousands			
Balance as of January 1, 2019	**9,749,051**	**-**	**803,438**	**10,552,489**
Additions from acquisitions	996,506	2,438,000	79,813	3,514,319
Effect of changes in exchange rates	-	(23,160)	-	(23,160)
Transfer from investment property in development to investment property	502,390	-	(502,390)	-
Investments and other	226,476	6,260	161,665	394,401
Capitalized credit costs	-	-	8,468	8,468
Profit (loss) from fair value adjustments, net	843,823	152,608	(640)	995,791
Balance as of December 31, 2019	**12,318,246**	**2,573,708**	**550,354**	**15,442,308**
Additions from acquisitions	2,273	452,292	232,352	686,917
Transfer from investment property to fixed assets	(13,797)	-	-	(13,797)
Effect of changes in exchange rates		(103,844)		(103,844)
Transfer from investment property in development to investment property	187,537	-	(187,537)	-
Transfer from investment property to investment property in development	(207,099)		207,099	-
Investments	59,091	25,275	332,474	416,840
Capitalized credit costs		-	9,137	9,137
Profit (loss) from fair value adjustments, net	(149,457)	(44,090)	5,765	(187,782)
Balance as of December 31, 2020	**12,196,794**	**2,903,341**	**1,149,644**	**16,249,779**
Discount rate in 2020	**6.1%-7.75%**	**4.34%-5.77%**		
Discount rate in 2019	**6.1%-7.25%**	**4.6%-5.7%**		

- For information regarding revenues from rental fees originating in investment property, see Note 17a.

B. Fair value adjustments of investment property

Amot

During the reporting period, Amot recorded a negative revaluation of real estate in the amount of NIS 144 million, which was mainly attributed to the impact of the Corona crisis on Amot's assets and to the negative index in the period.

BE

In the reporting period, BE recorded a negative property revaluation in the amount of GBP 410 million (NIS 44 million) attributed mainly to a decrease in expenses in the acquisition of properties in the amount of GBP 6 million and to a negative property revaluation in the amount of GBP 4 million.

Note 4 – Investment Property; Investment Property in Development (continued)

C. Transactions in and subsequent to the reporting year related to investment property, property in development and property in planning and development:

Amot

Purchase of logistics complex

On March 3, 2021, after the balance sheet date, Amot signed an agreement to purchase half of the rights in a logistics center near Kibbutz Hafetz Haim for the amount of NIS 71 million. The property is fully leased for a period of 10 years and is expected to yield NOI in the amount of NIS 8.1 million per year (Amot's share -50%).

Projects in development

Amot has 4 projects in construction stages or just prior to construction, in which Amot's share is approx. 94 thousand sq.m. of above ground space. The total expected investment in the projects is approx. NIS 1.2 billion (the Company's share), and the expected balance of the investment over the next 5 years is NIS 0.8 billion (Amot's share).

Amot Holon

In July 2016, Amot won a tender held by the city of Holon for the construction of an office and high-tech industry building project in the Holon Industrial Zone, as part of a combination agreement with the municipality. According to the transaction, in exchange for providing the land for the project, the municipality will receive 22.2% of the rights in the building. The project, located in the south-west part of the Industrial Zone C in Holon, includes a 22-story office tower with a total above-ground space of approx. 61 thousand sq.m., and a 5-level underground parking garage, (Amot's share - 77.8%). As of the date of the report, the project is in the final stages of completion of the upper structure and of the parking basements, with the project expected to be completed during 2021 (not including fit-out work for tenants). Amot estimates the amount of its investment in the project at approx. NIS 570 million. As of the date of the statement of financial position, NIS 396 million has been invested.

Amot Modi'in

In December 2016, Amot purchased a plot with an area of approx. 34 dunams in the Modi'in Industrial Zone from the Israel Land Authority, for a consideration of approx. NIS 70 million for discounted lease fees and development expenses. In May 2018, Amot entered into an agreement with Shufersal Ltd. (hereinafter: "**Shufersal**:) according to which Amot would sell Shufersal 25% of the land lease rights in Modi'in. Amot promoted a city building plan to increase the building area on the plot to a total area of approx. 53 thousand sq.m. (the city building plan is in effect). As part of the engagement, the parties agreed to jointly construct a logistic center with an area of Pprox. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center will be fully leased to Shufersal for a period of 15 years with an option to extend the period. Moreover, according to the agreement between the parties, the logistics center began generating income starting in mid-July 2020 and was reclassified from real estate in development to income-generating real estate. The expected investment amount for the partnership in the construction of the project was estimated at approx. NIS 420 million (Amot's share in the investment is 75% and is estimated at approx. NIS 320 million). Amot's expected revenue is estimated at approx. NIS 26 million per year. As of the date of the report, the project is in the finishing work stage at the logistic center with an emphasis on the work of the automation contractor as well as nearing the start of the finishing work on the office building. Until the date of the statement of financial position, approx. NIS 282 million was invested in the property (Amot's share - 75%).

Note 4 – Investment Property; Investment Property in Development (continued)

Halehi Complex

In July and November 2018, Amot signed an agreement and an addendum to the agreement, respectively, with Allied Real Estate Ltd. (hereinafter: "**Allied**") according to which Allied would sell to Amot half of the discounted lease rights (subject to Allied's signature on a new discounted lease agreement with the Israel Land Authority) on a plot with an area of approx. 16.4 dunams on Lehi Street in Bnei Brak for an amount of approx. NIS 100 million. The plot is located in Bnei Brak's northern business complex, adjacent to the south of the Hayarkon Park and the Ramat Hahayal complex and close to the Ayalon Mall. The parties are working together to plan, develop and build an office and commercial project on the plot, which will include approx. 82 thousand sq.m. of above-ground space, including 40 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,200 million (Amot's share - 50%). The project is in the reinforcement, excavation, groundwater degradation and foundation stages.

ToHa 2 Parking Lot

The project partners are in the preparation stages for the construction of the parking lot in the Totzeret Ha'aretz Complex. As of the date of the report, the project is in its completion stages of the parking lot reinforcement work (see the Totzeret Ha'aretz project below).

<u>Projects in planning and development stages</u>

Amot has 5 medium-range projects (3-8 years) in planning and development stages for which no decision has yet been reached for their construction Amot's share in them is an above-ground area of approx. 185 thousand sq.m. and the total investment expected for these projects in the next few years is approx. NIS 2.2 billion (Amot's share, subject to completion of additional rights in the K Complex in Jerusalem). The cost of construction includes the land component and parking garages and does not include adjustments to tenants and capitalizations.

ToHa 2 (Totzeret Ha'aretz)

A joint project for Amot and Gav-Yam Ltd. (each party's share - 50%). In August 2018, the Tel Aviv local planning and building committee approved, for deposit, a local city building plan for additional building rights (under TA/5000) for the construction of another office tower in the complex, with a gross above-ground area of approx. 140 thousand sq.m. (the Company's share - 50%). Under the plan, an underground connection was planned from the complex to the metro station Lines M1 and M2 (in accordance with NTA publications) and to the Hashalom railway station. The investment amount for the construction of the ToHa2 project (including payments for the land component) is estimated at approx. NIS 2,000 million (Amot's share - 50%).

K Complex – Jerusalem

In June 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 extension period of 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 that was 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%). The parties are working together to plan, establish 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 1,100 million (Amot's share - approx. NIS 550 million). At this stage, the project is in the planning stages, with excavation work scheduled to begin during 2021.

Note 4 – Investment Property; Investment Property in Development (continued)

The 1000 Complex – Rishon Lezion

In June 2018, Amot won a tender for the purchase of land in the 1000 Compound in Western Rishon Letzion for a consideration of approx. NIS 30 million. The land has building rights for the construction of an employment structure with an area of approx. 19 thousand sq.m. As of the date of the report, theproject is in the planning and licensing stages.

Platinum Stage B

The Company is planning to exercise the balance of its building rights in the project in the amount of approx. 17 thousand sq.m. and complete additional building rights in order to build a twin tower for the Platinum Stage A tower.

Amot Shaul

Amot has land with building rights for the construction of employment structures with an above-ground area of approx. 70 thousand sq.m. (Amot's share – 50%). The partner company in the project is Sena Trask Inc.

BE

Transactions during the reporting period:

Seacourt Tower

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). The business park, which includes office space and an open commercial center, with a total rental area of approx. 16 thousand sq.m., is located on an 11-acre land division (approx. 44 dunams). The business park is leased at 98% occupancy and generates an annual NOI of approx. 4 million, approx. half from the office space and half from the commerce space.

In addition, as part of BE's entrepreneurship plan, during the reporting period BE acquired two buildings adjacent to existing buildings under its ownership for a total consideration of approx. GBP 14 million (approx. NIS 62 million) (not including transaction costs).

Events subsequent to the reporting date:

418 & 436 Cambridge Science Park

In January 2021, BE signed an agreement to purchase two buildings in the Cambridge Science Park with a total rental area of approx. 70 thousand sq.ft. with the right to lease the land for a period of 150 years, in a complex with an area of 17 dunams for GBP 45 million (approx. NIS 208 million) (not including transaction costs) ("the Complex"). The complex is located in the northern part of the city of Cambridge in the UK.

The complex is leased until May 2031 to companies from the Life Science industry, which serve as a research and development center. The complex is leased at full occupancy and is expected to yield an annual NOI in 2021 (net of lease fees) in the amount of GBP 2.2 million (approx. NIS 10 million).

The complex has the potential for future betterment for the establishment of a modern science park, while significantly increasing building rights.

Completion of the transaction is subject to preconditions. BE anticipates that the above transaction will be completed by the end of March 2021.

Note 4 – Investment Property; Investment Property in Development (continued)

214-240 Cambridge Science Park

In February 2021, BE acquired a leasehold right for a period of 90 years in a complex (located in the vicinity of the property described above) on an area of 33 dunams, on which five buildings with a total area of approx. 200 thousand sq.ft. are built, in the Cambridge Science Park ("**the Science Park**"), in consideration for GBP 97 million (NIS 437 million) (not including transaction costs) ("the **Acquisition Consideration**" and" the **Complex**", respectively).

The complex includes two adjacent areas:

- Area A – An area of approx. 19 dunams on which three buildings have been built with a total area of approx. 135 thousand sq.ft. and which are fully leased with an average lease duration of 6.6 years, to companies from the Life Science industry. BE estimates that from July 2021 the buildings will yield an annual NOI of GBP 3.3 million (NIS 15 million). The value attributed to Area A from the total acquisition consideration is estimated at approx. GBP 62 million (NIS 279 million) and has future potential for doubling building rights within a few years.

- Area B – An area of approx. 14 dunams on which two buildings are to be demolished during the coming year, and in their place new buildings for the Life Science industry will be built (subject to the approval of the city building plan), with a total area of approx. 130 thousand sq.ft. The value attributed to Area B from the total acquisition consideration is GBP 35 million (NIS 158 million). BE estimates that the total expected construction cost (not including the land component) will reach approx. GBP 44 million (NIS 198 million) and the expected annual NOI that the project will yield at the end of construction (during 2024) will reach approx. GBP 4.5 million (NIS 20 million).

For the acquisition of the complex, subsequent to the balance sheet date, the Company invested a total of approx. GBP 46 million (approx. NIS 207 million) in BE's capital and provided BE with a bridging loan in the amount of approx. GBP 57 million (approx. NIS 259 million). BE is expected to repay the bridging loan over the next few weeks, upon taking bank credit against the acquired complex.

Transaction costs for the purchase of the two complexes are expected to amount to GBP 10 million (NIS 43 million). These costs are expected to be recorded as an expense in Q1/2021.

That stated in this Section (c) regarding the expected NOI, expected rental income, feasibility of projects being initiated, expected investment costs and expected completion of construction, is forward-looking information.

Note 4 – Investment Property; Investment Property in Development (continued)

D. Determining fair value:

The following table presents the investment properties measured at fair value according to Level 3 (not including investment property in Amot's joint ventures). For definitions of the various levels of the hierarchy see Note 23(b).

Amot

Investments in Investment Property in Israel	Fair Value as of December 31, 2020 In NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)	Area (sq.m.)
Offices	6,126,355	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	84 6.1%-7.25% 94.90%	357,039
Commercial centers	2,535,251	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	118 6.25%-7% 97.20%	125,986
Supermarkets	685,466	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	101 6.75%-6.25% 100%	35,038
Industrial and logistic parks	2,577,256	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	39 6.5%-7.75% 99.70%	380,811
Others	205,306	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	60 6.25%-7% 100%	20,988
Assets for betterment	67,160	Comparison	-	-	-
Property in development	1,149,644	Comparison, costs, discounted cash flow (DCF)	-	-	-

BE

Investments in Investment Property in the UK	Fair Value as of December 31, 2020 In NIS thousands	Valuation Technique (**)	Description of Unobservable Data	Range (Weighted Average)	Area (Square Feet)
Offices (*)	2,903,341	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	54£ 5.77%-4.34% 100%-82.7%	791,249

(*) One of BE's five properties includes office space as well as an open commercial center.
(**) For one of the five BE assets, the appraiser used the extraction method.

Note 4 – Investment Property; Investment Property in Development (continued)

Description of valuation processes used to determine fair value
The entities at Amot and BE responsible for the fair value measurement process for items classified at Level 3 is the companies' senior management. The managements of Amot and BE report to the Financial Statements Committeeof Amot and BE, respectively, on the fair value of investment property, and examine the appropriateness of the data and valuation methodology used to determine the fair value.

Amot's and BE's valuations are examined quarterly and when needed, adjustments are made in order to estimate the fair value in the most precise manner Amot and BE believes possible.

Fair value is measured based on valuation techniques, such as: the market approach - an approach that uses prices and relevant information created by comparable market transactions, to which adjustments are made, such as the comparison method. Revenue approach – an approach that converts future amounts (for example, future cash flows) to the current amount (discounted), such as the Discounted Cash Flow method (DCF).

In determining fair value, the following, among other things, are taken into account: the discount rates used to discount future cash flows, the length of the rental period, the stability of the tenants, the amount of available space in the property, the lengths of the lease agreements and the amount of time required to rent out the vacant properties, the implications of investments needed for the development, completion of the project and/or maintenance of existing properties and deduction of uncovered operating costs, etc.

Regarding investment property in development, its fair value is determined by estimating the fair value of the investment property after completion of its construction less the current value of estimated construction costs expected for its completion and less development profit, when relevant, taking into account the rate of return adjusted for the relevant risks and characteristics of the investment property.

E. Sensitivity analysis:
The following is a sensitivity analysis of the value of the Amot Group's investment property at a cap rate on the basis of a standardized NOI (including joint arrangements):
Based on an annual NOI of approx. NIS 806 million, any 0.25% change in the cap rate will result in a change in fair value of approx. NIS 456 million (less deferred taxes at a rate of 23% – approx. NIS 351 million).

The following is a sensitivity analysis of the value of the BE Group's investment property at a cap rate on a NOI basis:
Based on an annual NOI of approx. GBP 35 million, any 0.25% change in the cap rate will result in a change in fair value of approx. GBP 32 million (approx. NIS 140 million) (less deferred taxes at a rate of 23% – approx. NIS 108 million).

F. Additional information:
For information on liens, see Note 13.

Note 5 – Securities Measured at Fair Value through Profit or Loss

		Exposure Currency	As of December 31 2020 NIS thousands	As of December 31 2019 NIS thousands
Securities measured at fair value through profit or loss				
Brockton Real Estate Investment Fund (partnership)	(1)	GBP	160,197	176,036
Other investments in tradable and other securities		NIS	26,138	27,767
			186,335	203,803

(1) Brockton Real Estate Investment Funds (hereinafter "**the Funds**")

As of December 31, 2020, the Company is a partner in three real estate funds (Brockton Capital Fund I LP, Brockton Capital Fund II LP, Brockton Capital Fund III LP). The Company's share in the total value is NIS 160 million (GBP 36 million). The funds are in the process of realizing the balance of their portfolio, which is expected to be completed by the end of 2022.

In the reporting period, the Group invested in funds the amount of NIS 27 million (approx. GBP 6 million) and had receipts from funds totaling NIS 26 million (approx. GBP 6 million) in respect of the Group's share in receipts from the realization of assets in the funds.

(2) For additional information, see Note 23.

Note 6 – Investments in Investees

A. Significant Group subsidiaries

(1) List of subsidiaries

Name of Subsidiary	See Section	Main Location of Activity	Holding Rate in Subsidiary's Capital Rights		Voting Rate		Value of Holdings at Stock Market Prices		Amount of Investment in Investee (*)	
			As of December 31		As of December 31		As of December 31		As of December 31	
			2020	2019	2020	2019	2020	2019	2020	2019
			%		%		NIS thousands		NIS thousands	
Amot Investments Ltd. (**)	c.	Israel	57.06%	55.22%	57.06%	55.22%	4,204,603	5,273,697	3,586,540	3,356,383
Energix Renewable Energies Ltd. (**)	e.	Israel	53.96%	59.79%	53.96%	59.79%	3,816,764	2,629,399	821,405	579,840
Brockton Everlast Limited Inc. (***)	c.	UK	96.02%	95.35%	96.02%	95.35%	-	-	1,386,009	1,246,092

(*) The Company's share in the consolidated companies' equity (not including options (Series 3) in Energix and not including options (Series 9) in Amot).
(**) As of December 31, 2019, the Company also held a total of 2,898,000 options (Series 3) in Energix, and as of December 31, 2018, a total of 7,500,000 options (Series 9) of Amot.
(***) Through Brockton Holdings LP, a partnership in Guernsey.

Note 6 – Investments in Investees (continued)

B. Subsidiaries that have non-controlling interests that are material to the Group

The following is condensed financial information from Amot's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	42.94%	44.78%
Current assets	717,798	117,901
Non-current assets	13,925,944	13,456,642
Current liabilities	940,033	1,178,191
Non-current liabilities	7,387,662	6,293,098
Total assets, net	6,316,047	6,103,254
Book value of Amot's non-controlling interests	2,718,897	2,736,849

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	768,533	759,064	707,672
Fair value adjustments of investment property, net	(143,640)	847,259	262,975
Profit	289,455	1,070,423	566,887
Other comprehensive loss	-	(37)	(18)
Total comprehensive income	289,455	1,070,386	566,869
Profit attributable to Amot's non-controlling interests	128,270	467,197	233,179
Net cash flows provided by operating activities	495,862	461,314	414,138
Net cash flows used in investing activities	(738,384)	(1,365,258)	(682,003)
Net cash flows provided by financing activities, without dividends to non-controlling interests	1,008,682	855,517	422,995
Dividend paid to non-controlling interests	221,756	191,916	171,576

Note 6 – Investments in Investees (continued)

The following is condensed financial information from Energix's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	46.04%	40.21%
Current assets	1,078,041	369,633
Non-current assets	2,732,968	2,183,160
Current liabilities	302,596	232,277
Non-current liabilities	1,920,942	1,319,334
Total assets, net	1,587,471	1,001,182
Book value of Energix's non-controlling interests	759,061	407,395

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Total revenues	263,069	238,559	170,634
Profit	77,821	62,972	30,892
Other comprehensive loss	(39,366)	(48,557)	(4,037)
Total comprehensive income	38,455	14,415	26,855
Profit (loss) attributable to Energix's non-controlling interests	34,359	24,207	10,782
Net cash flows provided by operating activities	171,318	151,588	72,453
Net cash flows used in investing activities	(490,742)	(606,273)	(251,447)
Net cash flows provided by financing activities, without dividends to non-controlling interests	1,177,049	518,254	173,695
Dividend paid to non-controlling interests	34,751	-	-

Note 6 – Investments in Investees (continued)

The following is condensed financial information from BE's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Rate of non-controlling interests (in equity and voting)	3.98%	4.65%
Current assets	93,187	110,015
Non-current assets	2,984,024	2,672,068
Current liabilities	65,979	60,882
Non-current liabilities	1,599,601	1,456,718
Total assets, net	1,411,631	1,264,483
Book value of BE's non-controlling interests	25,622	18,391

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	126,878	74,487	-
Fair value adjustments of investment property, net	(44,090)	152,608	-
Profit (loss)	(3,519)	90,662	(27,920)
Other comprehensive income (loss)	(4,417)	539	-
Total comprehensive income (loss)	(7,936)	91,201	(27,920)
Profit (loss) attributable to BE's non-controlling interests	(147)	283	(6,427)
Net cash flows provided by (used in) operating activities	22,123	18,392	(7,360)
Net cash flows used in investing activities	(439,725)	(2,460,007)	(193,833)
Net cash flows provided by financing activities	418,920	2,413,482	46,023

C. Information regarding significant consolidated companies – Amot Investments Ltd. (hereinafter - "Amot")

(1) **Amot's business**

Amot is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company. Amot deals, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel and in the development of land for its own use for rental properties. Amot owns, directly and indirectly, real estate assets that include offices, commercial centers, supermarkets, a central bus station, industrial parks and industrial and logistics buildings.

Note 6 – Investments in Investees (continued)

(2) **The Company's holdings in Amot**

In 2018, 2019 and 2020, Amot raised capital in the amount of NIS 386 million, NIS 636 million and NIS 415 million, respectively. In addition, in 2018, 2019 and 2020, the Company invested in Amot as part of Amot's offerings, stock market purchases and the exercise of options it held, a total of NIS 157 million, NIS 162 million and NIS 320 million, respectively.

As of December 31 2020, the rate of the Company's holdings in Amot was 57.06% and fully diluted, taking into account convertible securities issued by Amot, the rate of holdings will be 56.05% (in 2019: 55.22% and 54.33%, respectively, and in 2018: 58.22% and 55.59%, respectively).

Near the publication of the financial statement, the Company's rate of holdings in Amot's capital stock is 57% (approx. 56.05% fully diluted).

(3) **Amot's dividend distribution policy**

In January 2007, Amot's Board of Directors adopted a dividend policy, according to which during the first quarter of each calendar year, Amot will announce the dividend distribution amount planned for that year. The dividends will be distributed at the end of each quarter (the relative portion), subject to the decision of Amot's Board of Directors, as long as the dividend distribution does not harm Amot's cash flow, and taking into account Amot's future investment plans that may exist from time to time and subject to the law. As part of the above decision, Amot's Board of Directors decided that it would be permitted at any time, taking into account business considerations and the provisions of the law, to change the dividend policy, and to change the dividend amounts distributed or to decide not to distribute them at all.

In accordance with this decision, each year Amot declares the minimum dividend to be paid that year.

In accordance with the decisions made by Amot's Board of Directors regarding the years 2018-2020, for 2018 Amot paid its shareholders a current dividend and an additional dividend in a cumulative amount of NIS 408 million (the Company's share - NIS 239 million), for 2019 a current dividend and an additional dividend in a cumulative amount of NIS 459 million (the Company's share - NIS 259 million). In 2020, a current dividend in the amount of NIS 381 million (the Company's share - NIS 212 million).

In March 2021, Amot's Board of Directors stated that in 2021 Amot intends to distribute a minimum annual dividend of NIS 1 agorot per share, to be paid in 4 equal quarterly payments, subject to a specific decision of the Board of Directors at the end of each quarter.
In accordance with this policy, in March 2021 Amot declared that it would be distributing a dividend for the first quarter of 2021 in the amount of NIS 25 per share. The total dividend to be paid by Amot as stated above, in March 2021, will amount to approx. NIS 102 million (Company's share – approx. NIS 58 million).

(4) **Management fee agreement with Amot**

In December 2018, the Company signed a management agreement with Amot for the years 2019-2021 according to which the management fees for each of the years will amount to NIS 9 million per year, linked to the CPI for the month of June 2018. The agreement was approved by Amot's General Assembly on November 1, 2018. The Company's Audit Committee meeting on November 15, 2018 and the Company's Board of Directors meeting on November 21, 2018 approved the Company's engagement in this agreement.

Note 6 – Investments in Investees (continued)

D. Information regarding significant consolidated companies – Brockton Everlast Inc. Limited (hereinafter: "BE")[2]

(1) **BE's business**
In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**" and "**BE Managers**") in a series of agreements according to which the Company, together with BE Managers, established a new company called BE that deals with the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. In addition, BE acquired Brockton for the amount of GBP 40 million. For additional details regarding Brockton, see Note 6j.

The total fair value of BE assets as of December 31, 2020 is GBP 665 million (NIS 2.9 billion) and the occupancy rate on that date was 95.1%. The properties are leased to various long-term tenants. For details of Brockton's transactions for the acquisition of real estate during the reporting period and subsequent to the balance sheet date – see Note 4c above.

At the same time, Brockton continues to manage the three existing funds until completion of the realization of all their investments, a process that is expected to be completed by the end of 2022.

As of December 31, 2020, the Company indirectly held approx. 96.02% of the rights in BE.

(2) **The Company's undertaking for future capital investments subject to the BE Board's decision**
From BE's establishment until the date of the report, the Company has invested GBP 306 million in BE's capital, of which a total of GBP 44 million (NIS 194 million) was invested during 2020. In addition, subsequent to the balance sheet date, the Company invested GBP 46 million (approx. NIS 207 million) in BE's capital.

Subsequent to the balance sheet date, the Company's Board of Directors approved an increase in the investment commitment in BE, by an additional GBP 200 million (in addition to the original investment commitments in the amount of GBP 340 million). The above capital will be transferred to BE in accordance with the rate of acquisition of the assets and the capital requirements, as approved by the BE Board of Directors.

(3) **BE's Dividend Distribution and Capital Amortization Policy**
BE is defined as a REIT for UK tax purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of its adjusted taxable income.

In March 2021, BE's Board of Directors adopted a distribution policy, under which BE will distribute a total of GBP 12 million to its shareholders during 2021 to be paid in 3 installments, subject to a specific decision of BE's Board of Directors. The first GBP 6 million is expected to be distributed in June 2021, subject to a specific decision of the BE Board of Directors and BE's ability to make the distribution.

(4) **Corporate Governance in BE and in the BE Group**
As long as the Company is the largest shareholder in BE, the Company will be entitled to appoint the majority of BE's Board of Directors. The Board of Directors established an Operations Committee and an Audit Committee in which the Company's representatives will hold a majority. The BE Managers undertook to manage BE for at least 8 years, starting in February 2018..

[2] BE is held through Brockton Holdings LP.

Note 6 – Investments in Investees (continued)

(5) **Limitation on the transferability of rights**
In the partnership agreement between the Company and the BE Managers, a number of limitations were determined on the transferability of rights in BE, as follows: (1) In a four-year period ending in March 2022, there will be no transfer of rights in BE, except by "authorized transfers", to certain transferees and under conditions specified in the partnership agreement; (2) As long as the Company is the sole largest holder of rights, it will have the right to sell or transfer all of its rights in BE to a third party, and to drag along the other rights holders, subject to conditions specified in the partnership agreement; (3) As long as the Company is the sole largest holder of rights, it will have the right to sell or transfer some or all of its rights in BE to a third party, subject to the granting of a tag along right to the BE Managers. In such a case, the BE Managers will have the right to join the sale, under the same conditions and in equal proportion to the sale of rights by the Company; (4) As of March 2022, all BE rights transfers made by rights holders who are not the Company will be subject to the Company's right of first refusal.

(6) **Indemnity obligation**
In accordance with the terms of the agreements, BE Managers have pledged to indemnify BE for violations of representations and statements, including with respect to losses that may result from Brockton's operations prior to completion of the transaction in its capacity as a Investment Advisor for Brockton Funds for a period ending on the Funds' closing date. The indemnification amounts are limited to the compensation the Brockton Managers received from the realization of their holdings in Brockton.

(7) In March 2020, BE was registered as a REIT for tax purposes in the UK. Therefore it will be required to meet certain conditions, including a dividend distribution of at least 90% of its adjusted income for tax purposes.

(8) Regarding the accounting treatment of Brockton Capital LLP, see Note 6j.

The information regarding the expected dividend from BE is forward-looking information and is subject to decision-making by BE's relevant bodies.

E. Information regarding significant consolidated companies – Energix Renewable Energies Ltd. (hereinafter – "**Energix**")

(1) **Energix's business –**

Energix is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company.

Energix is engaged in the construction and maintenance of electricity-generating facilities in the renewable energies sector (photo-voltaic energy and wind energy). As of the reporting date, Energix has facilities connected to the electricity grid with a total capacity of approx. 406 MW – see Note 7.

The total representative annual revenue expected in 2021 from all facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2021 (according to Energix's share of the cash flow), is approx. NIS 275-285 million.

Information regarding the representative annual revenue for 2021 constitutes forward-looking information.

Note 6 – Investments in Investees (continued)

Regarding financing arrangements for the projects, see Note 12d.

In addition, Energix is acting and examining the possibility of constructing additional facilities in Israel under new arrangements as well as the construction of photo-voltaic and/or wind farm projects in Israel, Poland and in the United States – see Note 8 below.

(2) **The Company's holdings in Energix –**

In January 2020, Energix raised capital in the amount of NIS 240 million in a public offering. In the framework of the above issue, the Company purchased 2,998,600 PV shares of Energix's common stock for a total amount of NIS 34.5 million. In June 2020, Energix raised capital in the amount of NIS 232 million in a public offering.

During the year, 11,108 thousand Energix options (Series 3) were exercised for a consideration of NIS 93.6 million, of which the Company exercised a total of 2,898 thousand options (Series 3) at a cost of NIS 24.3 million.

As of December 31, 2020 the Company holds 260,352,283 shares which, on that date, constituted 53.96% of Energix's capital stock (approx. 49.36% fully diluted).

Near the publication of the balance sheet, the Company's stake in Energix stock capital is 53.9% (49.5% fully diluted).

(3) **Energix's dividend distribution policy**

In March 2021, Energix's Board of Directors determined that in 2021 Energix intends to distribute an annual dividend of NIS 0.18 per share to be paid as follows: NIS 0.04 per share for Q1 and Q2 of 2021 and NIS 0.05 for Q3 and Q4 of 2021, all subject to a specific decision of the Board of Directors at the end of the quarter.
Following this policy, in November 2021, Energix declared that it would distribute a dividend for Q1/2021 in the amount of NIS 0.04 per share (approx. NIS 20 million) (the Company's share – approx. NIS 10 million), to be paid in April 2021.

(4) **Energix's rental agreements for electricity generation facilities**

Energix leases land and roofs of buildings in order to install and operate photovoltaic systems and wind systems. Regarding accounting policy - see Note 2n.

(5) **Management fee agreement with Energix**
The Company has a management agreement with Energix for an additional period of three years ending on June 30, 2023 (hereinafter: "**the New Management Agreement**"). Starting July 1, 2020, The New Management Agreement replaces the previous management agreement that ended on June 30, 2020 (hereinafter: "**the Previous Management Agreement**").[3]
According to the New Management Agreement, for the management services, Energix pays the Company a management fee consisting of a fixed payment of NIS 1.2 million per quarter (linked to the CPI) and a variable payment of 0.045% per quarter (i.e. 0.18% on an annual basis) of the original cost in Energix's books for its electricity generating facilities, which are actually producing electricity (Energix's share) and which commenced commercial operation from July 1, 2020 onwards. In total, the variable payment will not exceed the amount of NIS 3.2 million per year (linked to the CPI). The maximum annual management fee ceiling will be the amount of NIS 8 million (linked to the CPI).

The engagement in the New Management Agreement with Energix was approved by the Audit Committee and the Company's Board of Directors at their meetings of May 13, 2020 and May 20, 2020, respectively, and by Energix's General Assembly in June 2020.
The management fees paid the Company in 2020, 2019 and 2018 amounted to NIS 5,075, 4,811 and 4,178 thousand, respectively.

[3] The previous management agreement included regular annual payments in the amount of NIS 500 thousand and variable payments at an annual cumulative rate of 0.18% of the original cost of Energix's total facilities that are in the commercial operation stage. The annual management fee ceiling was NIS 4.3 million.

Note 6 – Investments in Investees (continued)

F. Investments in associates and joint ventures

(1) Composition of investments

Name of Associate	See Section		Country of Incorporation	Rate of Holdings in Associate's Capital Rights As of December 31 2020	2019	Amount of Investment in Associate As of December 31 2020	2019	Stock Exchange	Fair Value As of December 31 2020	2019
				%		NIS thousands			NIS thousands	
PSP Swiss Property (**)	h.	Associate	Switzerland	1.16%	7.96%	200,311	1,381,418	Switzerland	229,404	1,743,313
Properties Carr Holdings LP (**)	g.	Jointly controlled entity	USA	50.77% (*)	50.77% (*)	3,004,322	3,135,978		-	-
OPG 125 Summer REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	55% (*)	55% (*)	462,997	477,845		-	-
OPG 745 Atlantic REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	55% (*)	55% (*)	68,960	117,535		-	-
Davenport REIT Investor (DE) LLC		Jointly controlled entity	USA	55% (*)	55% (*)	246,273	249,072			
Brockton Capital LLP	j.	Associate	UK	100%	100%	60,386	49,617		-	-
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	Associate	Israel	10.00%	10.00%	12,915	17,788		-	-
Others (mainly Amot and Energix joint ventures)	k.					445,802	488,298		-	-
						4,501,966	5,917,551			

(*) Voting rights – 50%.

(**) The balance of the investment in PSP as of December 31, 2020 is presented under current assets in the 'investment in an associate held for sale' item.

Note 6 – Investments in Investees (continued)

(2) **Composition of the Group's share in the profits of associates, net**

Name of Associate	See Section	Details of Equity Gains		
		For the Year ended December 31		
		2020	2019	2018
		NIS thousands		
PSP Swiss Property (*)	h.	12,631	154,088	135,913
Carr Properties Holdings LP (**)	g.	129,118	81,311	135,658
OPG 125 Summer REIT Investor (DE) LLC	i.	5,974	120,662	27,555
OPG 745 Atlantic REIT Investor (DE) LLC	i.	(36,794)	13,861	18,696
Davenport REIT Investor (DE) LLC	i.	27,018	29,119	23,412
Brockton Capital LLP	j.	(36,539)	(34,161)	(20,719)
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	(618)	(2,578)	1,332
Others (mainly Amot and Energix joint ventures)	k.	(1,120)	51,135	19,890
		99,670	413,437	341,737

(*) Classified in current assets as an investment in an associate held for sale.
(**) In 2019, equity gains include amortization of excess cost in the amount of NIS 22 million.

Note 6 – Investments in Investees (continued)

G. The Company's holdings in Carr (joint ventures)

Carr Properties Holdings LP (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Company at a rate of 50.77% and by JPM at a rate of 40.16%. In November 2019, JPM notified the company its intention to sell its entire holding in Carr.

Carr Holdings has full control (through a corporation under its full control) and holdings of 87.05% in the Carr Properties Partnership (hereinafter: "**Carr**" or "**Carr Properties**").

As of December 31, 2020, the Group's weighted rate of holdings in Carr Properties is 44.19% (and JPM's is 34.96%).

Upon the investment in Carr Holdings (August 2013), the Company and JPM entered into a number of agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the limitation on the transfer of rights.

In view of the above, the Company's investment in Carr Holdings is considered a shared transaction presented in the Company's Financial Statements according to the book value method starting from Q3/2013.

In January 2018, Carr raised a total of USD 300 million (NIS 1.06 billion) from Clal Insurance (for itself and for institutional bodies it manages) (hereinafter: "**Clal's Investment**"). Clal's rate of holdings in Carr after the above fundraising amounted to 13.65% while the Company and JPM had holdings of 43.65% and 34.81% in Carr, respectively. As a result of the transaction, the Company recorded a profit in 2018 in the amount of approx. USD 12 million (approx. NIS 42 million) due to the decrease in holdings in Carr.

The Company, together with JPM, continues to maintain joint control in Carr with no change in the shared control agreement prior to Clal's investment.

For additional information on the agreements between the Company, JPM and Clal Insurance (including provisions regarding the transferability of rights), see Note 6g below.

(1) Investments in Carr Holdings in the reporting periods

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

The total cost of the Company's cumulative investment in Carr Holdings as of December 31, 2020 is USD 812 million.

The Company's investment in Carr Holdings as of December 31, 2020, which is presented in the Group's financial statements based on the equity method, amounts to USD 934.5 million (NIS 3 billion).

(2) Carr's Business

Carr deals in investment, acquisition and developing income-generating property for rental purposes, including the management and maintenance of office buildings under its ownership in urban areas in the metropolitan Washington DC and Boston, Massachusetts areas in the United States.

Note 6 – Investments in Investees (continued)

Carr fully or partially owns 13 office buildings with a total rental space of 3.7 million sq.ft. (346 thousand sq.m.) (Carr's share) and a value of USD 2.9 billion (Carr's share). The properties are rented to hundreds of tenants for various time periods. As of December 31, 2020, the occupancy rate in **Carr**'s properties is 90.5% (the rental rate is 92.6%).

As of December 31, 2020, Carr owns 4 properties under development and construction (3 in the Washington DC metropolitan area and one project in development in Boston) with a total area of 2 million sq.ft. (1.8 million - Carr's share) whose vale in the financial statements as of December 31, 2020 amounts to USD 1 billion (Carr's share), with a construction budget of USD 1.4 billion (Carr's share).

The following are the main transactions carried out by Carr over the course of the reporting period:

A. Transaction for the acquisition of a Boston property complex

In March 2020, Carr acquired 50% of the rights to the complex of two adjacent and connected office buildings located in Boston (75-101 Federal Street) (hereinafter: "**the Complex**"), according to a value of USD 485 million for the entire complex (Carr's share – USD 242.5 million).

The Complex is a Class A complex with a total rental space of 853 thousand sq.ft. (73 thousand sq.m.) and is located in Boston's main business center. The Complex is currently 86.2% occupied (rental rate - 88.8%), mainly by high-tech companies, and generates an annual NOI of approx. USD 23 million.

Carr and the partner took a loan in the amount of approx. USD 280 million against a lien on the Complex, such that the equity component invested by Carr in the transaction was approx. USD 105 million.

B. Property realizations in the reporting period and subsequent to the balance sheet date

During 2020, Carr sold two properties located in the Washington DC metropolitan area in consideration for USD 218 million (Carr's share). The properties have a rental area of 436 thousand sq.ft. (41 thousand sq.m.) (Carr's share), which generated a representative annual NOI of USD 9 million (Carr's share).

Subsequent to the balance sheet date, in January 2021, Carr sold land that was held jointly with a partner for development located in the Washington DC metropolitan area, for a consideration of USD 19 million (similar to the property's book value).

C. Signing of the memorandum of understanding for the partial sale of the Midtown Center complex:

In January 2021, subsequent to the balance sheet date, Carr signed a memorandum of understanding for the sale of 49% of the rights and the debt of the Midtown Center in Washington DC ("**the Complex**"), according to a total value of the Complex of USD 980 million (a value equal to the value in Carr's books as of the end of December 2020). A loan of USD 525 million (to be repaid in October 2029) will be deducted from the value of the Complex, which is guaranteed by a lien on the Complex, so that the scope of the transaction (100%) amounts to USD 455 million. If and when the sale is completed, Carr is expected to receive USD 223 million for 49% of the rights in the Complex, less the loan as stated.
It should be noted that the Complex, which is fully leased, has a total rental area of 869 thousand sq.ft., of which 714 thousand sq.ft. are leased, on a long-term lease, to Fannie Mae and 100 thousand sq.ft. are leased to We Work on a long-term lease.

Note 6 – Investments in Investees (continued)

The average rental duration in the Complex is 13.1 years and it is expected to yield NOI in the amount of USD 46 million in 2021. Execution of the aforesaid transaction is conditional on the signing of a detailed and binding agreement, performance of a due diligence to the satisfaction of the acquirer and compliance with preconditions, as is customary in transactions of similar sizes. Carr anticipates that the closing of the transaction will be completed by the end of Q2/2021.

The information regarding the closing of the transaction for the partial sale of the Midtown Complex and regarding the future income is forward-looking information.

D. Fair value adjustments of investment property

In the reporting period, Carr recorded a net negative revaluation of USD 2 million in its financial statements, consisting of a positive revaluation of USD 80 million in respect of projects in development, which were offset by a negative revaluation of USD 82 million in respect of income-generating properties (the Company's share in the negative revaluation before tax is approx. USD 1 million, approx. NIS 3 million).

E. Carr's financial debt

As of December 31, 2020, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.6 billion (Carr's share) at a weighted interest rate of 1.6% and for an average duration of 4.47 years.[4]

Carr has a credit facility (without taking into account the bank financing of property in development) in the amount of USD 650 million. As of December 31, 2020, the balance of Carr's unutilized facility amounted to USD 83 million.

F. Carr's dividend distribution and capital reduction policy

The corporation through which Carr Holdings owns Carr Properties is defined as a REIT for United States tax purposes and must meet certain conditions, which include, among other things, the obligation to distribute a dividend of at least 90% of its adjusted taxable income.
In respect of 2020, Carr made an annual distribution to its shareholders in the amount of USD 0.04 per share. Accordingly, the Company's total receipts from Carr in 2020 amounted to approx. USD 27.6 million (NIS 94.7 million). In respect of 2021, the Carr Board of Directors determined that Carr will make an annual distribution to its shareholders of USD 0.04 per share (the Company's share - USD 28.3 million). Until the reporting date, the Company has received the amount of USD 27.4 million (NIS 88.2 million) from Carr in respect of 2021.

[4] Does not include a lease commitment in accordance with IFRS 16 in the amount of USD 129 million in respect of ground lease agreements.

Note 6 – Investments in Investees (continued)

G. Condensed financial information on Carr Holdings

	For the Year ended December 31		
	2020	2019	2018
	USD thousands		
Revenues (not including real estate valuations)	247,596	242,543	177,223
Adjustment of investment property value (*)	(2,039)	(9,580)	9,727
Net profit from continuing operations	80,535	60,704	70,232
Other comprehensive income (loss)	(186)	(44,156)	8,862
Total comprehensive income (including share of non-controlling interests in profit)	80,349	16,548	79,094
Company share in Carr's net income in USD thousands	37,694	29,354	37,974
Company share in Carr's comprehensive income in USD thousands	37,763	8,423	41,843
Company's share in Carr's net income in NIS thousands	129,118	102,836	135,657
Company share in Carr's comprehensive income (loss) in NIS thousands	129,120	27,855	148,077

(*) 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.

	As of December 31	
	2020	2019
	USD thousands	
Investment property	2,796,120	2,805,605
Property in development and land intended for development	646,316	437,148
Investment in investees	318,983	215,639
Other non-current assets	179,037	175,083
Other current assets	87,976	60,731
Total assets	4,028,432	3,694,206
Current liabilities	226,565	290,322
Non-current liabilities	1,818,074	1,473,131
Total liabilities	2,044,639	1,763,453
Equity attributable to shareholders	1,840,754	1,787,439
Non-Controlling Interests	143,039	143,314
Equity (including non-controlling interests)	1,983,793	1,930,753
Total liabilities and equity	4,028,432	3,694,206
Company share in net assets - in USD thousands	934,470	907,400
Book value of investment – in NIS thousands	3,004,321	3,135,978

Note 6 – Investments in Investees (continued)

H. Significant agreements

The Companyand JPM have a number of agreements regarding the corporate governance of corporation that is 100% controlled by Holdings Carr (in this section only – "**Carr**") and their relationship as Carr's equity holders, including, among other things, the following provisions, determined (or executed, as appropriate):

(1) Corporate governance:

- Carr's Board of Directors consists, at any time, of eight representatives (including, among others, three representatives appointed by the Company and three representatives appointed by JPM).

- The Board of Directors quorum required to approve operations is the presence of at least two representatives appointed by the Company and at least two representatives appointed by JPM.

- All decisions under the authority the Board of Directors of Carr and its subsidiaries will require the agreement of all members of the Board of Directors appointed by the Company participating in the meeting and of all of the Board members appointed by JPM participating in the meeting.

- The Board of Directors established an Operations Committee consisting of three members – one representative appointed by the Company, one representative appointed by JDM and Oliver Carr. Any decision by the Operations Committee will require the approval of the two representatives appointed by the Company and JPM.

- The Board of Directors established an Audit, Remuneration and Financial Statements Committee consisting of two members – one representative appointed by the Company and one representative appointed by JPM.
- Nathan Hetz serves as Chairman of Carr's Board of Directors, with the Chairman of Carr's Board of Directors not having a deciding vote. The Company and JPM have the right to replace the serving chairman as their own representative every two years.

(2) Provisions regarding the transferability of rights between the Company and JPM:

a. Any transfer of direct or indirect rights in Carr's capital by one party to a third party is subject to a right of first offer or a tag along right in the other party's favor. When a party wishes to transfer their rights (hereinafter: "**the Offeror**"), the other party ("**the Offeree**") may purchase the rights at a price suggested by the Offeror (hereinafter: "**the Offered Price**"). In the event that the Offeree decides not to purchase the rights, the Offeror may offer (a) to transfer the capital stock to an accredited institutional investor that meets the definition in the agreement and (b) to activate a drag along procedure as detailed below, in order to cause the Offeree sell their rights in Carr along with the Offeror to a third party.

b. Until August 2023, to the extent that one of the parties initiates a drag along procedure, the dragged party will have a right of first refusal under terms identical to the terms offered by the proposed buyer as part of the drag along procedure. In the event that a drag along procedure is carried out, the proceeds paid to the dragged party for the realization of their rights will be no less than the higher of: (a) Carr's net asset value (NAV) determined according to generally accepted accounting standards in the United States (US GAAP), (b) the NAV determined according to IFRS principles, and (c) the proposed price.

c. The limitation on the transferability described above will end on the date of the initial public offering (IPO) of Carr shares, raising equity in an amount exceeding USD 100 million (hereinafter: "Approved Offering").

(3) Provisions regarding the transferability of rights between the Company and JPM, and Clal:

As part of Clal's investment agreement (see this Note above), a specific provision is included pertaining to the relationship between the Company and Clal.

Note 6 – Investments in Investees (continued)

In addition, the Company and JPM committed to Clal that if until January 2, 2022, a drag-along procedure occurs that is not according to the format of a public offering on the U.S. Stock Exchange or in a procedure of merging Carr into a receiving public company, and during which the future buyer objects to Clal continuing to hold Carr's shares, then to the extent that the sale price per share is lower than USD 1.54, the Company and JPM will pay Clal the difference (on a pro rata basis) up to the above price for its holdings to be sold as part of the drag-along procedure.

In addition, the above agreement includes provisions regarding Clal's right to join the Company (on a pro rata basis) in cases in which the Company realizes shares on a tag-along basis for sales made by JPM or if the Company purchases shares from JPM whether as a result of exercising its right of first offer or its right of first refusal granted by JPM, as described above.

(4) Provisions regarding non-controlling interests:

- A non-controlling interest may transfer his rights in the partnership, with the consent of the Company and JPM, as long as any such agreed-upon transfer will be to an institutional investor and will be subject to the Company's and JPM's right of first refusal.
- Until the date of an approved offering, a non-controlling interest (except Clal) is entitled to compel the partnership to acquire his rights in the partnership (in certain cases the partnership has the right to reject the obligation). The purchase price of such a purchase will be equal to the net asset value (NAV) of his rights in the partnership; compared to non-controlling interests who are not Carr employees, it will be 97% of the NAV of these rights in the partnership. Therefore, these rights are presented in Carr's financial statements as a liability.

H. The Group's Holdings in PSP Swiss Property (hereinafter: "PSP") – an associate

PSP is a company whose securities are traded on the Zurich Stock Exchange, Switzerland.

During 2020, the Company realized 3.1 million PSP shares for a consideration of CHF 371.6 million (NIS 1.36 billion). As a result of the sale, the Company listed a profit (before tax) of NIS 201 million (an after tax capital gain of approx. NIS 157 million).

As of December 31, 2020, the Group held 531 thousand PSP shares, constituting 1.16% of PSP's capital stock.

Subsequent to the balance sheet date, the Company sold an additional 100 thousand PSP shares for a consideration of CHF 11.5 million (approx. NIS 42 million). After the sale and as of the date of approval of the financial statements, the Group holds 431 thousand PSP shares, constituting 0.9% 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.

The Company's investment in PSP was presented until the end of Q1/2020 according to the equity method, since Company management considers it can readily demonstrate that the Group has de facto and effective significant influence in PSP.

Note 6 – Investments in Investees (continued)

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. Therefore, 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(g) 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 December 31, 2020 amounts to approx. CHF 54 million (NIS 200 million).

Regarding a loan from a foreign bank in the amount of CHF 100 million that was repaid, in a voluntary early repayment, during the second quarter, see Note 12a.(2) below.

(1) The following is information on the receipt of dividends from PSP:

In 2020, the Company received cash receipts from PSP in the amount of CHF 9.4 million (NIS 34.6 million) in respect of the 2019 profits. In 2019, the Company received cash receipts from PSP in the amount of approx. CHF 16.1 million (approx. NIS 57.6 million) in respect of 2018.

I. The Company's holdings in Boston – associates

(1) As of December 31, 2020, the Company holds approx. 55% of the equity rights and 50% of the controlling rights (through wholly owned corporations), in three companies that hold a cumulative three office towers (2 in Boston's CBD - the Central Business District - and one in East Cambridge) the total value of which at the end of 2020 is USD 765 million (NIS 2.5 billion) (hereinafter together: "**Boston Partnerships**").
The Company's partner in the Boston corporations is the Oxford Properties Group (hereinafter – "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

The total rental area of the three buildings is 870 thousand sq.ft. (81 thousand sq.m.) and the weighted occupancy rate as of December 31, 2020 is 93.05%. The rental rate (i.e., the rate of the rented area, based on signed contracts, even if not occupied) as of December 31, 2020 is 94.5%. The three buildings generated a total annual NOI in 2020 in the amount of USD 33 million (NIS 114 million).
The Boston Partnerships took long-terms loans, the balance of which, as of December 31, 2020, is in the amount of USD 322 million (NIS 1 billion) at 3.9% weighted interest.

In early March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD) (which accounts for 76% of the total rental space in that building), decided to leave the building. In view of the above, a request was submitted for a forfeiture of the bank guarantee provided by We Work in the amount of USD 3.5 million, representing six months' rent. The Company and Oxford are working to lease the space and at the same time are exploring the possibility of an entrepreneurial project to transform the building from an office building to a Life Science laboratory building.

In 2020, negative property valuations were recorded for the three properties in the cumulative amount of USD 21 million (before tax) (the Group's share – USD 12 million, approx. NIS 41 million).

The balance of the Group's investment in the three Boston companies as of December 31, 2020 amounts to USD 248 million (NIS 798 million).

Note 6 – Investments in Investees (continued)

(2) Limitation on the transferability of rights

As part of the series of agreements the Company entered into, through its partially and/or wholly owned companies with Oxford in connection with the Boston Partnerships, a number of provisions were determined in connection with the limitation on the transferability of rights in the three Boston Partnerships as follows:

- **Right of first offer** – The sale of rights will be by way of selling all rights to a qualified investor, as defined in the agreement, subject to the granting of the right of first offer to the remaining partner, as specified in the agreement, with the exception of a sale or transfer to related parties, which is not subject to the right of first offer.
- **Compelled sale** – Five years from the date of closing of each transaction, which end in December 2020 or February 2022, as the case may be, the sale of rights to a third party, subject to the granting the right of first offer to the remaining partner, as noted above, will grant the selling party the right to compel the remaining party to sell their rights to the same third party, subject to terms specified in the agreement.
- **Purchase-Sale** – Each of the partners will have the right to activate a purchase-sale mechanism, through an irrevocable notice to the other partner, as specified in the agreement.

(3) Dividend distribution and capital reduction policy

The foreign corporations through which the Group holds office buildings are defined as REIT for US tax law purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of their adjusted taxable income.

In 2020, the Group received dividends and payments in respect of capital reductions from the Boston Partnerships in the amount of USD 10 million (NIS 33 million).

J. Investment in Brockton Capital LLP

As stated in Note 6d, in March 2018, BE acquired the full rights in Brockton Capital LLP (hereinafter: "**Brockton LLP**"), which manages the Brockton Funds, for a total of GBP 40 million (NIS 194 million).

Brockton LLP will continue to manage the three existing Brockton Funds until all of the fund assets are realized (expected by the end of 2022). The Company has no control over this activity and therefore, Brockton LLP is presented according to the equity method. For additional information on the Company's investments in the Brockton Funds – see Note 5 above.

Note 6 – Investments in Investees (continued)

Cash flow in purchase:

	GBP thousands	NIS thousands
Consideration paid in cash	39,748	193,787

Amounts recognized for assets and liabilities:

	GBP thousands	NIS thousands
Working capital	249	1,212
Fixed assets	595	2,899
Trade name (1)	1,700	8,288
Existing contracts (2)	3,500	17,064
Amount attributed to a contingent consideration arrangement with the Brockton partners (3)	28,551	139,199
Tax reserve	(5,624)	(27,421)
Goodwill (4)	10,777	52,546
Total	39,748	193,787

(1) Trade name – the "Brockton" trade name has been in use since the founding of Brockton LLP in May 2005 and significantly supports the revenues of the Brockton Group. The trade name's estimated useful life span is 15 years (from March 2018) and the asset will be amortized on a straight line basis over this period.

(2) Existing contracts – the estimated useful life for existing contracts from the management of the Brockton II Fund and the Brockton III Fund is 3 years, and the asset will be amortized over this period.

(3) An amount attributable to a contingent consideration agreement with the BE partners – under the Brockton LLP acquisition agreement, it was determined that if the BE Managers retire during the period from the date of acquisition until December 2025, BE will have the right to appropriate the partners' holdings in BE for GBP 1. In addition, should the Brockton partners retire by December 2021, they will have to complete in cash the value of the forfeited shares to GBP 28.6 million (to the extent the value will be less than that amount). In accordance with IFRS principles, this amount is attributed to future services to be provided by the BE Managers until December 2025 and therefore constitutes a share-based remuneration that will be recognized in the Statement of Income over the service period.

The amount of GBP 12.9 million invested by the BE Managers in BE is treated as a share-based payment settled in equity instruments, and the balance in the amount of GBP 15.7 million is treated as a share-based payment settled in cash. The balance attributable to the payment settled in cash is presented in "other receivables", while the balance attributable to the payment settled in equity instruments is presented in "non-controlling interests".

The following are amortization rates over the period:

	Annual Amortization Rate
2018	16.27%
2019-2021	21.69%
2022-2025	7%-1.6%

Note 6 – Investments in Investees (continued)

(4) Goodwill – goodwill created in the acquisition of an entity represents the excess of the purchase cost over the Company's rights in the net fair value of the entity's identifiable assets, identifiable liabilities and contingent liabilities recognized on the purchase date.
BE is examining whether there is an impairment of goodwill each year or more frequently if there are signs of a possible impairment. In order to determine whether there has been an impairment of goodwill, BE's management estimated of the value in use of the cash-generating unit to which the goodwill was allocated. In order to calculate value in use, BE calculated the estimated expected future cash flows, resulting from the cash-generating unit and the appropriate discount rate in order to calculate the present value. As of December 31, 2020, the recoverable amount of the cash-generating unit is higher than the book value and therefore no impairment of the goodwill is required.

In the reporting period, the Company recorded a loss in the amount of GBP 6 million (NIS 29 million) for the amortization of intangible assets as detailed above, net of tax (of which the share attributed to the shareholders – 96%). In the years 2018 and 2019, the Group recorded a loss, net of tax, in the amount of GBP 6 million (NIS 28 million) and GBP 5 million (NIS 23 million), respectively, for the amortization of intangible assets as detailed above (of which the share attributed to the shareholders – 93% and 77%, respectively).

K. Immaterial joint ventures

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Total book value of joint ventures that are not material in and of themselves	446,114	488,602

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Group share of profit in joint ventures	(1,133)	51,137	19,919

(*) These joint ventures are mainly with Amot.

L. Associates whose statements were / were not attached to the Company's financial statements

The Company attaches Carr Holdings' financial statements to its own financial statements.
The Company does not attach to its financial statements the statements of PSP, the Aviv Fund, OPG 125 Summer REIT Investor (DE) LLC, OPG 745 Atlantic REIT Investor (DE) LLC, Davenport REIT Investor (DE) LLC, Brockton Capital LLP and of the joint ventures with Amot and Energix, as the Company's investments in them are immaterial relative to the Company's financial statements.

Note 7 – Connected Electricity-Generating Facilities

A. Composition and movement of connected electricity-generating facilities, fixed assets and right-of-use asset:

	Photovoltaic Systems	Wind Systems	Total Electricity-generating Facilities	Fixed Assets	Right-of-use Asset	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost						
Balance as of January 1, 2019	636,533	810,574	1,447,107	100,829	-	1,547,936
Initial implementation of IFRS 16	-	-	-	-	121,184	121,184
Disposals during the year	-	-	-	(229)	-	(229)
Effect of changes in exchange rate	-	(71,889)	(71,889)	3	(2,835)	(74,721)
Reclassification of systems in development to connected systems	66,246	-	66,246	-	-	66,246
Additions during the year	-	-	-	5,014	47,626	52,640
Balance as of December 31, 2019	702,779	738,685	1,441,464	105,617	165,975	1,713,056
Reclassification of systems in development to connected systems	509,196	-	509,196	-		509,196
Linkage differentials	-	-	-	-	1,648	1,648
Disposals during the year	-	-	-	(1,377)		(1,377)
Effect of changes in exchange rate (**)	(26,679)	(45,003)	(71,682)	(65)	(6,591)	(78,338)
Additions during the year (*)	8,547	-	8,547	21,918	50,366	80,831
Balance as of December 31, 2020	1,193,843	693,682	1,887,525	126,093	211,398	2,225,016
			-			-
Accumulated Depreciation						
Balance as of January 1, 2019	72,512	72,646	145,158	23,233	-	168,391
Additions during the year	26,286	24,388	50,674	4,514	5,361	60,549
Disposals during the year	-	-	-	(28)	-	(28)
Effect of changes in exchange rate	-	(6,930)	(6,930)	-	-	(6,930)
Balance as of December 31, 2019	98,798	90,104	188,902	27,719	5,361	221,982
Additions during the year (***)	46,816	23,159	69,975	5,234	7,380	82,589
Disposals during the year	-	-	-	(1,107)		(1,107)
Effect of changes in exchange rate (**)	(365)	(6,315)	(6,680)	(10)	-	(6,690)
Balance as of December 31, 2020	145,249	106,948	252,197	31,836	12,741	296,774
			-			-
Depreciated cost			-			-
Balance as of December 31, 2020	1,048,594	586,734	1,635,328	94,257	198,657	1,928,242
			0			0
Balance as of December 31, 2019	603,981	648,581	1,252,562	77,898	160,614	1,491,074

(*) Including the amount of approx. NIS 16 million in respect of credit costs capitalized to systems in establishment in the reporting period.
(**) Changes in exchange rates due mainly to the Group's operations in Poland and in the United States.
(***) Of which approx. NIS 8 million is in respect of the replacement of panels in small and medium-sized systems in Israel.

Note 7 – Connected Electricity-Generating Facilities (continued)

B. Details regarding Energix systems:

		Energix's Share	Rate	Date of Operation	Country	Revenues 2020	Revenues 2019	As of December 31 2020	As of December 31 2019	Reference
						NIS millions		NIS thousands	NIS thousands	
Neot Hovav	Photovoltaic	37.5 MWp	NIS 0.65 per kWh	2014	Israel	44.5	44.6	218,931	231,023	c.
Small and medium-sized projects (*) (**)	Photovoltaic	137.8 MWp	NIS 0.51-2.22 per kWh	2010-2015	Israel	63.0	45.3	491,544	372,958	c.
Virginia 1 projects (***)	Photovoltaic	47.6 MW	Market prices	2020	USA	6.7	-	338,156	-	d.
Banie Project (Stage A+B)	Wind farm	106 MW	Market prices	2015-2016	Poland	135.3	134.0	523,861	579,083	e.
Iława Project	Wind farm	13.2 MW	Market prices	2016	Poland	12.9	14.5	62,836	69,498	e.
Total assets, net						262.4	238.4	1,635,328	1,252,562	

(*) This item does not include the data of a partnership accounted for using the equity method, in which Energix holds 50%, and its share of revenues for the years 2019 and 2020 is approx. NIS 3 million each year, which are included in the 'revenues from associates' item.
(**) Of this total capacity, the amount of 24 MWp was connected in the Q4/2019 and the amount of 38MWp was connected during Q1 and Q2 of 2020.
(***) The project's facilities were connected during Q2 and Q3 of 2020.

C. Photovoltaic project in Israel

Energix's photovoltaic activity in Israel is based on regulations published by the Electricity Authority, according to which projects owned by Energix are entitled to a fixed rate for periods of 20-23 years, CPI-linked, depending on the regulation under which the projects were established (a feed-in tariff quota or winning of a fixed tariff for a quota as part of a competitive procedure for a tariff). In general, starting in 2020, competitive procedures for a guaranteed tariff for the construction of photovoltaic facilities in Israel are combined with storage. The projects are located on areas that are leased for periods of up to approx. 25 years.

For details on projects under construction and in advanced development, see Note 8 below.

For details regarding the financing terms, see Note 12.d.(1).

D. Photovoltaic project in the United States

General
Energix's activity in the photovoltaic field in the United States is based on revenue from the sale of electricity generated in Energix's projects in the United States and from the sale of green certificates to which renewable energy projects (RECs) are entitled. Electricity and green certificates can be sold at market prices or as part of long-term contracts, including by way of engagements in price hedging or forward sale transactions at a fixed price. In some cases, additional revenue may be received in exchange for a commitment to system availability for the production of electricity (capacity) towards the local electricity company.

Note 7 – Connected Electricity-Generating Facilities (continued)

Tax Partner – Photovoltaic projects in the United States are entitled to an Investment Tax Credit (ITC) which can be offset against a federal tax liability in the United States or "realized", by the purchaser becoming a "tax partner" in exchange for the amount invested by him in the project (hereinafter - "**tax partner**"). In addition to ITC, the tax partner is also entitled to depreciation expenses for tax purposes in respect of the projects as well as to part of the available cash flow until he achieves an agreed rate of return on his investment. After reaching the rate of return, the tax partner's share in the profit and cash flow decreases to a minimum rate as determined in the agreement and the entrepreneur has the right to acquire the tax partner's rights in the project under market conditions.

Virginia 1 projects with a capacity of approx. MWp 82: This is the first set of projects that Energix established in Virginia, USA, and which from August 2020 is fully operational. In the projects' construction and operation, Energix entered into the following transactions:

- Guaranteed electricity prices from the projects (hedging transaction): In August 2019, Energix entered into a long-term agreement with Shell Energy North America (US), LP, to hedge electricity prices for approx. 80% of the expected production capacity for the project and sale of all green certificates from the project for a period of 12 years starting May 2020. The actual sale of all of the electricity produced in these facilities will be carried out in accordance with the agreements signed with the local electric company for 13 years at market prices.
- Engagement with a tax partner: In September 2019, Energix entered into an agreement with Morgan Stanley ("**the Tax Partner**") according to which, the tax partner invested a total of approx. USD 47 million against the receipt of rights in the projects, as detailed above.
  The amount invested is presented in the 'liability in respect of agreement with tax partner – short-term and long-term' items, according to the projected settlement dates of the aforementioned liabilities.
- The projects are located on areas that are leased for periods of up to approx. 35 years.

For additional details regarding Energix's projects in construction stages in the United States, see 8c.

E. Wind energy projects in Poland

General
Energix's wind activity in Poland is based on various regulations, depending on the date of the projects' development and construction. The projects in the commercial operation of Energix are subject to the provisions of the regulation that was in effect in Poland until the end of June 2016 ("**the previous regulation**"). According to the terms of the regulation, these projects are entitled, in addition to the sale of the electricity produced by them, to receive green certificates, traded on the Green Certificates Exchange, for a period of 15 years from the date of commencement of commercial operation of the wind farm. As a rule, the projects are located on areas leased for periods of up to 30 years.

Engagement for the sale of electricity and green certificates

Energix, through the project companies, sells all electricity produced at the 2 wind farms in commercial operation to an electricity broker operating in Poland. According to the agreement, the electricity will be sold according to the electricity price on the local electricity exchange or according to a fixed price that will be determined as part of a price fixing transaction between the parties, as Energix chooses, less adjustments stipulated in the agreement, including adjustments in respect of the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). The green certificates are sold within the framework of a sale on the green certificate exchange in Poland according to the price on the exchange, as well as through future sale transactions at a predetermined price ("**Price-Fixing Transactions**"), in which Energix periodically engages with local brokers.

Note 7 – Connected Electricity-Generating Facilities (continued)

As of the date of approval of the report, Energix (through the project companies) has sales transactions at fixed prices for setting the price of electricity and green certificates, as follows:

א. Electricity price fixing transactions (commercially operating projects):

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2021	86%	236
2022	84%	248
2023	84%	250
2024	38%	275

(*) Expected volume of electricity generation in Energix's 2 wind farms in commercial operation as of the date of the report.
(**) Average price in PLN per 1 MWh, before adjustments to the actual production profile[5].

ב. Green Certificates' price fixing transactions (commercially operating projects):

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2021	79%	143
2022	65%	143
2023	23%	145

(*) Expected volume of green certificates issued in Energix's 2 wind farms in commercial operation as of the date of the report.
(**) Average price in PLN per certificate.

[5] Adjustments to the actual production profile are in respect of the difference between the weighted hourly rate of the wind farm according to the actual hours of production, and the average hourly rate of the entire electricity sector.

Note 8 – Electricity-Generating Facilities in Development, Prior to Construction and in an Advanced Initiative

	Cost as of December 31		
	2020	2019	
	NIS thousands	NIS thousands	Reference
High-voltage projects, second competitive procedure with a capacity of approx. 62 MWp	-	141,670	
High-voltage projects, third and fourth competitive procedures with a total capacity of approx. 139 MWp	171,413	1,912	a.
Extra-high-voltage project in the advanced development stage with a capacity of 90 MWp	1,294	547	a.
Wind project in Israel – ARAN, with a capacity of approx. 110 MW	43,922	36,304	b.
Virginia 1 projects with a capacity of approx. 82 MWp	-	214,977	
Virginia 2 projects with a capacity of approx. 140 MWp	209,269	62,160	c.
Photovoltaic projects in advanced development in the U.S. (Virginia 3, 4)	10,729	20,020	c.
Fully owned wind farm with a total capacity of approx. 126 MW (Banie3 and Sepopol)	110,411	26,864	d.
Wind farm with a capacity of approx. 56 MW - Stage D of the Banie project	1,111	-	
Other PV and wind projects in development in Israel, the U.S. and Poland	233,669	177,699	a., d.
Total assets, net	781,818	682,153	

A. Photovoltaic projects in Israel

Extra-high-voltage project in the advanced development stage with a capacity of approx. 90 MWp – Energix is working to promote the development and planning of a project with a capacity of up to 90 MWp of extra-high voltage, which it intends to establish as part of the quota it won for a guaranteed tariff as part of the first competitive procedure issued by the Electricity Authority for extra-high voltage. The plan for the project's construction is being promoted by the National Infrastructure Committee, after during the reporting period the government confirmed that the conditions for its promotion as a national infrastructure project were met. The project will be entitled to a guaranteed tariff set in the competitive procedure for the extra-high-voltage project in the amount of NIS 0.156 per 1 KWh produced (CPI-linked) for 23 years from the date of the facility's commercial operation and dependent on completion of the project's construction by the fourth quarter of 2023. The expected construction cost for the project is NIS 240-280 million. As of the reporting date, the balance of the investment in the project is not material.

The winning projects in the second competitive procedure (PV combined with storage) with a capacity of 180-200 MWp – Energix is working to promote the development procedures for high-voltage facilities with a capacity of 180-200 MWp (80 MW AC), after in December 2020 it won a guaranteed tariff in relation to this capacity as part of the second competitive procedure published by the Electricity Authority for the construction of photovoltaic electricity generation systems combined with storage capacity. The rate determined is 0.1745 per 1 KWh (CPI-linked), until December 29, 2045, depending on the construction of facilities under this quota by January 30, 2024. Expected cost of construction: NIS 480-540 million.

Note 8 – Electricity-Generating Facilities in Development, Prior to Construction and in an Advanced Initiative (continued)

High-voltage projects in the third and fourth competitive procedures with a capacity of approx. 139 MWp – Energix is working to promote the development procedures for facilities with a capacity of 139 MWp, after in December 2020 it won a guaranteed tariff in relation to this capacity as part of the third and fourth competitive procedures published by the Electricity Authority for the construction of photovoltaic electricity generation systems. The rate determined is approx. NIS 0.18 per 1 KWh (CPI-linked).

B. Wind project in Israel – ARAN, with a capacity of approx. 110 MW

Energix holds 100% of the shares granting management rights (including the appointment of all members of the Board of Directors) and 73% of the shares granting the right to receive dividends in a private company that holds the rights to initiate and develop a project for the construction of a wind farm in the Golan Heights with a capacity of approx. 110 MW (hereinafter - "**the Project Company**" and "**the ARAN Project**", respectively).

The plan for the construction of the project has been approved as a national infrastructure project by the government and Energix continues to promote the development of the project in order to obtain the necessary approvals as a condition for its construction, and is in an advanced stage of obtaining a building permit. In addition, Energix is preparing to complete the tariff approval process, for 20 years from the date of commercial operation and financial closure, and is in advanced negotiations with turbine suppliers for the project. Energix estimates that the project's commercial launch date is in the second half of 2022. Expected construction cost: NIS 550-650 million.

As of the date of the report, the balance of the investment in the project amounts to approx. NIS 43.9 million, which is presented in the 'systems under construction and development' item.

C. Photovoltaic projects in the United States

Virginia 2 projects with a capacity of approx. 140 MWp – Energix is carrying out the construction work on these 6 projects (Energix's share – for 115 MWp, Energix's share is 100% and for 25 MWp Energix's share is 58%). The following is additional information regarding financial closing status (agreements for guaranteed electricity prices and engagement with a tax partner):

- **Guaranteed electricity prices (electricity sales agreements / hedging transactions)**: 3 of the 6 projects have agreements for 12-15 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 or with another final consumer.
  Regarding the other projects, the Company entered into agreements with the local electricity company for green certificates sales transactions for 12 years and with a leading energy company for fixing electricity prices (regarding approx. 80% of the expected production capacity in those projects), for a period of 6 years.
- **Engagement with a tax partner**: Energix is in advanced negotiations with a leading financial entity with the aim of it serving as a tax partner for the projects. To the extent that the negotiations progress into a binding transaction, the expected investment of the tax partner is estimated at the amount of approx. USD 54-57 million against the receipt of rights in the projects, as is customary in such transactions, mainly the federal tax benefit (ITC) and the depreciation expenses for tax purposes in respect of the projects and also against paymnet at a rate of 20%-30% of the projects cash flow for some of the years of the projects' operation.

Promotion of photovoltaic projects in advanced development in the United States (Virginia 3, 4 projects): As of the date of the report and the date of approval of the report, Energix is continuing to complete development procedures for projects in advanced development in Virginia with a total capacity of approx. 345 MWp. Of that capacity, Energix's share in the 120 MWp is 58% and approx. 225 MWp is fully owned.

Note 8 – Electricity-Generating Facilities in Development, Prior to Construction and in an Advanced Initiative (continued)

Purchase of panels on the account of systems under construction: According to United States law, the purchase of equipment that is at least 5% of the cost of construction of any project by 2025 will allow that project to maintain the tax benefit rate of 30%, provided that the construction of the project is completed by 2025. Accordingly, during 2019, Energix purchased panels for the Company's future projects in the amount of approx. USD 65 million that are expected to be used to maintain the ITC tax benefit rate of 30% (which, according to the legislative amendment adopted in the US in the reporting period, without the purchase of the panels, would have been gradually reduced to 10%), with respect to projects constructed in the United States by the end of 2025.

Memorandum of understanding for the acquisition of a photovoltaic project in the United States with a capacity of 150 MWp: Subsequent to the date of the financial statements, on March 13, 2021, Energix entered into a memorandum of understanding for the acquisition of 100% of the rights in a photovoltaic project with a capacity of 150 MWp in Virginia. The project is in advanced stages of development, with an interest in the land, a binding connection survey to the electricity grid and a building permit. The acquisition consideration is in an amount that is not material foro Energix. The parties will work to complete the negotiations and the signing of a binding agreement, subject to the completion of due diligence to the satisfaction of Energix, by March 31, 2021, under accepted terms for such transactions.

D. Wind projects in Poland

Fully-owned wind farm with a total capacity of approx. 126 MW (Banie3 and Sepopol) – Energix has commenced construction work on 2 fully-owned wind farms with a total capacity of approx. 126 MW (Banie3 and Sepopol), which have won a wind tender for a guaranteed tariff. Under the terms of the tender, each of the wind farms that won, during their commercial operation, will be eligible for a guaranteed index-linked tariff for 15 years relative to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation.

As of the reporting date, Energix has recognized properties in development in the amount of approx. NIS 110 million, of which approx. NIS 19 million are in respect of contingent debts.
As of the date of approval of the report, Energix has carried out electricity price fixing transactions in connection with projects under construction for the years 2022-2023.
The following is the fixed price rate (according to the tender price and price fixing transactions) from the total production volume:

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2022	73%	264
2023	75%	262

(*) Average price per 1 MWh, before adjustments to the actual production profile[5].

Wind farm with a capacity of approx. 56 MW – Stage D of the Banie 4 project – During 2019, Energix acquired 68% of the ownership rights in a wind farm with a capacity of approx. 56 MW, located adjacent to Stage C area of the Banie project, in consideration for Energix's commitment to complete, at its expense, the development of the wind farm and the establishment of a connection to the grid. The remaining rights in the project (32%) are held by a European partner.
In December 2020, the project won a wind tender for a guaranteed electricity production tariff issued by the Polish Electricity Authority.

Note 8 – Electricity-Generating Facilities in Development, Prior to Construction and in an Advanced Initiative (continued)

This is in accordance with the regulation based on tariff tenders in effect as of the reporting period. Under the terms of the tender, the wind farm will be eligible for a guaranteed index-linked tariff for 15 years relative to the electricity output at an average rate of approx. 80% of the electricity generation expected at the wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of the Company's projects in commercial operation.

The information in this Note 8 above, in relation to electricity generation projects in development, just prior to construction and in advanced development, regarding the expected amount of electricity generation, the expected amount of green certificates to be issued, the expected dates for their construction and for the commercial operation of the projects and the expected construction cost, are forward-looking information, based on the assessments of the Energix management and for which Energix has no control over its actual existence as described.

Note 9 – Restricted Deposits

As of the reporting date, the balance of long-term restricted cash is mostly cash that Energix has deposited into reserve funds for debt service as required by the financing agreements in connection with loans taken from financial institutions. For additional information, see Note 13.

Note 10 – Additional Information regarding Current Liability Items

Composition:	**Annual Interest as of December 31**	**As of December 31**	
	2020	**2020**	**2019**
A. Short-term credit and current maturities of long -term loans	**%**	**NIS thousands**	**NIS thousands**
Short-term loans			
In unlinked NIS (variable interest) (1)	P+0.7	95,084	265,491
Current maturities of long-term loans	Note 12a.	46,796	84,761
Interest component in bond expansion		6,453	1,116
		148,333	351,368

(1) **Short-term loans**
In February 2020, the Group repaid the short-term credit in the amount of NIS 265 million.
In March 2020, the Group received a short-term loan from a banking institution in the amount of NIS 95 million. The loan bears interest at a rate of 2.3% (P+ 0.7%) and will be repaid in March 2021.

	As of December 31	
	2020	**2019**
B. Other payables	**NIS thousands**	**NIS thousands**
Interest payable in respect of long-term loans and bonds	168,309	200,017
Interest payable in respect of lease liabilities	3,033	3,163
Suppliers and service providers	158,379	160,302
Employees and institutions in respect of wages	28,626	26,029
Institutions	18,109	7,756
Advance income	38,517	41,562
Accrued expenses	28,618	31,340
Accounts payable in respect of investment property	57,805	115,610
Derivative financial instruments designated as hedges (see Note 23)	9,372	9,141
Liabilities to partners	1,265	1,242
Short-term liability in respect of agreement with tax partner	33,540	-
Others (*)	82,514	53,171
	628,087	649,333

(*) Includes, among other things, a provision for the payment of property tax in Poland in the amount of approx. NIS 14 million and an amount of approx. NIS 20 million in respect of commitments to pay developers in projects in development in Poland.

Note 11 – Bonds

A. Composition:

	As of December 31 2020			As of December 31 2019		
	Current maturities	Long-term Bonds	Total	Current maturities	Long-term Bonds	Total
		NIS thousands			NIS thousands	
Bonds (Series H) – b. below	214,706	448,435	663,141	215,992	684,324	900,316
Bonds (Series I) – c. below	132,044	1,085,025	1,217,069	132,044	1,225,135	1,357,179
Bonds (Series J) – d. below	-	1,332,783	1,332,783	-	1,336,392	1,336,392
Bonds (Series K) – e. below	-	198,052	198,052	-	197,685	197,685
Bonds (Series L) – f. below	-	397,502	397,502	-	397,085	397,085
Amot bonds (Series C) – g. below	-	-	-	109,304	-	109,304
Amot bonds (Series B) – h. below	415,995	430,339	846,334	418,486	869,189	1,287,675
Amot bonds (Series D) – i. below	-	1,730,681	1,730,681	-	1,753,728	1,753,728
Amot bonds (Series E) – j. below	109,457	1,003,901	1,113,358	-	1,103,227	1,103,227
Amot bonds (Series F) – k. below	-	2,024,339	2,024,339		1,003,668	1,003,668
Amot bonds (Series G) – l. below	-	804,011	804,011	-	-	-
Amot bonds to others – n. below	4,614	4,877	9,491	4,394	9,548	13,942
Energix bonds (Series A) – o. below		423,796	423,796	-	423,409	423,409
Energix convertible bonds (Series B) – p. below	-	451,051	451,051	-	-	-
	876,816	10,334,792	11,211,608	880,220	9,003,390	9,883,610

The Company

B. Bonds (Series H)

During 2012-2019, the Company issued 1,234 million par value bonds (Series H), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 13) for bonds (Series H), for a net amount of NIS 1,384 million (the above includes the consideration for the bonds (Series H), the consideration for the options (Series 13), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The outstanding balance of the bonds (Series H) as of December 31, 2020, is repayable in three equal annual payments (from the balance of the principal, each), in February of each of the years 2021-2023 (inclusive), bearing annual interest at a rate of 4.45% and linked (principal and interest) to the CPI published for January 2012.1/3 The total effective interest rate for the bonds (Series H) is 1.83%.

The balance of bonds (Series H) in circulation as of December 31, 2020 is NIS 624 million PV, and as of the publication of the financial statements, NIS 416 million PV.

The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series H) will increase by 0.25% for each drop of one "abandoner" (meaning one variable of 3 variables existing as sub-steps in each rating category), but no more than the addition of a single percentage point.

The bonds (Series H) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K and L. See details in Subsection e. below.

Note 11 – Bonds (continued)

C. Bonds (Series I)

During 2015-2018, the Company issued 1,320 million par value bonds (Series I), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 14) for bonds (Series I), for a net amount of NIS 1,408 million (the above includes the consideration for the bonds (Series I), the consideration for the options (Series 14), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).
The balance of bonds (Series I) in circulation as of December 31, 2020 is NIS 1,188 million PV, and as of the publication of the financial statements, NIS 1,056 million PV.

The outstanding balance of the bonds (Series I) as of December 31, 2020, is repayable in seven annual payments (the first three payments at a rate of 11.11% of the balance of the principal and the last four payments at a rate of 16.67% of the balance of the principal, each, in February of each of the years 2021-2027 (inclusive), bearing annual interest at a rate of 3.85% and are not linked. The total effective interest rate for the bonds (Series I) is 3.09%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series I) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

In addition, the Company performed cross currency swap transactions with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 341 million to USD cash flows for the life span of the bonds at an annual interest rate (in USD) of 3.69%. These transactions are intended for accounting hedging of net investments in foreign activity.

The bonds (Series I) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, J, K and L. See Subsection e. below.

D. Bonds (Series J)

During 2015-2019, the Company issued 1,315 million par value bonds (Series J), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,342 million (the above includes the consideration for the bonds (Series J) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The remaining par value of the bonds (Series J) as of December 31, 2020 and as of the date of publication of the financial statements was NIS 1,315 million PV.

The bonds (Series J) are repayable in four annual payments at a rate if 25% of the principal in February of each of the years from 2024 to 2027 (inclusive), bearing variable annual interest at a margin of 2.24% above the average weighted Bank of Israel interest rate for the period, and are unlinked. The total effective interest rate for the bonds (Series J) is 2.10%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series J) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

The bonds (Series J) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, I, K and L. See Subsection e. below.

Note 11 – Bonds (continued)

E. Bonds (Series K)

In August, 2019, the Company issued NIS 201 million PV of bonds (Series K) for a gross consideration of NIS 201 million (before issuance expenses).
The bonds (Series K) are in NIS and are not linked (principal and interest) to any index or currency. The bonds (Series K) will be repaid in six installments (in cash or in Company shares, at the Company's sole discretion) on February 28 of the following years and at the following rates: (1) 10% of the PV principal in each of the years 2022 and 2023; (2) 25% of the PV principal in each of the years 2028 and 2029, and (3) 15% of the PV principal in each of the years 2030 and 2031. The unpaid principal of the bonds will bear fixed annual interest of 2.66% and this will be paid (in cash or, starting February 28, 2022, in Company shares at the Company's sole discretion) on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series K) is 2.89%.

The bonds (Series K) include financial stipulations , the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds[6]:

(a) The Company's equity (less non-controlling interests) according to its Consolidated Financial Statements, may not be less, on the date of the Financial Statements and for four consecutive quarters, than an amount in NIS equal to NIS 2.1 billion[7].
(b) The ratio between the net financial debt and the value of the Company's holdings, based on the expanded solo statements as detailed in the Company latest audited or reviewed statements, may not exceed 0.8 at the end of the quarter for four consecutive quarters.
(c) The ratio between the Company's net financial debt and the FFO on the Company's expanded solo basis, as detailed in the Company's annual periodic report may not exceed 25 for two consecutive calendar years.
(d) The Company declares a dividend which will result in a reduction of equity to below NIS 2.1 billion[8].
(e) The Company declares a dividend in excess of the allowable amount (as defined in the Deed of Trust), at a time when the Company's equity, including as a result of the dividend distribution, will be less than the amount in NIS equal to NIS 2.5 billion[9].
If the bond rating is lower than the BBB minus rating for two consecutive quarters (with the exception of a technical lowering of the rating, as defined in the deed of trust).

Notwithstanding the above, the stipulations in subsections (b) and (c) above will not be valid in the event that the Company, if the events mentioned in (b) and (c) above occur by the end of the remedy period for these events, pledges assets with a senior lien in favor of the bondholders and for as long as the lien is in effect.

In addition, the bonds (Series K) include additional generally accepted conditions for their immediate repayment including the following events: (1) there has been a material deterioration in the Company's business; (2) structural change and merger; (3) liquidation, bankruptcy and asset realization, stay of proceedings and execution; (4) change in control under certain conditions; (5) trading halt and suspension of trading in bonds; (6) cross default; (7) cessation of payments; (8) failure to publish financial statements; (9) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation as defined in the Securities Law; (11) distribution of dividends when the equity is lower than a certain threshold, etc.

The bonds (Series K) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with the financial covenants detailed above.

The remaining par value of the bonds (Series K) as of December 31, 2020 and as of the date of publication of the financial statements was NIS 201 million PV.

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6 The description of the above financial stipulations applies to all of the Company's bonds.

7 A minimum equity of NIS 1.2 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.

8 A minimum equity of NIS 1.3 billion for the distribution of a dividend was determined for the bonds (Series H), and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.

9 A minimum equity for a dividend distribution exceeding the allowable amount in the amount of NIS 1.8 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 2.1 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.5 billion.

Note 11 – Bonds (continued)

F. Bonds (Series L)

In August, 2019, the Company issued NIS 401 million PV of bonds (Series L) for a gross consideration of NIS 401 million (before issuance expenses). Subsequent to the reporting date, in January 2021, the Company issued NIS 137.5 million PV bonds (Series L) by way of series expansion through a private placement for a consideration of NIS 144 million. The balance of the bonds (Series L) in circulation as of December 31, 2020 was NIS 401 million PV, and subsequent to the publication of the reports, it was NIS 538.5 million.

The bonds (Series L) are in NIS and are not not linked (principal and interest) to any index or currency. The amortization schedule of the bonds (Series L) is identical to the amortization schedule of the bonds (Series K) above. The unpaid principal of the bonds will bear fixed annual interest of 2.41% and this will be paid in cash on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series L) is 2.54%.

The bonds (Series L) include financial stipulations and additional generally accepted conditions for the their immediate repayment, identical to the financial stipulations and additional terms detailed in Section (e) above regarding the bonds (Series K).

The bonds (Series L) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section e. above.

As of the reporting date, the Company is in compliance with all financial criteria regarding the bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L).

Collateral – The bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L) are not secured by liens.

Within the framework of the bond issues (Series H, Series I, Series J, Series K and Series L), the Company committed in a negative pledge that it would not create any floating liens on all of its whole property, unless it would create a floating lien of the same level pari passu in favor of the bondholders (Series H, Series I, Series J, Series K and Series L).

Amot

G. Amot Bonds (Series C)

From December 2009 to June 2015, Amot issued NIS 762 million PV bonds (Series C), linked to the CPI (for November 2009) and bearing annual interest of 4.9%. The bonds were repaid in 8 equal annual installments at the end of December of each of the years 2013 to 2020. The interest on the bonds was paid each December of the years 2010 through 2020 (inclusive). The weighted effective interest on the bonds is 3.55%. On December 30, 2020, full and final repayment of the bonds (Series C) was made.

Note 11 – Bonds (continued)

H. Amot Bonds (Series B)

From July 2012 to October 2016, Amot issued NIS 1,360 million PV bonds (Series B), linked to the CPI (for June 2012) and bearing annual interest of 4.8%. The bonds are payable in 4 annual payments, the first payment at a rate of 10% on July 2, 2019 and three more payments of 30% each, starting July 2, 2020 and ending July 2, 2022. The interest payments will be made on July 2 of each of the years from 2013 to 2022 (inclusive). The weighted effective interest on the bonds is 2.97%.

The Amot bonds (Series B) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for Amot bond Series B to H. See Subsection m. below.

I. Amot Bonds (Series D)

From July 2014 to May 2018, Amot issued NIS 1,650 million PV bonds (Series D), linked to the CPI (for July 2014), bearing annual interest at a rate of 3.2% and payable in six (6) unequal annual payments, to be paid on July 2 of each of the years from 2023 to 2028 (inclusive), as follows: (a) two payments of 20% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2023 and 2024 (inclusive). (b) Four payments of 15% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2025 through 2028 (inclusive). The interest payments will be paid on July 2 of each year from 2015 to 2028. The effective interest on the bonds is 2.09%.

The Amot bonds (Series D) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for Amot bond Series B to H. See Subsection m. below.

J. Amot Bonds (Series E)

From March 2016 to May 2018, Amot issued NIS 1,085 million PV bonds (Series E). The bond principal (Series E) is payable in six annual payments: 2 payments of 10% of the principal, each, on January 4 of each of the years from 2021 to 2022 (inclusive), and payments of 20% of the principal, each, on January 4 of each of the years from 2023 to 2026 (inclusive). The effective interest on the bonds is 2.05%.
The annual interest on the bonds (Series E) at a rate of 3.39% will be paid in annual payments on January 4 of each of the years from 2017 through 2026 (inclusive).
The principal and interest on the bonds (Series E) are not linked to any index or currency.

The Amot bonds (Series E) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for Amot bond Series B to H. See Subsection m. below.

Following the issue of the bonds (Series E), Amot carried out hedging transactions with financial entities in Israel, which converted the annual NIS interest rate of 3.39% into a CPI-linked principal and a linked interest rate of 2.125%-2.49%, with a total principal amount of NIS 875 million.

Note 11 – Bonds (continued)

K. Amot Bonds (Series F)

From June 2019 to April 2020, Amot issued bonds (Series F) to the public totaling NIS 2,069 million PV. The total net proceeds received by Amot for the offering amount to a total of approx. NIS 2,024 million. The bonds (Series F) reflect a CPI-linked effective interest rate of 1.5%.

The bonds (Series F) are linked to the CPI (for May 2019) and bear annual interest at a rate of 1.14%. The bonds are repayable in 5 annual payments , two payments of 10% each, payable on October 3, 2025 and on October 3, 2026, two payments at a rate of 30% each, payable on October 3, 2027 and on October 3, 2028. The fifth and final payment at a rate of 20% will be paid on October 3, 2029. The interest payments will be made on October 3 of each of the years from 2019 to 2029 (inclusive).

The Amot bonds (Series F) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for Amot bond Series B to H. See Subsection m. below.

L. Amot Bonds (Series G)

From February to December 2020, Amot issued to the public, through an issuance and through the exercise of option warrants (Series 10) into bonds (as detailed below), bonds (Series G) in the amount of NIS 800 million PV. The total net proceeds received by Amot for the issuance and the exercise of the option warrants amounts to a total of approx. NIS 804 million. The bonds (Series G) reflect an effective NIS interest rate of 2.60%.

Following the issue of the bonds (Series G), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 1.025%-1.365%, with a principal amount of NIS 784 million.

The bond principal (Series G) is payable in four annual payments at a rate of 25% of the principal, each, on January 5 of each of the years from 2029 to 2032 (inclusive). The interest on the bonds (Series G) at a rate of 2.44% per year will be paid in annual payments on January 5 of each of the years from 2021 to 2032 (inclusive). The principal and interest on the bonds (Series G) are not linked to any index or currency.

The Amot bonds (Series G) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for Amot bond Series B to H. See Subsection m. below.

M. Amot Bonds (Series H)

In February 2021, subsequent to the balance sheet date, Amot issued bonds (Series H) to the public in the amount of NIS 450 million PV. The total net proceeds received by Amot for the offering amount to a total of approx. NIS 446 million. The bonds (Series H) reflect an effective CPI-linked NIS interest rate of approx. 1%.

The bonds (Series H) are linked to the CPI (for January 2021) and bear annual interest at a rate of 0.92%. The bonds (Series H) are repayable (the principal) in four (4) equal annual payments on January 5 of each of the years from 2029 to 2032 (inclusive) such that each of the payments will constitute 25% of the total par value of the bonds (Series H). The interest payments will be made on January 5 of each of the years from 2022 to 2032 (inclusive).

Note 11 – Bonds (continued)

The bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) of Amot include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;
- Amot's equity may not be less than NIS 2.2 billion as of the date of the relevant financial statements and for two consecutive quarters.
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating (Series H) is less than BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the non-pledged assets will not decrease over the course of two consecutive quarters from a total of 1 billion NIS, or from a total of 125% of the balance of the bonds (Series H), whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, the bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

As of the date of the report, Amot is in compliance with all financial covenants regarding the bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H).

Collateral – The bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) of Amot are not secured by liens.

Within the framework of the issue of the above bonds, Amot committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

N. Amot bonds to others

Amot bonds to others are CPI-linked, bear 5.5%-6.5% annual interest, and are payable in semiannual payments until 2022.

Note 11 – Bonds (continued)

Energix

O. Energix Bonds (Series A)

In December, 2019, Energix issued bonds (Series A) in the total amount of NIS 427 million PV for net proceeds (net of direct commissions and costs in respect of the bonds) of approx. NIS 423 million. The bond principal (Series A) will be repaid in 18 (eighteen) equal semi-annual payments, payable on February 1 and August 1 of each of the years 2022 to 2030 (inclusive). The bonds bear annual interest of 2.05% (unlinked), which will be paid in twice annually on February 1 and on August 1 of each of the years from 2020 to 2030 (inclusive). The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency. The effective interest on the bonds is 2.16%.

In addition, in January 2020, Energix performed cross currency swap transactions with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 272 million to cash flows in the amount of approx. PLN 300 for the life span of the bonds at an annual interest rate (in PLN) of 4.11%. These transactions are intended for accounting hedging of net investments in foreign activity.

Regarding financial and other covenants of the bonds (Series A), see Subsection **שגיאה! מקור ההפניה לא נמצא.** below.

P. Energix Convertible Bonds (Series B)

In September 2020, Energix issued convertible bonds (Series B) in the amount of NIS 500 million PV. The bonds (Series B) are repayable in one payment 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. The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency.

The Energix 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 (with the exception of the current maturities, which are presented in current liabilities) and a capital component presented within the Company'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 at amortized cost 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 11 – Bonds (continued)

The bonds (Series A) and the bonds (Series B) of Energix include similar financial covenants, of which the main ones are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds:

- The lack of compliance with the financial stipulations for immediate repayment, as detailed below, unless Energix pledges assets as stated in the bond's deed of trust.
  - - The equity may not be less than NIS 500 million for two consecutive quarters.
  - - The ratio of net solo financial debt to net solo balance sheet may not exceed a rate of 80% for a period of four consecutive quarters.
  - - The ratio of net consolidated financial debt less systems in development and initiative, and the adjusted EBITDA may not exceed 18 for a period of four consecutive quarters.
- In the event of a decline in Alony-Hetz's holding rate in the company below 35%, when there is another shareholder holding a higher rate, resulting in Energix rating being lowered during the 6 consecutive months to a rating lower than BBB+.
- If the bond rating is lower than the BBB- rating for one quarter, except as a result of a technical lowering of the rating (as this term is defined under the terms of the bond).
- A change in Energix's main activity in a way that most of its activities are not in the field of electricity generation.
- Immediate repayment of another of Energix's bond series (one or more) that is not traded or a loan (one or more) whose balance at the time of immediate repayment constitutes (cumulatively) 20% or more of Energix's financial liabilities or NIS 250 million linked to the CPI, whichever is higher, and the demand for immediate repayment has not been withdrawn/repaid within 30 days.
- If there has been a sale of most of Energix's assets and consent for the sale has not been received from the bondholders, where the "sale of most of the Company's assets" means the sale of Energix's (consolidated) assets during 12 consecutive months, the value of which, less the cost of their acquisition, exceeds 40% of Energix's total consolidated assets.
- Other common grounds for the immediate repayment of bonds, such as liquidation, receivership, rating cessation, discontinuation of tradability, etc.

Within the framework of the issue of the bonds (Series A) and the bonds (Series B), Energix committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

As of the reporting date, Energix is in compliance with all financial covenants to which it committed.

As of the reporting date, no event occurred in Energix that gives holders the right to demand immediate payment of the bonds.

Q. Pledges – see Note 13 below.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants

A. Composition, linkage terms and interest rates

	Annual Interest (*)	As of December 31			As of December 31		
	As of December 31	2020			2019		
	2020	Current maturities	Long-term Loans	Total	Current maturities	Long-term Loans	Total
	%	NIS thousands			NIS thousands		
Loans from banking corporations							
In or linked to foreign currency							
In USD	LIBOR + 1.5%	790	593	1,383	850	1,487	2,337
In GBP		-	1,585,862	1,585,862	-	1,408,136	1,408,136
In CHF b.(2)		-	-	-	-	357,500	357,500
		790	1,586,455	1,587,245	850	1,767,123	1,767,973
CPI-linked d(1), d(2), d(3)	2.5%-4.6%	46,006	659,171	705,177	83,911	886,244	970,155
Total loans from banking corporations		46,796	2,245,626	2,292,422	84,761	2,653,367	2,738,128

The Libor rate on the USD for three months (in annual terms) as of December 31, 2020, was 0.24%.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

B. The Company's financing arrangements

(1) In January 2020, a facility agreement was signed between the Company and the Bank of Israel (hereinafter: "**the Bank**"), which replaces a facility agreement from January 2019, regarding the provision of a credit facility in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter: "**the utilization period**") to repayment by the end of two years from the end of the utilization period ("**the Facility Agreement**"). The facility agreement is not guaranteed by liens. In January 2021, the facility agreement was renewed for another one-year utilization period, the main points of which are identical to the previous facility agreement, and relates to a one-year cash availability period, which allows for the utilization of a financing facility for up to three years from its establishment ("**the Credit Period**" and "**the New Facility Agreement**", as applicable).

The utilized credit will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or Libor according to the utilized currency) plus a 2% margin on credit that is repayable for a period of up to one year and a margin of 2.2% for credit that is repayable in more than one year from the date of granting.

Under the facility agreement and the new facility agreement, the Company committed, among other things, to financial ratios as follows:

a. A ratio of equity to total balance sheet of at least 0.3;
b. The ratio of the Company's net financial debt (LTV) (on an expanded solo basis) to the value of the Company's holdings will not exceed 0.7 at any time;
c. The ratio of the amount of current dividends declared in 4 consecutive quarters, which were actually received by the date of the examination by the significant companies in which the Company invests, to the Company's total interest payments during the period, will not be less than 1.2;
d. The ratio of cash and cash equivalents according to the Company's latest financial statements plus expected cash flow from dividends in 4 consecutive quarters, to the total expected repayments on an expanded solo basis, will not be less than 1 at any time during 6 consecutive months;
e. The rate of the Company's holdings in Amot shares will not be less than 40% at any time;
f. The rate of the Company's holdings in Carr shares will not be less than 30% at any time, except in a case of Carr's issuance on the stock exchange;
g. The ratio of net financial debt (expanded solo) to the FFO will not exceed 25 at any time during two consecutive years;
h. The value of the Company's holdings in unencumbered shares will not at any time be less than twice the amount of credit granted to the Company without collateral in Israel and abroad (including approved credit facilities, whether utilized or not, but excluding bonds).

In addition, the facility agreement and the new facilityagreement determine that:

- The Bank has the right to shorten the credit period to one year from the date of the change, in each of the following cases:
  (a) If they reduce, or are likely to reduce, Nathan Hetz's ownership or holding rates below a minimum of 10%; and/or
  (b) If any third party has holdings in Alony-Hetz at a rate greater than 14.5% (Mr. Nathan Hetz's holding rate at the time of signing the new facility agreement); and/or
  (c) If any third party acquires control in Alony-Hetz.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

All of this – whether as a result of an action by Alony-Hetz or as a result of an action by any third party without an action by Alony-Hetz or any involvement of Alony-Hetz.
In this regard, a third party includes a number of third parties jointly, not including institutional holders from pension funds, provident funds, mutual funds, study funds, portfolio management, etc.

- The Company undertook to comply with various financial stipulations, mainly: (1) minimal Company equity of NIS 2.2 billion; (2) various financial cash flow and operational ratios in the Group and in investees; (3) cross default and (4) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party.

As of the reporting date, the Company has not utilized the new credit facility.

(2) In October 2015, the Company engaged in a financing agreement with a foreign bank, as amended from time to time, to receive a loan in the amount of CHF 100 million. During the second quarter of 2020, the Company repaid in full the balance of the loan in a voluntary early repayment.

(3) In January 2016, the Company signed a facility agreement that was amended in August 2018 with an Israeli institutional body (hereinafter collectively:
"**the Agreement**"). In accordance with the agreement, the Company was granted a NIS 250 million credit facility for the period ended May 31, 2022. The utilized credit will bear annual interest at Bank of Israel rates plus a 2.15% margin (subject to adjustments when the rating drops below A-). The facility is not backed by any collateral. As of December 31, 2020, the credit facility is not utilized.

As part of the facility agreement the Company committed, among other things, to the following financial ratios:
(1) The ratio between the net financial debt and the FFO will not exceed 25 for two consecutive years;
(2) The net financial debt ratio (LTV) of the Group (on an expanded solo basis) will not exceed 70% of its total assets for four consecutive quarters, according to calculation formulas determined in the agreement;

(3) A ratio of equity to total balance sheet of at least 0.3 for four consecutive quarters (a ratio of 0.2 for one quarter will constitute grounds for immediate repayment);
(4) The ratio of dividend revenues to cash flow interest expenses (on an expanded solo basis) in the 12-month period prior to the examination date will not be less than 1.2.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) changes in control of the Company[10]; (2) the Company's minimum equity will not be less than NIS 1.8 billion for four consecutive quarters; (3) various financial cash flow and operational ratios in the Group and in investees; (4) cross default (5) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party; (6) merger/split without receipt of consent; (7) insolvency, liquidation, etc.; (8) cessation of the management of business / change in area of activity and/or sale of most assets; (9) rating under BBB-; (10) suspension of trading.

[10] In this regard, the discontinuation of control of the Company by Nathan Hetz and/or M. Wertheim (Holdings) Ltd. will not be considered a breach if the Company's rating does not fall below "A-" (in a Ma'alot rating) or an equivalent rating.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

(4) In January 2017, an agreement was signed between the Company and an institutional body, which is an interested party in the Company by virtue of its holdings, which was amended in a written amendment dated May 2019 (hereinafter: "**the Agreement**") regarding the provision of a credit facility of NIS 100 million for a period of 6 years from the date of signing the original agreement (i.e., until January 25, 2023). The utilized credit will bear annual interest at the Prime rate plus a margin of 0.7% (subject to adjustments when the rating drops below A-). The facility is not backed by any collateral. As of the date of publication of the report, the facility is not utilized.

As part of the credit facility agreement, the Company has committed to financial ratios and conditions that are essentially similar to those mentioned in Subsection (3) above.

As of December 31, 2020 and as of the date of publication of the reports, the Company did not utilize the credit facilities mentioned in this Section b.

As of December 31, 2020, the Company is in compliance with all of the financial covenants referred to in this Section b.

C. Amot financing arrangements:

(1) Early repayment of bank loans initiated by Amot

In September 2020, at its own initiative, Amot made an early repayment of loans to a banking institution in the amount of approx. NIS 243 million (not including the early repayment fee). Following the early repayment, in 2019, Amot recorded approx. NIS 39 million as non-recurring financing expenses paid in cash on the repayment date.

(2) Long-term and short-term credit facilities:

א. Lines of credit – the Amot Group has four credit facilities from commercial banks and a financial body in Israel in the amount of NIS 1,080 million.

1. A credit facility from a bank in the amount of NIS 400 million is in effect until December 28, 2021.
2. A credit facility from a bank in the amount of NIS 200 million is in effect until December 31, 2023.
3. A credit facility from a bank in the amount of NIS 100 million is in effect until December 29, 2021.
4. A credit facility from an institutional body in Israel in the total amount of NIS 200 million, in effect until May 31, 2022. The credit facility is not backed by any securities and can be withdrawn at any time according to Amot's compliance with various financial ratios and stipulations.
5. A credit facility from an institutional body in Israel in the total amount of NIS 180 million, in effect until March 2023. The credit facility is not backed by any securities and can be withdrawn at any time according to Amot's compliance with various financial ratios and stipulations.

To utilize these credit facilities, Amot must meet the following conditions:

- The rate of equity from the Company's total statement of financial position (less cash and cash equivalents and less securities related to discontinued activity) on an extended consolidated basis will not at any time fall below 25%.
- The ratio between the Company's net financial debt (less investment real estate under construction) and its NOI shall not exceed a ratio of 10 at any time.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

- The Company is the controlling shareholder in Amot.

As part of the agreement, Amot undertook, among other things, to maintain financial ratios, key of which are as follows:

- The ratio of equity to total net balance sheet will not be less than 25% for 4 consecutive quarters or 20% for one quarter;
- The ratio of Amot's net financial debt to the CAP will not exceed 70%;
- The ratio of Amot's net financial debt, less the value of investment property in development, to Amot's annual standardized NOI will not exceed 10 for two consecutive quarters;
- The rating will not fall below A- on any withdrawal date;

In addition, Amot committed to comply with various financial stipulations, mainly: changes in control of Amot under certain circumstances; Amot's minimum equity of NIS 1.2 billion; various financial cash flow and operational ratios; cross default; Amot's commitment not to create any general floating lien on all of its assets in favor of a third party (with the exception of a floating lien associated with a fixed lien). The agreement includes customary grounds for immediate repayment of the credit, such as significant legal proceedings (liquidation, receivership, merger, etc.).

As of December 31, 2020, Amot has unutilized credit facilities in the amount of NIS 1,020 million. In addition, Amot is in compliance with all financial covenants.

D. Energix financing arrangements:

(1) **Financing loan for the Neot Hovav project**

The balance of the credit for the financing of the Neot Hovav project that was provided by a consortium of institutional bodies, as of the reporting date, is NIS 259 million.

The financing was provided to a project company fully owned by Energix under terms customary in project finance transactions and is guaranteed by the project assets and revenues, by the project company's shares, its rights and means of control (non-recourse).

The financing agreement includes a variety of representations and breach events as is customary in project financing agreements The breach events include: change of Energix's control in the project company, non-compliance with minimum coverage ratios of [11]an ADSCR less than 1.1 and a DSCR[12] (on a quarterly calculation date) less than 1.05 together with the predicted ADSCR less than 1.2).

The loan will be repaid (in quarterly payments) over a period ending December 2032, at an interest rate of 3.20% linked to the CPI, with the exception of the balance in the amount of NIS 57.4 million attributable to the additional financing, for which the interest rate is 3.05%.

For information regarding the projects covered by the above financing agreement, see Note 7(c).

(2) **Financing agreement for small and medium-sized systems**

The balance of the credit granted to Energix, through a borrower partnership, for the financing of small and medium systems as of the reporting date, is NIS 53 million.

The financing agreements include various representations and breach events as is customary in non-recourse project financing agreements (except for a few exceptions relating to breaches of the partnership and/or relating to assets leased by it for the pledged facilities), against a lien on small and medium-sized capacity systems.

[11] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.
[12] DSCR – Debt Service Cover Ratio – The excess available cash for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

The CPI-linked loans bear an annual interest rate of 4.25%-4.6% and are repaid in quarterly or semi-annual payments over a period of 16 years ending in 2032.

(3) **Loans for projects in the first and second competitive procedures (a total capacity of approx. 90 MWp and 62 MWp) -**

During the years 2017-2018 Energix (through a fully-owned partnership) engaged with institutional bodies separate agreements for the receipt of financing in the amount of NIS 240 and 180 (*) million for the establishment of projects with a capacity of 90 MWp and 62 MWp, respectively (see Note 8a). The loans will be repaid in quarterly installments until 2040 and 2041, respectively, CPI-linked and bearing an annual interest rate of 2.504%-2.885%.

The financing was provided to the project partnership on the terms customary for project finance transactions and is secured by the project's assets and revenues, the project partnership's rights, its rights and means of control therein (Non-Recourse). The financing agreements include an array of presentation and violation events as customary in project financing agreements (including the violation events: a change in Energix's control in the project company, failure to meet a minimal ADSCR[13] coverage ratio lower than 1.1.
As of the reporting date, the balance of the loan is NIS 393 million.

(*) In February 2021, the partnership withdrew an additional NIS 10 million as an extention of the loan framework for projects as part of a second competitive procedure, at an interest rate of 1.794%.

(4) **Financing transaction for projects with a capacity of up to 139 MWp (third and fourth competitive procedure) –**

In December 2020, Energix entered into an agreement with an Israeli institutional body, through a project under its control (hereinafter: "**the Partnership**"), for the receipt of financing of up to NIS 380 million, for the financing of photovoltaic projects with a capacity of up to 139 MWp established under a quota it won as part of the third and fourth competitive procedures for high-voltage photovoltaic facilities published by the Electricity Authority. After the completion of the projects' construction and their compliance with the determined conditions, the partnership has the right to increase the amount of financing by an additional amount that will set the amount of financing at 85% of the total construction costs of all projects.

[13] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

The financing will be provided to the partnership as a framework loan on the terms customary for such transactions and will be secured by the full rights in the partnership and its assets, on a non-recourse basis, except in relation to the establishment period. During the construction period, Energix will provide a company guarantee in favor of the institutional body for the full amount of financing that will be provided, which will be reduced proportionately with the commercial operation of each facility included in the transaction.

The loan is CPI-linked and will bear interest at an annual rate to be determined on the date of withdrawal at the rate of return on government bonds with a similar average duration plus a margin of 2.1%, as stipulated in the agreement, and will be repaid proportionately over a period of 22 years (on a quarterly basis) starting from commercial operation.

The main financial covenants – As a condition for withdrawal, the partnership is obligated to meet the following coverage ratios: average and minimum ADSCR and minimum LLCR of at least 1.4.[14] The project partnership will be in violation of the financing agreement if the ADSCR coverage ratio (historical or predicted) or the LLCR is less than 1.08.

As of the reporting date, Energix has not yet utilized the loan's credit facility.

(5) **Voluntary early repayment of the Banie project financing (wind farm in Poland)**

In May 2016, Energix signed an agreement through the project company with a consortium of three financial institutions in Poland for a project financing agreement for the Banie wind farm in the amount of approx. PLN 347 million ("the Loan"). In December 2019, Energix made a voluntary early repayment of the loan balance for a total of approx. PLN 295 million (approx. NIS 269 million). As of the date of repayment of the loan, Energix recognized a loss of approx. NIS 9 million, which was recorded to the financing expenses item, for the immediate reduction of the discount balance in respect of the loan and imputation of the negative capital reserve balance to profit and loss in respect of cash flow hedging for the fixing of interest rates in connection with the loan.

[14] LLCR – Loan Life Cover Ratio – The ratio between the present value of the cash flow surplus and the debt service and cash balances in the Company's accounts during the loan period, and the loan balance on the date of the calculation.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

E. BE's financing arrangements:

In order to finance the acquisition of the five properties it owns as of the reporting date, BE took non-recourse loans totaling approx. GBP 364 million (approx. NIS 1.6 billion). To guarantee the loan, BE pledged the five properties in favor of the lender with a senior lien.

The following are additional details regarding the the loans:

Amount inGBP thousands	Interest Rate (*)	Interest Rate Hedging		Repayment Date	Maximum LTV Ratio	Minimum Interest Coverage Ratio
119,880	LIBOR+ 1.70%	CAP transaction[15]	Maximum Libor of 0.5%	April 2022	70%	1.80
132,300	LIBOR+ 1.45%	CAP transaction	Maximum Libor of 2%	April 2024	75%	1.95
63,360	LIBOR+ 1.90%	SWAP transaction	Maximum Libor of 0.7%	December 2022	65%	1.50
48,780 (**)	LIBOR+ 2.00%	CAP transaction	Maximum Libor of 2%	February 2025	75%	2.00

(*) The Libor rate on the GBP for three months (in annual terms) as of December 31, 2020, was approx. 0.03%.

(**) Of the total loans listed in the table above, in 2020, BE took a non-recourse bank loan in the amount of GBP 49 million for the financing of the acquisition of Seacourt Tower as detailed in Note 4c. The loan bears Libor interest plus an annual margin of 2%[16]. The loan principal will be repaid at the end of 5 years.

Management of the change in LIBOR interest rates – The global banking and finance system is expected to stop the use of Libor interest rates and switch to using SOFR (Stated Overnight Financing Rate) interest rates. For most currencies, the transition will take place by the end of 2021. As of the reporting date, BE is not able to estimate the effects of the transition from the Libor interest rate to the SOFR interest rate and has not yet begun negotiations to convert the existing loan agreements.

A. As of December 31, 2020 and near the publication of the financial statements, the Group is in compliance with all covenants to which it committed in conjunction with the loans mentioned in Sections (b) - (d) above.

B. Liens - see Note 13.

[15] The hedging transaction was made for GBP 117 million of the loan balance.
[16] According to the financing agreement, the total interest rate for the loan (Libor interest plus the margin) will not be less than 2.5%.

Note 13 – Liens, Collateral and Guarantees

A. The following is a description of the liabilities secured by liens on Group assets or for which the Group has provided some security for their repayment and a description of the assets pledged or provided as collateral as of December 31, 2020:

	Pledged Asset	Book Value of Liability	Book Value of Pledged Asset	Type of Lien	Comments
		As of December 31			
		2020	2020		
		NIS thousands			
Liabilities of consolidated companies:					
Energix's liabilities:					
Loan in the amount of NIS 370 million	(1) Lien on all of the assets of the Project Company, Energix Neot Hovav Ltd., and Energix's rights in the Project Company (2) Bank deposit (reserve fund for debt service)	258,861	239,468	Fixed senior lien	See Note 12d. (1)
Loan in the amount of NIS 240 million	(1) Lien on all of the assets of Projects 2 Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	218,636	265,134	Fixed senior lien	See Note 12d. (3)
NIS loan facility in the amount of NIS 180 million	(1) Lien on all of the assets of Projects 3 Partnership, Limited Partnership and Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	174,692	202,215	Fixed senior lien	See Note 12d. (3)
Loan in the cumulative amount of NIS 45 million	(1) Lien on all project assets in the project partnership 1 (2) Bank deposit (reserve fund for debt service)	25,241	19,480	Fixed senior lien	See Note 12d. (2)
Loan in the amount of NIS 35 million	(1) Lien on all of the assets of the Meitarim Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposits (reserve fund for debt service) and equipment	27,748	26,138	Fixed senior lien	See Note 12d. (2)
AMOT liabilities:					
Amot private CPI-linked bonds	(1) Investment property and part of the revenues derived from owned properties (2) Half of the revenues from an investment property	9,491	9,926	Senior lien and/or mortgage on Amot's rights in the property	
BE liabilities:					
4 loans in the total amount of GBP 364 million	Investment property, including shares in the property companies and the revenues derived from the properties	1,585,862	2903341 (*)	Fixed senior lien and floating lien	See Note 12e.

(*) Not including an amount of approx. NIS 18 million in respect of the average rent income presented in other long-term assets.

Note 13 – Liens, Collateral and Guarantees (continued)

B. Guarantees provided by the Group:

As of December 31, 2020 and 2019, contingent liabilities are in place with respect to the following guarantees:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Guarantees provided by consolidated companies:	148,638	129,171

Note 14 – Other Long-Term Liabilities

	As of December 31	
Item composition:	2020	2019
	NIS thousands	NIS thousands
Severance-pay liabilities	2,973	3,057
Less severance pay reserve deposits	634	155
	2,339	2,902
Advance income and deposits from building tenants and leasing fees payable	26,619	26,374
Leasing fees payable	43,249	39,622
Derivative financial instruments designated as hedge items (see Note 24)	17,175	38,915
Long-term liability in respect of agreement with tax partner	106,227	-
Liability in connection with project in development	8,495	5,252
Others	21,537	13,353
	225,641	126,418

Note 15 – Engagements and Contingent Liabilities

A. Legal and tax proceedings against the Amot Group

Pending against the Amot Group and other parties, as of the reporting date and as of the approval of the financial statements, are 23 lawsuits, tax procedures and property tax charges, excises and levies pertaining to investment property totaling approx. NIS 61 million, with the Amot Group's share as a defendant amounting to approx. NIS 56 million.
For claims filed against the Group and for exposure to tax levies, provisions were recorded in the financial statements in the amount of approx. NIS 20 million as of December 31, 2020 and NIS 18 million as of December 31, 2019 (in the 'provisions' item and the 'expenses payable' item). In the opinion of Group management, based on the opinion of the legal and professional counsel, the above provisions are appropriate under the circumstances.

Note 15 – Contracts and Contingent Liabilities (continued)

The following is the composition of the balance of the provision and the movement therein as of December 31, 2020 and 2019 and for the years ended on those dates:

	2020	2019
	NIS thousands	NIS thousands
Provision balance at the end of the year	16,483	16,483

The following is a description of the most material of the above claims, the amounts of which are stated in nominal values as of the date of filing, unless otherwise stated:

(1) In 1965, Amot purchased from the Jerusalem Central Bus Station Company (of the Nitzba Group) 50% of the ownership rights in the land on which the new Jerusalem Central Bus Station was built (hereinafter: "**the Project Land**"). In November 2000, the Jerusalem District Court ordered that an estate be recorded (hereinafter: "**the Estate**") as the owner of approx. 3.097% of the project land jointly with Amot and Nitzba as a result of a parcel that was in dispute between Nitzba and the third parties (hereinafter: "**the parcel in dispute**").
In June 2006, the Jerusalem Magistrate's Court issued a declaratory judgment in a claim filed against Amot and Nitzba by the Estate, stating that the Estate was entitled to receive proper compensation in connection with the exclusive use made by Amot and its partner in the property, at a rate of approx. 3.097% of the fruits generated from the property starting October 24, 2000, plus linkage differentials and interest from the date of receipt of each payment. In 2008, the companies filed a claim against the Estate for payment of approx. NIS 9.3 million, reflecting a reimbursement of the relative share of 3.097% of the investments made in the construction of the central bus station by the companies, less the amounts owed to the Estate as current profits, as stated.
On the basis of an expert opinion that determined the amount of the construction costs from which the relative share that the Estate must participate in and the amounts due to the Estate for the period from October 24, 2000 to June 30, 2019, a ruling was given by the court on April 2, 2020 according to which the court rejected the Estate's claims and ruled that the balance of the Estate's debt to the companies is NIS 1.1 million as of June 30, 2020. The estate appealed the ruling. Nitzba has made irrevocable commitments to Amot, both in letters of indemnity and by virtue of the acquisition agreement, to indemnify it for any damages it may incur, inter alia, for the above claim and for any claims filed against the Company by third parties arising from its part in the dispute and for failure to register half of the parcel in dispute in the Land Registration Office. In addition, Amot is entitled to remedies from its partner according to the law and the acquisition agreement. In view of the above, Amot's management estimates, based on the opinion of its legal advisors, Amot is not expected to have exposure in respect of the above.

B. Main liabilities and covenants:

Regarding the Group's main liabilities and covenants to banks and others, see Notes 11 and 12 above.

Note 16 – Equity

A. Composition of capital stock in nominal NIS

	As of December 31, 2020		As of December 31, 2019	
	Listed	Issued and Paid-up	Listed	Issued and Paid-up
	Thousands of Shares		Thousands of Shares	
Common stock of NIS 1 PV each (*)	500,000	172,945	500,000	172,828
Preferred shares of NIS 1 PV each (**)	500,000	-	500,000	-

(*) The shares are listed and traded on the Tel Aviv Stock Exchange. The number of shares includes dormant shares held by the Company.
(**) The shares are cumulative, participating and registered in the owner's name.

B. Capital stock developments

The following are developments in the Corporation's capital stock over the past three years:

Date	Details	PV in thousands	Proceeds (Gross) in NIS thousands	Share Price in NIS
2018				
	Exercise of employee options	557	14,633	26.27
2019				
	Exercise of employee options	1,600	47,093	29.43
2020				
	Exercise of employee options	116	3,687	31.51

Note 16 – Equity (continued)

C. Balance of Company shares held by the Company

As of December 31, 2020 and 2019, the Company holds 85 thousand shares of the Company's common stock of NIS 1 PV each, which constitute 0.049% and 0.050%, respectively, of its issued and paid-up capital stock as of those dates.

D. Dividend paid and dividends declared subsequent to the date of the Statement of Financial Position

In March 2001, the Company's Board of Directors decided to adopt a policy according to which the Company's management will announce, at the beginning of each year, the dividend amount the Company intends to distribute (subject to the law) in the following year. The annual dividend amount will be divided into 4 payments to be made at the end of each calendar quarter, and talking into account the Company's operating results according to its latest financial statements, the Board of Directors may make adjustments to the amount distributed. It should be emphasized that the Board of Directors may at any time, taking into account business considerations and in accordance with the provisions of any law, change the amounts to be distributed as dividends or decide not to distribute them at all.

In accordance with this decision, the Company annually announces the current dividend to be paid that year.

In March 2020, the Company's Board of Directors made a decision regarding the dividend policy for 2020 in the amount of NIS 1.16 per share, which will be paid in four quarterly payments of NIS 0.29 per share. Accordingly, during 2020, the Company paid its shareholders a dividend of NIS 1.16 per share (NIS 200 million).

In March 2021, the Company's Board of Directors made a decision regarding the dividend policy for 2021 according to which a total dividend of NIS 1.22 per share will be paid in 2021, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters - NIS 0.30 per share, and at the end of the third and fourth quarters - NIS 0.31 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).
In accordance with the above, in March 2021, the Company announced a dividend for the first quarter of 2021 in the amount of NIS 0.30 per share (NIS 52 million) to be paid in April 2021.

In addition, at its meeding in March 2021, the Company's Board of Directors decided to distribute an additional dividend in respect of 2020 in the amount of NIS 0.20 per share (NIS 34.5 million).

In accordance with the above, the total dividend per share that the Company will pay in April 2021 will be NIS 0.50 per share (NIS 86.5 million).

As of December 31, 2020, the Company has retained earnings (distributable profits) of NIS 4,058 million.

Note 16 – Equity (continued)

The following are details of the dividends paid by the Company, from its distributable profits, over the past two years:

Payment Date	Declaration Date	Dividend per Share	NIS thousands
09/04/2018	21/03/2018	0.65	111,012
11/06/2018	23/05/2018	0.27	46,118
06/09/2018	23/08/2018	0.28	47,861
09/12/2018	22/11/2018	0.28	47,918
08/04/2019	28/03/2019	0.70	120,337
16/06/2019	06/06/2019	0.28	48,167
10/09/2019	01/09/2019	0.29	49,980
10/12/2019	01/12/2019	0.29	50,079
07/04/2020	29/03/2020	0.29	50,104
09/06/2020	31/05/2020	0.29	50,108
14/09/2020	03/09/2020	0.29	50,108
13/12/2020	02/12/2020	0.29	50,126
Total		**4.2**	**721,918**

E. Share-based payment

The following is information regarding executive and employee remuneration plans in effect as of December 31, 2020:

(1) Capital Remuneration Framework Plan

At the shareholders' meeting of October 9, 2018, a remuneration policy for the Company's officers was approved for the years 2019-2021, in accordance with the provisions of Amendment 20 to the Companies Law, which replaced a previous remuneration plan that also included an element of capital remuneration for Company officers.
As part of the remuneration policy, The Company has a multi-year remuneration framework plan on a capital basis for Company employees and executives from February 2018 (which replaced a previous plan) according to which each year near the publication of the yearly report Company employees and executives would be allocated non-tradable options of a economic value determined from time to time by the relevant Company organs (hereinafter: "**the Annual Portion**"). The annual portion allocated will have a vesting period of two years, and will be exercisable up to three years from its date of issue. The exercise price of any such annual portion will be determined based on the higher of the following: (1) a weighted average of the Company's share price on the stock exchange in the 20 days of trade prior to granting the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4% (in the previous plan - 8%). The exercise bonus is nominal and is dividend-adjusted.
Allocation of the annual portion, each year, will be subject to the specific approval by the Company's Board of Directors (and regarding officers, the approval of the Remuneration Committee as well).

On February 19, 2018, the Board of Directors adopted a new framework agreement for capital remuneration replacing the plan from August 2014, which is essentially similar to it, with the exception of the addition of the vesting acceleration component for options granted in the event of directors ending their service.

Note 16 – Equity (continued)

On October 9, 2018, the General Assembly approved the new remuneration policy for the years 2019-2021. The new remuneration policy implementation document states that the exercise price of any such annual portion will be determined based on the higher of the following: (1) a weighted average of the Company's share price on the stock exchange in the 20 days of trade prior to granting the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4% (instead of the 8% in the previous remuneration policy).
As part of the remuneration policy, as it was from time to time, and the capital remuneration framework plan, the Company allocated yearly portions from the capital remuneration framework plan, as follows (the allocations from 2018 are in accordance with the new remuneration policy and according to the framework agreement from February 2018):

	Number of Recipients	Number of Options	Economic Value on Grant Day, in NIS thousands	Exercise Bonus per Option in NIS (before adjustments)	Vesting Period in Years	Expiry Date
2016	18(*)	1,107,600	2,945	29.79	2	21.2.19
2017	18(*)	833,283	3,132	37.64	2	30.4.20
2018	18(*)	920,619	3,197	35.18	2	30.4.21
2018	1(**)	7,676	27.5	38.92	2	21.8.21
2019	18(*)	735,338	3,411	41.22	2	30.4.22
2020	17 (***)	1,512,495	3,378	49.64	2	30.4.23
2021	15 (***)	365,010	3,399	44.96	2	30.4.24

(*) Including the Chairman of the Board of Directors and 6 directors. For additional information on the remuneration of directors and officers, see Note 18.
(**) External director appointed in July 2018.
(*) Including the Chairman of the Board of Directors and 5 directors. For additional information on the remuneration of directors and officers, see Note 18.

Note 16 – Equity (continued)

(2) Parameters used in calculating the benefit inherent in the options

The cost of the total benefit inherent in all the options in effect as of December 31, 2020 (the March 2018, August 2018, March 2019 and March 2020 plans), based on the fair value on the date of granting, has been estimated at a total of NIS 10 million, of which a total of NIS 7.5 million has been amortized as of December 31, 2020. This amount is amortized to the Statement of Income over the vesting periods. The fair value of the options issued as denoted above has been estimated via the application of the Black & Scholes model. The parameters used to apply the model are as follows:

Plan	March 2021	March 2020	March 2019	August 2018	March 2018	March 2017	March 2016
Share price (in NIS)	43.23	38.66	39.63	36.04	32.57	34.85	27.58
Exercise price (in NIS)	44.96	49.64	41.22	38.92	35.18	37.64	29.79
Expected weighted volatility (*)	34.09%	20.66%	18.55%	18.79%	19.76%	19.72%	19%
Lifespan of options (in years)	2.88	2.87	2.87	2.75	2.86	2.86	2.75
Risk-free interest rate	0.27%	0.43%	0.74%	0.65%	0.46%	0.59%	0.37%
Expected dividend rate (**)		-	-	-	-	-	-
Total benefit (NIS thousands)	3,399	3,378	3,411	28	3,197	3,132	2,945
Amortization amount (NIS thousands)							
In 2020	-	1,278	1,676	10	366	-	-
In 2019	-	-	1,314	14	1,632	391	-
In 2018	-	-	-	3	1,199	1,566	368

(*) The expected volatility is determined based on historical volatility in the price of the Company's share. The lifespan of the average option warrant is determined based on management's forecast regarding the duration of the holding period of option warrants by option receivers taking their position in the Company and the Company's past experience regarding employee departure into consideration.

(**) Dividend-adjusted exercise bonus

Note 16 – Equity (continued)

(3) The following are developments in the option warrants granted to Company employees and officers:

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	In Thousands	NIS	In Thousands	NIS
Balance as of January 1	1,650	35.47	2,515	31.33
Grants per year	1,528	49.64	735	41.22
Forfeited during the year	(11)	45.53	-	
Exercised during the year (1)	(116)	31.69	(1,600)	29.43
Balance as of December 31	3,051	41.49	1,650	35.47
Option warrants exercisable as of December 31	810		28	
Expected proceeds from the exercise of option warrants outstanding as of December 31 (in NIS thousands)	126,587		58,512	

(1) The weighted average of the share price on the options' exercise date for options exercised in 2020 was NIS 46.11 (2019 – NIS 43.29).

Note 17 – Additional Information on Income and Expense Items

A. Revenues from rental fees and management of investment property

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Rental fees (1)	842,920	778,992	653,402
Management of investment property	48,712	51,164	50,897
	891,632	830,156	704,299

(1) **Revenues from future minimum rental fees –** the aggregate amount of future minimum rental fee revenues based on signed irrevocable rental agreements in effect as of December 31, 2020 is as follows:

	As of December 31	
	2020	2019
	NIS thousands	
First Year	765,339	811,676
Second year	662,313	673,331
Third year	465,661	536,561
Fourth year	357,380	373,714
Fifth year	283,040	285,669
Sixth year and thereafter	917,227	974,128
	3,450,960	3,655,079

B. Cost of investment property rental and operation

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Property maintenance and management costs	50,963	50,065	45,630
Taxes and fees	5,002	6,659	5,098
Wages and related expenses	10,083	8,745	8,783
Others	8,574	2,521	1,779
	74,622	67,990	61,290

Note 17 – Additional Information on Income and Expense Items (continued)

C. Administrative and general expenses

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Wages and related expenses, management fees and grants	70,265	66,589	46,498
Amortization of benefit in respect of option warrants	15,738	14,385	11,345
Directors' wages and related expenses	940	1,016	1,138
Professional services	19,774	18,788	14,039
Charitable donations	5,751	5,599	4,280
Others	12,556	15,422	11,106
	125,024	121,799	88,406

D. Net profits (losses) with respect to investments in long-term securities and securities held for sale

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Profit from the sale of securities measured at fair value through profit and loss	-	-	17,636
Fair value adjustment of securities at fair value through profit and loss, net	(15,250)	24,711	15,514
	(15,250)	24,711	33,150

E. Development, maintenance and operation costs of electricity-generating facilities

In 2018, the expenses include rental expenses in the amount of approx. NIS 7 million. Starting in 2019, the Group applies IFRS 16. Therefore these expenses are not included in this item in 2019 and 2020.

Note 17 – Additional Information on Income and Expense Items (continued)

F. Financing expenses

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Interest in respect of short-term credit	8,808	6,562	6,909
Interest in respect of long-term bank loans	74,396	82,630	51,103
Early repayment fees	-	33,172	-
Financing expenses according to IFRS 16	-	2,602	-
Interest (including discount amortization) in respect of bonds	230,759	214,027	218,585
	313,963	338,993	276,597
CPI-linkage differentials in respect of loans	3,782	3,302	4,791
Linkage differentials in respect of bonds	(25,575)	18,274	43,910
Total credit costs	292,170	360,569	325,298
Less credit costs capitalized to systems in development	(16,293)	(8,411)	(1,841)
Less financing capitalized to self-constructed investment property	(9,137)	(8,468)	(10,731)
	266,740	343,690	312,726
Others, net	13,059	19,700	6,536
	279,799	363,390	319,262

G. Financing income

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Interest on bank deposits, ETFs and monetary funds	2,074	3,931	1,882
Exchange rate differences, net	2,469	-	1,041
Profit from the purchase of loans (*)	-	-	6,907
Interest in respect of loans to companies accounted for using the equity method	4,646	6,009	6,757
Profits from transactions in financial derivatives	-	171	4,384
Profit from tradable securities held for trade	-	11,604	-
Others, net	81	24	214
	9,270	21,739	21,185

(*) Energix's profit in respect of the purchase of all the holdings of the other partners in the Iława project and their full rights in inferior shareholder loans they provided to the project.

Note 18 – Transactions with Related Parties and Interested Parties

A. Management Agreement with the Company CEO

In November 2018, the Company entered into a management agreement with Adva Financial Consulting Ltd. (hereinafter in this subsection: "**Adva**" or "**the Management Company**") (a company owned by Mr. Nathan Hetz (the Company CEO, director and a controlling shareholder until November 26, 2019) and by his wife Mrs. Clara Hetz equally) to receive management services provided by Mr. Nathan Hetz for a three-year period starting January 1, 2019, after which it will be possible to extend the agreement for the second time for an additional three years, subject to the approval of the Company's authorized organs and subject to the Company's remuneration policy in effect at that time, in accordance with the approval of the General Assembly of October 2018 ("**the Management Agreement**"). The Management Agreement replaces a previous agreement that ended on December 31, 2018.

The following are the main points of the management agreement, on the basis of which the Company paid Adva for the management services of the Company CEO in 2020:

A. Fixed component – monthly management fees of NIS 275 thousand linked to the CPI for December 2018, plus VAT (in any case, the management fees will not be less than this nominal amount). Management fees for December 2020 amounted to a total of NIS 253 thousand.
The management fees will also be paid for periods in which the management company will not provide management services to the Company, as follows: (1) 25 days for Mr. Nathan Hetz's annual vacation period; (2) up to 30 business days per calendar year for Mr. Nathan Hetz's sick days (which can be accumulated to up to 90 days).

B. Annual bonus – a bonus of NIS 2.4 million, which will be paid in the following manner and under the following conditions:

- NIS 1.2 million will be paid each year in which the annual FFO yield exceeds 6% (according to the equity at the beginning of that year).[17]
- The balance of the bonus, which is not paid in any annual measurement, will be paid at the end of the 3-year agreement if the average FFO yield during the three-year agreement period exceeds 6%.

* The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2019-2021.

In 2020, the Company paid the management company a total of NIS 1.2 million as a cash bonus for 2019. In April 2021, the Company paid the management company a total of NIS 1.2 million as a cash bonus for 2020.

C. Additional conditions:

1) In the event of any discontinuation of the agreement (whether due to its discontinuation of its cancellation by any of the parties), the Management Company shall be entitled to what it is owed in accordance with the agreement for 3 additional months from the end of the agreement, including a yearly bonus, until the conclusion of the three months in question.
2) The Company and/or the Management Company have the right to cancel the agreement at any time before the end date, with 6 months advance written notice (during which the agreement will continued to apply and Mr. Nathan Hetz will continue to provide the Company with management services), regarding its desire to end the agreement.

[17] Company equity – Equity as of the beginning of the relevant year (December 31, 2020), plus capital raising and less special dividends during the same year, and all time-weighted.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

3) The Company will provide Mr. Nathan Hetz with a vehicle and bear its maintenance costs, the cost of the tax for providing the vehicle to Mr. Nathan Hetz will be borne by Mr. Nathan Hetz. The Company will also bear all expenses of Nathan Hetz and/or the management company for Nathan Hetz's activity as Company CEO as is customary in the Company.
4) In accordance with Amendment 20 to the Companies Law, 1999 (hereinafter: "**the Companies Law**") and the remuneration policy, the agreement includes a provision according to which the management company will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements.
5) In return or his service as Company officer, Nathan Hetz shall be entitled to compensation and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law at sums and scopes set from time to time by the Company. The above insurance will provide Nathan Hetz with coverage during his entire term as an officer and for a period of seven years after he ceases to serve as officer. In return or his service as Company officer, Nathan Hetz will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

B. Management agreement with the Chairman of the Company's Board of Directors

In November 2018, the Company entered into an agreement with Orver Ltd. (hereinafter: "**Orwer**" or "**the Management Company**") (a company owned by Mr. Aviram Wertheim (Chairman of the Company's Board of Directors) and his wife, in equal parts) to receive management services by Mr. Aviram Wertheim, as the Chairman of the Company's Board of Directors, in partial position in the amount required to fulfill his duties[18] for the period starting January 1, 2019 and ending December 31, 2021, as long as Mr. Aviram Wertheim serves as the Chairman of the Company's Board of Directors, as approved by the General Assembly in October 2018 ("**the 2019 Agreement**"). The 2019 Agreement replaces a previous agreement from May 2016.

The following are the main points of the 2019 Agreement, on the basis of which the Company paid Orwer for the management services of the Chairman of the Board of Directors, in 2020:

(1) **Fixed component**[19] – monthly management fees of NIS 50 thousand, plus VAT, linked to the CPI for December 2018, but no less than the above nominal amount. As of December 31 2020, the monthly management fees amounted to NIS 50 thousand.
(2) **Annual cash bonus** (for the years 2019-2021) to be derived from the Company's annual FFO return on the Company's capital[20], where the minimum bonus (with a 6% FFO yield) is NIS 360 thousand and the maximum bonus (with an FFO yield of 10% or more) is NIS 600 thousand.

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[18] The scope of the positon is estimated at 40%.

[19] Not including directors' wages for companies on the PSP Board of Directors in which the Company has holdings. In addition Mr. Wertheim is serving (for no compensation) as a director in two of the Company's subsidiaries: Amot Investments Ltd. and Energix Renewable Energy Ltd. in the Company's private subsidiaries, including Carr Properties and jointly owned companies of the Company and Oxford Properties in Boston. For his service as a director at PSP, the Chairman of the Board is entitled to participation payments according to the remuneration plan for directors at PSP. The total remuneration received by the PSP Chairman in 2019 amounted to CHF 107 thousand, and in 2020 it amounted to CHF 83 thousand.

[20] "Company capital" – the capital as of December 31, 2020 plus capital raising and less additional dividends during the period.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2019-2021. The above bonus amounts are linked to the CPI for December 2018 and will not be less than the nominal amounts. The amount of the bonus between floor and ceiling is calculated linearly. The annual bonus, determined according to the FFO yield as stated above, will be increased or decreased according to the Company's rating by the credit rating companies, so the credit rating could lead to a decrease in the bonus even to the canceling of the Chairman's bonus on the one hand (in the event that the rating drops below B- (Maalot rating), B3 (Midroog rating)) or to its increase by up to 10% on the other hand (in the event that the rating exceeds AAA (Maalot rating) or Aa1 (Midroog rating). In the event that the rating companies' rating is not identical, the calculation will be made according to the average factor of the two rating companies;
In 2020, the Company paid Orwer the amount of NIS 554 thousand for a cash bonus for 2019. In April 2021, the Company will pay NIS 481 thousand for the cash bonus for 2020 in accordance with the grant formula detailed above.

(3) **Additional conditions –** Orwer is entitled to a retirement grant equal to management fees for 6 additional months from the end of the agreement, including an annual bonus (calculated on a relative basis), until the end of the 6 months.
According to the agreement, in return or his service as a Company officer, Aviram Wertheim will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. This insurance will cover Aviram Wertheim for the entire period of his service as officer and for a period of seven years after he ceases his service as an officer. In return or his service as Company officer, Aviram Wertheim will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

Regarding the capital remuneration granted to Mr. Aviram Wertheim in recent years, in accordance with the decision of the General Assembly, see Note 18c(2) below.

According to Amendment 20 to the Companies Law and the remuneration policy, the agreement includes a provision according to which Orwer will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements.

c. Remuneration of directors

(1) Remuneration of directors -
On January 11, 2010, the Company Board of Board members decided, after approval by the Audit Committee of the same date, pursuant to the Companies Regulations (Rules Regarding the Remuneration and Expenses of a an External director), 2000 (the **Remuneration Regulations)** and pursuant to Companies Regulations (Relief for Transactions with Interested Parties), 2000, (the **Reliefs Regulations**) , that the Company would pay, commencing 1.4.2010, to both external directors and other non-external directors not employed by the Company, annual remuneration equal to the maximum amount, as set forth in the second addendum to the Remuneration Regulations, as they stand from time to time, based on the class of the Company as it stands from time to time. The participation remuneration for attendance at meetings of the Board of Directors and its committees is at the fixed amount as specified in the Third Supplement to the Remuneration Regulations. For attendance at meetings of the Board of Directors and/or Board committees via telecommunications and for participation in the decisions of the Board of Directors and of its committees without actually convening, these directors will be paid a relative portion of the fixed amount as determined in Regulation 5 of the Remuneration Regulations.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The decision by the Company's Board of Directors to compensate Board members, as detailed above, is also compatible with the Company's new remuneration policy (applicable for the years 2019-2021). As of the date of publication of these financial statements, the maximum annual remuneration is NIS 111 thousand and the fixed participation remuneration is NIS 3 thousand (these amounts are updated from time to time according to the updating mechanism in the Remuneration Regulations).

The total payments to which the external directors and directors of the Company are entitled (with the exception of Mr. Nathan Hetz and Mr. Aviram Wertheim), for 2020 (7 directors, not including the Nathan Hetz and Aviram Wertheim, as stated) amounted to NIS 675 thousand.

(2) Capital remuneration of directors -

Capital Remuneration

On February 19, 2018, the Company's Board of Directors adopted a new options plan in accordance with Section 102 of the Income Tax Ordinance in a capital plan with a trustee (hereinafter: "**the Framework Plan**"); the Framework Plan is essentially similar to the previous options plan from August 2014, with the exception of a provision regarding directors whose term in office has ended, according to which options that have not vested by the end of their service will vest at the end of their service and will not expire and will be exercisable for up to one year from the end of their service.

At the meetings of the General Assembly dated March 31, 2016 and October 9, 2018, a decision was made to approve the granting of options, to the directors (including Adva Sharvit (daughter of Nathan Hetz, who was one of the Company's controlling shareholders, until November 26, 2019)) who are not employed by the Company, in accordance with the Company's stock option plan in effect as determined by the Board of Directors in the years 2016-2018 and 2019-2021, respectively. The value of the options to be granted each year will be an amount equal to one half (50%) of the annual remuneration to which the directors are entitled as member of the Board of Directors (not including remuneration for meeting attendance) for the calendar year ending before granting the options. The exercise price, the vesting period, the exercise dates, the right to exercise options that have yet to be realized in the event of the end of service, and the other terms of the options will be determined in accordance with the existing remuneration policy.

In accordance with the principles of the remuneration policy and the resolutions of the General Assembly mentioned above, in the years 2018-2021, the eligible directors were granted option warrants in accordance with the terms of the Framework Plan.

In addition, according to the decision of the authorized Company organs, each year from 2019 to 2021 in which Mr. Wertheim serves as Chairman of the Board of Directors, he will be granted a capital bonus through the allocation of non-tradable options at economic value (calculated according to an accepted economic model) in the amount of NIS 300 thousand (linked to the CPI for December 2018, and in any event no less than the above nominal amount).

The following is a list of the option warrants granted or for which a decision has been made to grant them to the directors and the Chairman of the Board of Directors in accordance with the above, between the years 2018-2021:

Note 18 – Transactions with Related Parties and Interested Parties (continued)

Date of the Decision	Offeree Directors (Entitled directors serving on the date of the decision regarding the grant)	Number of Board Members	Number of Options Granted (Includes 50% of the annual remuneration paid to each of the above directors (not including participation remuneration)	Option Exercise Price on Allocation Date In NIS (Unlinked, subject to adjustments)	The cost of the total benefit included in the options issued to directors based on fair value according to the Black & Scholes Model on the granting date in accordance with guidelines in IFRS 2 ("Share-Based Payment") In NIS
Board of Directors decision of March 21, 2018	Yarom Ariav (external director), Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit (daughter of the Company's controlling shareholder at the time), Aaron Nahumi and Zvi Eckstein.	6	95,016	35.18	330,000
	Aviram Wertheim	1	78,448		272,000
Board of Directors decision of August 22, 2018	Shlomi Shuv	1	7,676 (*)	38.92	27,500
Board of Directors decision of March 19, 2019	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit (daughter of the Company's controlling shareholder at the time), Aaron Nahumi, Zvi Eckstein and Shlomi Shuv	6	71,856	41.22	333,342
	Aviram Wertheim	1	64,667	41.22	300,000
Board of Directors decision of March 18, 2020	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit, Zvi Eckstein and Shlomi Shuv	5	124,565	49.64	278,200
	Aviram Wertheim	1	135,132	49.64	301,803
Board of Directors decision of March 16, 2021	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit, Zvi Eckstein and Shlomi Shuv	5	30,005(**)	44.96	279,450
	Aviram Wertheim	1	32,212(**)	44.96	300,000

(*) Partial allocation, relative to Shlomi Shuv's term of service during 2018 rounded to whole months, which is half of 2018.
(**) Options have yet to be allocated in practice.

The options were granted under the terms detailed above and subject to the terms of the applicable framework plan.

(3) Insurance, indemnity and exemption[21][22]

The director and officer insurance arrangement is an umbrella arrangement for the entire Group, which includes the directors and officers at the Company, Amot and Energix, as well as officers serving as directors on the Company's behalf in subsidiaries and in companies not fully owned or controlled by the Company.
On July 12, 2018, the Company's General Assembly approved an update to the insurance coverage that will apply to the Company's directors and other officers under a new insurance arrangement. The new arrangement will also apply to directors and other officers who are controlling shareholders or their relatives, as the new arrangement meets the conditions in Regulation 1b(a)(5) of the Companies Regulations (Relief for Transactions with Interested Parties), 2000 ("**the Relief Regulations**"), and to the Company CEO, by virtue of Regulation 1.a.1 of the Relief Regulations, in accordance with the decision of the Company's Board of Directors of May 23, 2018.

[21] This section applies to all Company officers (including those who are not directors).

[22] In return for his service as a Company officer, Mr. Nathan Hetz (CEO and director) and Aviram Wertheim (Chairman of the Company's Board of Directors) will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. The above insurance will provide Nathan Hetz and Aviram Wertheim with coverage during their entire term as officers and for a period of seven years after they serving as officers.
Regarding the exemption to which Mr. Nathan Hetz (CEO and Director) and Mr. Aviram Wertheim (Chairman of the Board) are entitled, see below.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The principles of the Group's new arrangement are as follows ("**The 2018 Arrangement**"):

a. The policies will be purchased for several insurance periods which will not cumulatively exceed six years starting July 1, 2018.

b. The liability limit for officers' liability insurance in the umbrella insurance policy will be up to USD 75 (seventy-five) million per claim event and in aggregate, plus coverage for legal expenses.

c1. The total annual insurance premiums payable by all Group companies in aggregate for any insurance year, for officers' liability insurance under the umbrella policy, will not exceed USD 112,500 ("the Annual Premium"), subject to the provisions of Subsection c(2) below. In the event that the insurance period is shorter than one year, the insurance premium will be determined relative to the above amount of USD 112,500.

c.2. If the price of the insurance premium the Company is required to pay rises in the coming insurance years, the following rules will apply: the premium paid for the insurance year will not increase by more than 50% each year over the amount of the annual premium, and an increase in the premium by over 25% per year will be contingent on the existence of significant changes in the insurance market for directors and officers, which had a material impact on the acceptable premium rates under the circumstances. Exceeding these limits, respectively, will require the approval of the General Assembly.

Each Group member (including the Company itself) retains the right to decide, at its own discretion, to purchase additional insurance in a separate and independent policy or in a joint policy, for a coverage amount of up to an additional USD 25 (twenty-five) million per claim and in aggregate, plus a premium not exceeding USD 37,500 (subject to that stated in Subsection c(2) above) ("**the Additional Policy**"). It should be clarified that to the extent that the additional policy is purchased for the Company alone (and not together with other Group companies), the Company will bear the full added premium and in the event of a joint purchase, the premium will be divided according to the principles in Subsection (i) below.

d. No deductible will apply to the officers and the Company will bear the deductible in an amount to be agreed with the insurer.

e. The policies will insure the liability of Company officers, officers at Company subsidiaries and in other corporations under the Company's control, Company officers serving as directors on the Company's behalf in subsidiaries and in other controlled corporations as well as in other companies and corporations in which the Company has holdings that are not fully owned or controlled by the Company, as may be from time to time.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

f. The policies purchased will also insure, as much as possible, events that may be insured under the Enforcement Procedures Streamlining in the Securities Authority Law (Legislative Amendments), 2011, in accordance with the Economic Competition Law, 1988 ("**the Competition Law**"), and/or any other law regarding officers' insurance in general and/or officers' insurance for administrative enforcement in particular, including and without detracting from the generality of the above, in accordance with Section 56h of the Securities Law and/or Section 50p of the Economic Competition Law.

g. The Company will maintain the above insurance (according to the format specified in Subsections a-f above, and if, following a decision by the Company's authorized organs, the insurance format is replaced with a new format) for the entire duration of an officer's service as well as for a period of 7 years from the end of service, will renew the policy on the proper date and bear all premium expenses and any associated or related expenses.
It should be clarified that this will not compel the Company to prepare or renew the additional policy.

h. The premium for each policy within the framework of the 2018 arrangement insurance as noted above, will be paid by the Company, Amot and Energix (and any additional public subsidiary of Alony-Hetz, to the extent such exists during the period of the new framework agreement) according to the ratio of equity attributable to the companies' majority shareholders according to the latest (consolidated) annual or quarterly financial statements published before renewal of the engagement in each and every policy.
In the event that upon renewal of the policy at the end of the insurance period the premium will increase following the filing of a claim or a notice to the insurer in respect of a corporation from the "Alony-Hetz Group" or from the "Amot Group" or the "Energix Group", the distribution of the liability for the premium payment will be adjusted between the Company and those companies such that the share of the Group/Company including the corporation for which the claim or notice was submitted will increase accordingly.

According to the 2018 arrangement, the Group purchased a policy for the period from July 1, 2018 to July 14, 2019 ("**the 2018 Policy**") and a policy for the period from July 15, 2019 to July 14, 2020 ("**the 2019 Policy**"), both with a liability limit of USD 75 million plus coverage for legal expenses, according to Section 66 of the Insurance Contract Law, 1981. The annual premium of the 2019 policy is USD 125 thousand (due to an increase in the directors 'and officers' insurance in the global market).

Following significant changes in the directors' and officers' insurance market in Israel and around the world, which are reflected, among other things, in a reduction in the scope of coverage in policies, a substantial increase in insurance premiums, expanding deductibles in policies and reduced liability limits, the Company's General Assembly decided, at its meeting of September 8, 2020 (in accordance with the recommendation of the Remuneration Committee at its meeting of July 15, 2020, and the Company's Board of Directors at its meeting of July 16, 2020) to approve the following[23]:

A. That the payment of the insurance premium for the purchase of umbrella insurance for the Alony-Hetz Group directors and officers for the period July 15, 2020 to July 14, 2021 will be in the amount of USD 298,798[24].

B. That subject to the fact that the premium for the insurance policies of the directors and other officers to be purchased by the Company for periods from July 15, 2021 to June 30, 2024 under an umbrella insurance policy for the Alony-Hetz Group will be determined in negotiations between the Company and insurance companies and reinsurers (that are not related parties), and its cost will not be material to the Company at that time; the 2018 arrangement ceilings, as detailed above, will not apply in relation to these insurance policies.

According to the principles determined in the above insurance arrangement, the Company purchased an insurance policy for a one-year period beginning on July 15, 2020 and ending on July 14, 2021. According to this policy, the liability limit is USD 75 million per event and per period, plus legal expenses. The premium for the above policy is divided between the Company and Amot and Energix, distributed equally between the companies, in accordance with the decisions of the Audit Committees and the Board of Directors of the Company and of Amot and Energix.

Insurance in Carr: From time to time, Carr purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased in recent years is in the amount of USD 10 million per year, including coverage for legal expenses.

[23] The Remuneration Committee at its meeting on July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020 as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of the amended arrangement, as stated above, also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time, in accordance with Section 1B of the Companies Regulations (Relief for Transactions with Interested Parties), 2000 (hereinafter: "the Relief Regulations").
[24] In practice, the premium paid in respect of the above policy is in the amount of approx. USD 294 thousand.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

Insurance in BE: From time to time, BE purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased so far is in the amount of GBP 5 million each year, including coverage for legal expenses.

Indemnity and exemption –
The Company and Amot granted letters of indemnity and exemption to their officers, including directors who were also controlling shareholders at the time[25] or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount will not exceed 25% of the Company's or Amot's equity (as applicable) according to the latest financial statements published prior to the payment date.

Energix granted letters of indemnity and exemption to the Company's officers, including directors who were also controlling shareholders at the time or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount for all officers on a cumulative basis will not exceed 25% of Energix's equity according to the latest financial statements published prior to the payment date[26].
In March 2018, the Audit/Remuneration Committees (as applicable) and the Boards of Directors of Amot and Energix approved changes to the insurance, indemnity (and in Amot, also regarding the exemption) arrangement[27] for directors and officers. The changes were also approved by the General Assemblies of Amot and Energix on May 2, 2018, as applicable, and in some of the insurance issues (i.e. regarding the issue of umbrella insurance for directors and officers throughout the Group), they were also approved by the relevant organs in these companies.

Regarding the Company's existing remuneration arrangement:

On July 12, 2018 the Company's General Assembly approved the replacement of the letter of indemnity used at the Company with a new letter of indemnity, granted by the Company to the directors and the other officers, as they may exist from time to time, including replacing the letters of indemnity of the directors and officers at the Company who are controlling shareholders or their relatives, and as they may be from time to time, all relative to the grounds occurring from the General Assembly's approval date (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity will continue to apply to grounds that occurred up to the General Assembly's approval date (July 12, 2018).

Regarding the Company's existing exemption arrangement:

On July 12, 2018, the Company's General Assembly approved a new arrangement for the granting of new letters of exemption to Company directors and officers, including Company directors and officers who are controlling shareholders in the Company or their relatives, serving on the date of the General Assembly's approval and as may serve from time to time, as long as the letters of exemption granted by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered thereby that occurred up to the General Assembly approval date and the exemption granted by the Company to directors and officers who were controlling shareholders or their relatives on that date (i.e., Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered thereby occurring up to October 11, 2011.

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[25] Regarding the Company, the continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its October 6, 2014 meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and in the General Assembly of October 3, 2017 for a 3-year period from October 11, 2017 to October 10, 2020. On the other hand, the continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives in the same format was not renewed. Regarding a new exemption arrangement, see below.
Regarding Amot, the continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its February 16, 2015 meeting for a period of 3 years from November 15, 2014 to November 14, 2017. In its February 16, 2015 meeting, Amot's General Assembly did not approve the exemption for Company directors and officers who are controlling shareholders or related to controlling shareholders in the same format.
On May 2, 2018, Amot's General Assembly approved new letters of indemnity for directors and officers, which replaced the previous letters of indemnity, and will be in effect, in relation to the controlling shareholders or their relatives, during the period from November 14, 2017 to November 30, 2020. The General Assembly of May 2, 2018, also approved the granting of new letters of exemption, which will replace the existing letters of exemption from the granting date, in relation to events only from the granting date. The Assembly's approval is in relation to all directors and officers, as they will be from time to time (including directors and officers who are controlling shareholders or their relatives).

[26] The continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by Energix's General Assembly in its October 4, 2014 meeting for a period of 3 years from April 6, 2014 to April 5, 2017 and in Energix's General Assembly of July 9, 2017 for a 3-year period from April 6, 2017 to April 5, 2020. The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives, was not approved in Energix's July 30, 2014 General Assembly. In addition, in Energix's General Assembly of July 9, 2017, the meeting approved the issue of new letters of exemption to Energix's directors and officers, including directors and officers who are controlling shareholders or their relatives, serving on the date of the meeting's approval and who will serve from time to time (regarding the controlling shareholders, the approval is for 3 years starting from the meeting's approval from July 9, 2017 to July 8, 2020).

[27] The exemption in its new format was approved by Energix's General Assembly on July 9, 2017.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The exemption in accordance with the new arrangement will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than one granted the letter of exemption) has any personal interest.

Indemnity in Carr:

The Articles of Association of Carr and its subsidiaries state that Carr will compensate its directors, officers, employees and representatives, past and present, for any liability imposed on them or an expense they may bear subject to the fact that they have acted in accordance with the law in their positions as directors, officers, employees or representatives, as the case may be, in the broadest manner allowed according to the laws of the State of Delaware.

Indemnity in BE:

In February 2020, the BE Board of Directors approved the granting of letters of indemnity to BE's directors and in any legal entity in which BE is a shareholder (hereinafter: "related entity"). According to the letter of indemnity, subject to English law, BE undertakes, among other things, to indemnify the director of BE or of an entity related thereto, subject to the foregoing, up to the maximum limit permitted by applicable law, for any liability or expense, as detailed in the indemnity letter, to be imposed due to or in connection with an action he performed in his capacity as a director, officer, employee or agent of BE or of a related entity or of another legal entity where the director serves at any time at the request of BE or a related entity, as of February 6, 2018 or from the date of his appointment as director, the later of the two.

In any case, the amount of indemnity to be paid by BE, to all directors of BE or an entity related thereto, as a group, will not exceed 25% of BE's equity according to BE's current financial statements published before the date of payment under the indemnity letter (in addition to amounts received by the director under an insurance policy or otherwise).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

(4) Additional details -
For additional information regarding remuneration amounts paid to Company directors in respect of the years 2018-2020, see Note 18i below.

D. Regarding the management fee agreement with Amot, see Note 6.c.(4).

E. Regarding the management fee agreement with Energix, see Note 6.e.(5).

F. The Company has a facility agreement (in effect until May 2021) for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties.

G. Engagement with Altshuler Shaham Provident and Pensions Ltd. (hereinafter: "Altshuler Shaham") in an agreement for a line of credit – In March 2019, the Company's Board of Directors approved the Company's engagement with Altshuler Shaham (an interested party in the Company by virtue of its holdings), on behalf of provident funds managed thereby, in an agreement for a line of credit, which constitutes an amendment to an existing agreement dated January 25, 2017, according to which Altshuler Shaham, through its managed provident funds, will provide a line of credit in the amount of NIS 100 million for a period of 6 years beginning on January 25, 2017. For additional information, see Note 12b. (4).

H. Negligible transaction

The Company's Board of Directors has determined that a negligible transaction would be one meeting the following conditions:

(1) It takes place in the ordinary course of the Company's business;

(2) The transaction takes place under market conditions – the terms of the engagement are terms customary in the relevant market;

(3) The transaction's projected contribution to profit and loss in annual terms (before the tax effect) or its annual financial scope in the event that the transaction is not recorded through the Statement of Income does not exceed 0.125% of the Company's equity according to its audited consolidated financial statements published as of December 31 of the year preceding the date on which the transaction was reported, or 0.5% of the Company's average profit or loss in absolute terms in the three calendar years preceding the date on which the transaction was reported according to the Company's audited consolidated financial statements; whichever is lower, whether in a single engagement or a series of engagements on the same issue over the course of the year; for this purpose, in the event that the Company does not have the full rights and obligations in the transaction, the transaction will be examined according to the Company's relative share in the transaction.

(4) The transaction was approved by the Company's Board of Directors and the controlling shareholder/officer has informed the Company of his interest in the transaction (unless the personal interest is due solely to the presence of personal interest by a "**relative**" as defined in the Companies Law in a non-exceptional transaction).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The following is the list of negligible transactions in which the Group has engaged during and subsequent to the reporting period:

1. The engagement of the Company, Amot and Energix with Value Base Issuing Underwriting and Management Ltd. ("**Value Base**") – a company whose parent company's shareholders include, among others, Nathan Hetz (19.95%), the CEO and a director in the Company, Chairman of the Amot Board of Directors and Chairman of the Energix Board of Directors. As part of the public offerings and private placements carried out by the Company, Amot and Energix as follows:

   (a) The Company – (a) In January 2021, for the expansion of bonds (Series L) the Company will pay Value Base fees in respect of this issuance in the total amount of approx. NIS 143 thousand (not including VAT).
   (b) Amot – (a) In February 2020, for the expansion of Amot's bonds (Series F) and for the issuance of Amot's bonds (Series G) through an initial offering; (b) In March 2020, for the expansion of Amot's bonds (Series F); (c) In April 2020, for the expansion of Amot's bonds (Series F); (d) In July 2020, for the expansion of Amot's bonds (Series F) and for the issuance of Amot's options (Series 10) exercisable into Amot's bonds (Series G); (e) In October 2020 for the issuance of Amot's common stock[28]; and (f) In February/March 2021 for the issuance of Amot's bonds (Series H) through an initial offering.
   (c) Energix – (a) In January 2020, for the issuance of Energix's common stock; (b) In June 2020, for the issuance of Energix's common stock; and (c) in September 2020, for the issuance of the Energix's convertible bonds (Series B) through an initial offering.

   The engagement of the Company, Amot and Energix (each separately) as mentioned above, is with a number of distributors including Value Base (except in the event of a private placement), for consultation and management of the offering, and for its distribution. These transactions are (each one) is a negligible transaction within the meaning of the term in Section (a) above.

2. Partial bearing of the costs of Energix's IT person who provides part-time IT services (15%) to the Company.

3. Allocation of options to Adva Sharvit (Company director, daughter of Nathan Hetz, a controlling shareholder of the Company until November 26, 2019).
   - In accordance with the previous remuneration policy and the Board of Directors decision of March 21, 2018, carried out in accordance with the approval of the General Assembly of March 31, 2016, 15,836 option warrants were issued to Adva Sharvit in 2018, with an economic value of NIS 55 thousand (similar to other Company directors who are not employed by the Company).
   - In accordance with the new remuneration policy, in the Board of Directors decision of March 19, 2019, carried out with the approval of the General Assembly of October 9, 2018, it was decided to allocate 11,976 option warrants to Adva Sharvit with an economic value of NIS 55,557 (half of the annual remuneration for 2018) (similar to other Company directors who are not employed by the Company).

4. **Crime insurance policy:**

In its meeting on May 28, 2019, the Company's Board of Directors confirmed that the division of the premium between the Company, Amot and Energix for the crime insurance policy for the period from July 1, 2019 to June 30, 2020 will be such that each company will bear one third of the cost of the premium (approx. NIS 46 thousand for each of the companies for the above policy). In its May 20, 2020 meeting, the Company's Board of Directors confirmed that the division of the premium between the Company, Amot and Energix for the crime insurance policy for the period from July 1, 2020 to June 30, 2021 will be such that each company will bear one third of the cost of the total annual premium for the Group in the amount of approx. USD 47 thousand (i.e., the annual premium is approx. NIS 55 thousand for each of the companies for the above policy).

[28] It should be noted that the Company participated in the capital issue of October 2020. For additional information, see Note 6e. (2)

Note 18 – Transactions with Related Parties and Interested Parties (continued)

I. Benefits to key management personnel of the Company

	Number of Recipients	For the Year ended December 31		
	2020	2020	2019	2018
		NIS thousands	NIS thousands	NIS thousands
Management fees and grants	4	11,259	12,130	10,974
Amortization of benefits relating to share-based payments	10	2,252	2,309	2,186
Other directors' wages	7	674	890	1,018
Directors' and officers' insurance	16	266	126	120
		14,451	15,455	14,298

J. Additional information on transactions with related parties

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Under current assets		
In other receivables	323	403
Under current liabilities		
In other payables	7	7

Note 19 – Earnings per Share

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Profit used to calculate basic earnings per share from continuing operations	302,998	956,100	514,146
Adjustments:			
Adjustment of diluted profit from consolidated companies	(1,979)	(1,101)	(459)
Profit used to calculate diluted earnings per share	301,019	954,999	513,687
	Thousands of Shares		
Weighted average number of shares of common stock used to calculate basic earnings per share from continuing operations	172,784	172,170	170,744
Adjustments:			
Option warrants	276	822	269
Weighted average number of shares of common stock used to calculate diluted earnings per share	173,060	172,992	171,013
Weighted average number of securities excluded from the calculation of diluted earnings per share, as their effect was anti-dilutive:			
Option warrants	1,521	14	14
	1,521	14	14

Note 20 – Taxes on Income

A. Composition of tax expenses

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Current taxes			
Current tax expenses	117,004	48,093	38,204
Betterment tax expenses due to sale of assets	-	(499)	15,358
Taxes for previous years	7,010	(549)	(1,160)
	124,014	47,045	52,402
Deferred taxes			
Deferred tax expenses due to the creation and reversal of temporary differences	81,935	481,337	223,167
Adjustment of deferred tax balances due to changes in tax rate	-	-	-
	81,935	481,337	223,167
Tax income from a tax partner	(11,299)	-	-
Total tax expenses recognized in the statement	194,650	528,382	275,569

B. Tax laws applicable to the Group

The provision for current taxes made by the Company and its subsidiaries in Israel was determined based on the provisions of the Income Tax Ordinance (New Version) 1961.

The provision for current taxes of consolidated companies operating outside of Israel was determined taking into account the tax laws applicable in those countries.

C. Tax rates applicable to the Group

1. Tax rates applicable to companies in Israel:
The income tax rate applicable to the Company and the consolidated companies in Israel in 2018-2020 is 23%.

2. Tax rates applicable to companies operating outside of Israel:

- Tax rates applicable to companies operating in the United States range mainly between 21% and 30.88%.
- BE operates as a REIT according to UK tax provisions. Therefore, the Group records the tax reserves mainly for real estate assets according to the tax rate in Israel at 23%.
- A tax rate of 19% applies to Energix's activity in Poland.
- Dividends distributed by investments in the U.S. (Carr, Boston Partnerships) will be liable for withholding tax in the in the U.S. at a rate of 30% and taxed in Israel at the corporate tax rate while receiving a credit for the withholding tax deducted in the U.S.

Note 20 – Taxes on Income (continued)

D. Tax Assessments

1. In December 2020, the Tax Authority issued an assessment to the Company in respect of 2015, which the Company disputed. The Company has a provision in the books in respect of that assessment.
2. Five fully-owned consolidated companies in Israel have final tax assessments and self-assessments considered final, up to and including the 2015 tax year.
3. Six fully-owned consolidated companies in the United States have been issued tax assessments considered final up to and including the 2016 tax year.
4. Two fully-owned, directly and indirectly, corporations in the United States have yet to receive tax assessments since their establishment.
5. A fully-owned consolidated company in Canada has final tax assessments up to and including the 2016 tax year.
6. In December 2020, 10 of Amot's consolidated companies signed final tax assessment agreements with the Income Tax Authority for the years 2015-2018 following which Amot paid taxes in the amount of NIS 10 million (for which Amot had made full provisions). As part of the agreement, Amot's losses were recognized for carrying forward in the amount of approx. NIS 68 million, to be utilized over the years 2021-2029. In addition, in February 2020, Amot signed a partial assessment agreement for 2019, for which Amot had made full provisions.
7. In February 2018, Amot signed a final tax assessment agreement with Income Tax for the years 2012-2015 following which Amot paid taxes in the amount of NIS 25 million (for which Amot had made full provisions). As part of the agreement, Amot's losses were recognized for carrying forward in the amount of approx. NIS 175 million, to be utilized over the years 2018-2024. The assessment agreement also arranged the open issue in respect of losses carried forward for tax purposes in the amount of NIS 35 million, for which a district court ruling was handed down against Amot.
8. Amot has been issued final tax assessments up to and including the 2015 tax year, 10 of Amot's consolidated companies have been issued final assessments up to and including the 2018 tax year, a consolidated company of Amot and a company accounted for by Amot using the equity method have been issued final assessments up to and including the 2016 tax year, 2 of Amot's consoidated companies and 6 companies accounted for by Amot using the equity method have been issued tax assessments considered final up to and including the 2015 tax year.
9. Energix has tax assessments considered final up to and including the 2014 tax year. Energix's consolidated companies in Israel have yet to receive tax assessments since their establishment. Energix's consolidated companies in Poland have tax assessments considered final up to and including the 2013 tax year. Energix has final income tax payroll withholding assessments up to and including the 2017 tax year.

Note 20 – Taxes on Income (continued)

E. Tax balances presented in the Statement of Financial Position:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Tax balances presented in the Statement of Financial Position		
Current assets (liabilities):		
Current tax assets	11,462	5,434
Current tax liabilities	(118,333)	(47,685)
	(106,871)	(42,251)
Non-current assets (liabilities) (*):		
In non-current assets	10,646	3,895
In non-current liabilities	(1,809,154)	(1,720,121)
	(1,798,508)	(1,716,226)

(*) Deferred taxes in respect of depreciation differences, income and expense timing differences, losses for tax purposes and expected capital gains were recorded according to expected tax rates of between 23% and 30.88%, mainly 23%.

F. Composition of and movement in deferred taxes

For 2020	As of December 31, 2019	Recorded to Profit or Loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,326,279)	(42,513)	675	-	(1,368,117)
Electricity-Generating Facilities	(80,608)	(21,872)	-	-	(102,480)
Associates	(452,383)	(80,865)	23,202	149,716	(360,330)
Financial assets measured at fair value through profit or loss	1,310	4,745	-	-	6,055
Projects in the United States (*)	-	9,698	-	-	9,698
Hedging	(9,891)	-	(33,519)	5,629	(37,781)
Losses for tax purposes	181,187	42,388	(444)	(149,716)	73,415
Others	(29,562)	10,107	487	-	(18,968)
	(1,716,226)	(78,312)	(9,599)	5,629	(1,798,508)

(*) Mainly deferred taxes in connection with electricity-generation projects in the U.S., including in connection with an obligation in respect of an agreement with the tax partner.

Note 20 – Taxes on Income (continued)

For 2019	As of December 31, 2019	Application of IFRS 16	Recorded to Profit or Loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,013,902)	-	(312,319)	(58)	-	(1,326,279)
Electricity-Generating Facilities	(71,322)	-	(9,286)	-	-	(80,608)
Associates	(421,664)	185	(111,339)	39,973	40,462	(452,383)
Financial assets measured at fair value through profit or loss	(6,270)	-	2,700	-	4,880	1,310
Hedging	34,023	-	-	(43,914)	-	(9,891)
Losses for tax purposes	281,871	-	(55,836)	494	(45,342)	181,187
Others	(40,778)	1,239	9,548	429	-	(29,562)
	(1,238,042)	1,424	(476,532)	(3,076)	-	(1,716,226)

(*) Difference from recording of profit and loss against deferred tax expenses is due to the updating of reserves through equity profits.

G. Losses for tax purposes carried forward to the coming years

As of December 31, 2020, the consolidated companies in Israel and abroad (not including companies in the Amot and Energix Group) have a tax loss carried forward to the coming years in the amount of NIS 78 million.

Amot and 8 of its consolidated companies have losses for tax purposes that can be carried forward to the coming years in the total amount of NIS 137 million.

Energix has a loss carried forward (from a business) in Israel in the amount of approx. NIS 67 million.

Note 20 – Taxes on Income (continued)

H. Amounts for which deferred taxes were not recognized

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Losses for tax purposes for which deferred taxes were not recognized	82,926	45,387

As of December 31, 2020, the Company did not recognize deferred tax liabilities for a total of NIS 329 million for temporary differences relating to investments in investees due to the lack of expected realization of these investments and the decision not to distribute taxable dividends in the foreseeable future.

As of December 31, 2020, the balance of undistributed profits of consolidated companies abroad amounts to NIS 471 million, which the Group does not currently intend to distribute as a dividend to the Company. In the event that these profits are distributed in the future as a dividend, they will be taxed at a rate of 25% while receiving a tax credit in respect of the tax deducted at source overseas, or alternatively, corporate tax on the inherent dividend, and receipt of an indirect credit for the tax paid by the distributing company abroad and the tax deducted at source, all in accordance with the conditions specified in Section 126(c) of the Income Tax Ordinance.

I. Taxes on income related to other comprehensive income components:

For the year ended December 31, 2020	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(367,017)	(8,211)	(375,228)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(24,548)	6,870	(17,678)
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	6,768	2,209	8,977
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	(18,381)	5,131	(13,250)
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	159,040	(36,557)	122,483
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	13,330	(2,218)	11,112
Company share in other comprehensive income (loss) of associates	(363)	(687)	(1,050)
Total	(231,171)	(33,463)	(264,634)

Note 20 – Taxes on Income (continued)

For the year ended December 31, 2019	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(464,344)	-	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(11,213)	-	(11,213)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	2,305	-	2,305
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	218,087	(46,228)	171,859
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(23,987)	2,315	(21,672)
Company share in other comprehensive income (loss) of associates	(75,167)	17,421	(57,746)
Total	(351,298)	(26,492)	(377,790)

For the Year ended December 31, 2018	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	418,532	-	418,532
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(15,742)	-	(15,742)
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	426	-	426
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	2,250	-	2,250
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(263,286)	61,712	(201,574)
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	1,942	442	2,384
Company share in other comprehensive income (loss) of associates	19,136	(4,139)	14,997
Total	163,258	58,015	221,273

Note 20 – Taxes on Income (continued)

J. Theoretical tax

The difference between the tax amount calculated according to regular tax rates and the amount of provisions for taxes is explained as follows:

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	660,135	1,976,457	1,026,669
Statutory tax rate	23.00%	23.00%	23.00%
	151,831	454,585	236,134
Group share in the profits of associates for which deferred taxes were not recognized	4,788	(5,869)	168
ITC revenues – see Note 7d.	(11,299)	-	-
Exempt income, non-deductible expenses, taxable income not recorded in the books and expenses not recorded in the books but recognized for tax purposes	22,831	18,909	13,089
Tax effect in respect of temporary differences for which deferred taxes were not recorded (deferred taxes created against losses carried forward)	(9,706)	45,622	24,419
Taxes for previous years	6,901	(549)	(1,160)
Effect of deferred taxes created at tax rate different from the main tax rate	(1,013)	3,920	14,584
Differences in respect of changes in tax laws (see (c) above)	-	-	-
Differences relating to investment property	14,075	1,598	(12,392)
Others, net	16,242	10,166	727
	42,819	73,797	39,435
	194,650	528,382	275,569
Effective tax rate	29.49%	26.73%	26.84%

Note 21 – 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, BE, Carr, and PSP;
and (2) additional area of activity – investment in renewable energy, which consists of its investment in Energix.
Segment results are measured based on the Company's share in the operating results of each investment as included in the reports reviewed regularly by the chief decision maker and by management.

Segment revenues and results

	For the year ended December 31, 2020								
	Income-Generating Property Segment					Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	160,596	129,118	12,631	(34,508)	(3,802)	43,222	(601)	(206,986)	99,670
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	(15,100)	-	(150)	-	(15,250)
Revenues from decrease in holdings in investees	-		201,035	-	(82)	-	-	-	200,953
Other revenues, net (*)	9,000	-	-	-	60	5,074	-	950,966	965,100
	169,596	129,118	213,666	(34,508)	(18,924)	48,296	(751)	743,980	1,250,473
Administrative and general	-	-	-	-	-	-	32,757	92,267	125,024
Financing expenses, net	-	-	-	-	-	-	96,659	173,870	270,529
Other expenses, net (*)	-	-	-	-	-	-	-	194,785	194,785
	-	-	-	-	-	-	129,416	460,922	590,338
Profit before tax	169,596	129,118	213,666 (***)	(34,508)	(18,924)	48,296	(130,167)	283,058	660,135
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	624,893	841,062(**)	1,564,687	82,788		263,069			
Revaluation profits (losses) (in the investee's books), before tax	(143,640)	(7,344)(**)	373,078	(44,090)		-			
Net profit (loss) (in the investee's books)	289,455	275,144	1,071,735	(3,519)		77,821			
Company share in net profits (loss)	160,596	129,118	12,631	(34,508)		43,222			

For additional information regarding Carr's concise financial information, see Note 6g 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 53 million.

Note 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2020								
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees (including an investment in an associate held for sale)	3,586,540	3,004,322	200,311	1,386,009	778,230	821,405	12,768	(5,287,619)	4,501,966
Investment in securities measured at fair value through profit and loss	-	-	-	-	185,850	-	485	-	186,335
Other assets	-	-	-	-	-	-	815,594	20,996,479	21,812,073
	3,586,540	3,004,322	200,311	1,386,009	964,080	821,405	828,847	15,708,860	26,500,374
Liabilities	-	-	-	-	-	-	4,389,648	12,197,896	16,587,544

Note 21 – Operating Segments (continued)

Segment revenues and results

	For the year ended December 31, 2019								
	Income-Generating Property Segment					Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	598,707	81,311	154,088	90,379	163,641	38,549	(2,580)	(710,658)	413,437
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Net profit, relating to investments in long-term securities intended for sale	-	-	-	-	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:

	Amot	CARR	PSP	BE	Energix
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 share of net profits	598,707	81,311	154,088	90,379	38,549

For additional information regarding Carr's concise financial information, see Note 6g 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 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2019								
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands								
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 available-for-sale securities	-	-	-	-	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 21 – Operating Segments (continued)

Segment revenues and results

	For the Year ended December 31, 2018							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	Others	Energix			
	NIS thousands							
Group share in profits of investees, net	330,491	135,658	135,913	48,170	21,069	1,304	(330,868)	341,737
Net profit, relating to investments in long-term securities intended for sale	-	-	-	32,817	-	333	-	33,150
Revenues from decrease in holdings in investees	-	41,787	5,889	-	-	-	-	47,676
Other revenues, net (*)	8,064	-	-	1,891	4,178	-	1,122,938	1,137,071
	338,555	177,445	141,802	82,878	25,247	1,637	792,070	1,559,634
Administrative and general	-	-	-	-	-	32,164	56,242	88,406
Financing expenses, net	-	-	-	-	-	107,411	190,666	298,077
Other expenses, net (*)	-	-	-	-	-	-	146,482	146,482
	-	-	-	-	-	139,575	393,390	532,965
Profit before tax	338,555	177,445	141,802	82,878	25,247	(137,938)	398,680	1,026,669
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits	970,647	681,230	1,715,274		170,634			
Revaluation profits (in the investee's books), before tax	262,975	42,229	611,350		-			
Net profit (in the investee's books)	566,877	287,035	1,131,249		30,892			
Company share of net profits	330,491	135,658	135,913		21,069			

For additional information regarding Carr's concise financial information, see Note 6g 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 50 million.

Note 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2018							
	Income-Generating Property Segment				Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	PSP	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	2,802,378	3,274,323	1,742,011	906,192	469,238	21,819	(2,919,468)	6,296,493
Investment in available-for-sale securities	-	-	-	189,236	-	471	-	189,707
Other assets	-	-	-	2,051	-	581,757	12,823,168	13,406,976
	2,802,378	3,274,323	1,742,011	1,097,479	469,238	604,047	9,903,700	19,893,176
Liabilities	-	-	-	-	-	4,137,973	7,616,714	11,754,687

Note 21 – Operating Segments (continued)

Geographic information

	For the Year ended December 31, 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	764,754	-	-	126,878	-	-	-	-	891,632
Fair value adjustments of investment property	(143,692)	-	-	(44,090)	-	-	-	-	(187,782)
Group share in profits (losses) of associates, net	-994	125,316	12,631	(36,539)	-141	-	-	(603)	99,670
Revenues from sale of electricity and green certificates	-	-	-	-	106,796	148,352	6,655	-	261,803
Other	(3,298)	(82)	201,035	(13,620)	724	542	-	(151)	185,150
	616,770	125,234	213,666	32,629	107,379	148,894	6,655	(753)	1,250,474
Costs and expenses									
Cost of investment property rental and operation	61,898	-	-	12,724	-	-	-	-	74,622
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	14,785	21,739	1,041	-	37,565
Depreciation and amortization	2,276	-	-	416	46,052	25,346	5,920	2,588	82,598
	64,174	-	-	13,140	60,837	47,085	6,961	2,588	194,785
Administrative and general expenses								125,024	125,024
Profit before financing	552,596	125,234	213,666	19,489	46,542	101,809	(306)	(128,365)	930,665

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 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)	13,346,438	-	-	2,903,341	-	-	-		16,249,779
Investment in associates (including investment in associate held for sale)	437,401	3,782,552	200,311	60,386	8,713	-	-	12,603	4,501,966
Connected electricity-generating facilities	-	-	-	-	710,475	586,697	338,156	-	1,635,328
Electricity-Generating Facilities in Development	-	-	-	-	244,649	110,643	426,526	-	781,818
Right-of-use asset	-	-	-	-	109,114	50,848	38,695	-	198,657
Securities measured at fair value through profit and loss (***)	25,653	-	-	160,197	-	-	-	485	186,335
	13,809,492	3,782,552	200,311	3,123,924	1,072,951	748,188	803,377	13,088	23,553,883

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,004,322 thousand and for an investment in Boston in the amount of NIS 778,230 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 21 – Operating Segments (continued)

Geographic information (continued)

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

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2019								
	Income-Generating Property				Energy			Others	Total
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	USA		
	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.

Note 21 – Operating Segments (continued)

Geographic information (continued)

	For the Year ended December 31, 2018								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	704,299	-	-	-	-	-	-	-	704,299
Fair value adjustments of investment property	260,200	-	-	-	-	-	-	-	260,200
Group share in profits (losses) of associates, net	18,627	205,321	135,913	(20,719)	1,263	-	-	1,332	341,737
Revenues from sale of electricity and green certificates	-	-	-	-	58,502	111,938	-	-	170,440
Other	(4,319)	47,676	-	39,064	16	178	-	343	82,958
	978,807	252,997	135,913	18,345	59,781	112,116	-	1,675	1,559,634
Costs and expenses									
Cost of investment property rental and operation	61,290	-	-	-	-	-	-	-	61,290
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	8,324	30,167	18	-	38,509
Depreciation and amortization	1,868	-	-	-	17,113	25,621	-	2,081	46,683
	63,158	-	-	-	25,437	55,788	18	2,081	146,482
Administrative and general expenses								88,406	88,406
Profit before financing	915,649	252,997	135,913	18,345	34,344	56,328	(18)	(88,812)	1,324,746

Note 22 – Financial Instruments

A. Capital Management Policy

The Group manages the capital to ensure that the Group's companies will be able to continue to operate as a going concern while maximizing the return for shareholders and optimizing the Company's debt and equity balances.

The Company's capital structure includes debt instruments, cash and cash equivalents and the equity of the Company's majority shareholders. The Company's Board of Directors and the Company's CEO regularly monitor the Company's capital structure. This monitoring includes, among other things, an examination of the cost of capital and an examination of the risks associated with each of the capital components. Based on the recommendations of the Company's Board of Directors, the Group manages its capital structure by paying dividends, issuing capital, buying-back Group shares, raising debt and repaying debt.

The Company's bonds (Series H, I, J, K and L) are rated AA- with stable outlook by Maalot the Israel Securities Rating Company Ltd. (hereinafter: "**Maalot**"). The issuer's rating is the same.

The Company's bonds (Series H, I, J and L) are rated Aa3 (with a stable outlook) by Midroog Ltd. (hereinafter: "**Midroog**"). The issuer's rating is the same.

Amot's bonds (Series B, D, E, F and G) are rated Aa2 with a stable outlook by Midroog Ltd., and are rated AA with a stable outlook by Ma'alot, the Israel Securities Rating Company Ltd.

Energix's bonds (Series A and B) of Energix are rated A2 with a stable outlook by Midroog Ltd. and are rated A with a stable outlook by Maalot, the Israeli Securities Rating Company Ltd.

Regarding the main financial covenants related to the bonds, see Note 11.

Regarding the main financial criteria with banks, see Note 12.

B. Financial instrument groups

Financial instrument balances by category

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Financial assets		
Cash and cash equivalents	2,214,781	771,749
Deposits and tradable securities	138,108	226,656
Loans and receivables	232,747	235,740
Derivative financial instruments	238,723	74,646
Financial assets measured at fair value through profit or loss	186,335	203,803
	3,010,694	1,512,594
Financial liabilities		
Derivative financial instruments	27,560	48,056
Lease liability	184,279	142,645
Financial liabilities at amortized cost	14,140,507	13,482,861
	14,352,346	13,673,562

Note 22 – Financial Instruments (continued)

C. Financial risk management

The Group's activities expose it to risks related to various financial instruments, such as market risk (including currency risk, fair value interest rate risk, cash flow risk for interest rates, changes in CPI and price risk), liquidity risk and credit risk. The Group's risk management plan focuses on minimizing potential adverse effects on the Group's financial performance. In some cases, the Group uses derivative financial instruments to hedge certain exposures to risks.

Risk management is primarily carried out by the Company's CEO and CFO through regular monitoring of developments in the relevant markets. The Company has a policy for managing currency exposure, according to which the Company partially hedges the currency exposure in respect of its investments.

The following is information regarding the risks associated with financial instruments:

(1) Credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group. The Group's management estimates that the Group's credit risk as of the reporting date is low for the following reasons:

- Cash and cash equivalents, deposits, monetary funds and financial instruments in Israel and abroad are held in institutions which the Company management believes estimates possess a high level of financial strength.
- In Israel and the UK, the Group has a policy that ensures that the revenues from rental fees and property management are received after contracting with clients who have an appropriate payment history, while providing appropriate collateral to secure future payments. In some of the cases the rental fees are paid in advance.
- Most of the Group's revenues from the sale of electricity in Israel are received from the essential service provider, the Electric Company.

  Most of the Group's revenues from the sale of electricity and green certificates in Poland are received from an international broker. Based on the Group's past experience, payments from the broker are paid regularly to the Group. The Group also has the option of selling the electricity to the local electric company according to local regulation or alternatively, to many other brokers in the market or alternatively, directly on the exchange.

  Electriciy and green certificates are sold in the United States to a financially strong local electric company with a high credit rating. The Group is also able to sell electricity and green certificates to other electric companies and local entities in the market.

(2) Liquidity risk

Liquidity risk management

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Group manages liquidity risk by managing the available credit facilities (see Note 12), bank and loan instruments, through continuous supervision of actual and expected cash flows and adjusting the maturity characteristics of financial assets and liabilities.

Note 22 – Financial Instruments (continued)

Interest and liquidity risk tables:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:
The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates: For information regarding financial liabilities that constitute derivative financial instruments, see Section 3 below:

	As of December 31, 2020						
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth year and thereafter	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS Loans – CPI-linked with fixed interest	**3.16**	67,303	66,831	66,330	64,871	615,195	880,530
NIS loans – variable interest	**2.30**	95,084	-	-	-	-	95,084
USD loans – variable interest	**1.74**	810	598	-	-	-	1,408
GBP loans – variable interest	**2.33**	23,071	544,960	13,929	590,717	216,027	1,388,704
GBP loans – fixed interest (*)	**3.54**	7,223	286,899	-	-	-	294,122
NIS bonds – unlinked with variable interest	**2.10**	30,775	30,775	30,775	353,829	1,015,137	1,461,291
NIS bonds and convertible bonds – unlinked with fixed interest	**2.67**	150,152	223,901	181,002	172,997	1,603,601	2,331,653
NIS bonds – CPI-linked with fixed interest	**1.88**	923,299	898,648	884,669	644,337	4,777,990	8,128,943
PLN bonds – fixed interest (***)	**4.11**	10,494	38,696	37,554	36,392	193,725	316,861
USD bonds – fixed interest (**)	**3.69**	36,751	36,239	35,728	51,292	149,276	309,286
CHF bonds – fixed interest (**)	**1.23**	7,038	6,256	41,972	32,065	34,411	121,742
Others – Liability for a lease and for an agreement with the tax partner	**5.03**	19,643	17,827	17,851	17,853	308,452	381,626
		1,371,643	2,151,630	1,309,810	1,964,353	8,913,814	15,711,250

	As of December 31, 2019						
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth year and thereafter	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS Loans – CPI-linked with fixed interest	**3.49**	115,135	115,897	115,520	115,118	725,959	1,187,629
NIS loans – variable interest	**1.54**	266,470	-	-	-	-	266,470
USD loans – variable interest	**3.41**	885	870	643	-	-	2,398
CHF loans – variable interest	**1.24**	4,431	4,431	359,002	-	-	367,864
GBP loans – variable interest	**2.98**	26,874	26,815	283,471	287,095	613,436	1,237,691
GBP loans – fixed interest (*)	**3.33**	6,913	7,499	7,499	290,361	-	312,272
NIS bonds – unlinked with variable interest	**2.20**	32,837	32,747	32,747	32,747	1,372,416	1,503,494
NIS bonds – unlinked with fixed interest	**2.79**	123,890	129,032	231,404	223,970	1,352,078	2,060,374
NIS bonds – CPI-linked with fixed interest	**2.10**	933,682	910,688	878,218	863,345	3,204,447	6,790,380
USD bonds – fixed interest (**)	**3.69**	40,519	40,519	39,923	39,327	220,471	380,759
CHF bonds – fixed interest (**)	**1.23**	43,907	43,907	43,091	42,276	232,445	405,626
Lease liability		10,272	10,370	10,370	10,370	228,842	270,224
		1,605,815	1,322,775	2,001,888	1,904,609	7,950,094	14,785,181

(*) The above loan bears variable interest. The Group fixed the interest rate for the full balance of the loan at a fixed interest rate using a hedging instrument (SWAP).
(**) The Company engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series I) were converted into a liability in CHF and USD.
(***) Energix engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series A) were converted into a liability in PLN.

Note 22 – Financial Instruments (continued)

Financial assets:

The Group has several main sources for repayment of its financial liabilities. The sources include cash and cash equivalents in the amount of approx. NIS 2.2 billion and unutilized credit facilities of NIS 1.6 billion. The Company also has non-pledged tradable assets in the amount of approx. NIS 8.3 billion.

(3) **Market risk**

Market risk is the risk that a change in market prices such as: price, foreign currency exchange rates, the CPI and interest rates will affect the Group's revenues or the value of its holdings in financial instruments. The purpose of market risk management is to manage and supervise exposure to market risk using accepted parameters.

The following are the groups exposed to market risk:

(א) Foreign currency risks

The group operates internationally and is exposed to currency risk resulting from changes in the exchange rates of various foreign currencies, mainly the USD, the GBP, the PLN and the CHF. Currency risk stems from transactions denominated in foreign currency and from the existence of financial assets and financial liabilities denominated in foreign currency that is not the Company's functional and reporting currency (NIS).

The Company's practice is to hedge its exposure to foreign currency for investments abroad, as follows:

(1) The investment component financed in foreign capital is hedged through credit in the investment currency or through financial derivatives (forward and cross currency swap transactions). Therefore, this component is not exposed to changes in the foreign currency against the NIS.

(2) The investment component financed by equity is not partially hedged as follows and is therefore exposed to changes in foreign exchange rates against the NIS.

(3) 35%-45% of the Company's equity is "allocated" (through hedging, as needed) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio on an expanded solo basis, but management will have the authority to increase or decrease exposure in each currency.

(4) The investment ratio is determined according to market value.

The Company's CEO and CFO routinely monitor the net position of all foreign currency activities and, as necessary, derivative transactions are executed on the same currency. From time to time, the Group has a positive or negative cash flow from the payment of transactions in the above currencies. The currency exposure stemming from the expected net cash flow is mainly managed through currency swap transactions between the various currencies.

Energix routinely hedges its net investments in projects exposed to changes in foreign exchange rates against the NIS, so that no more than 20% of the equity invested in those projects, relative to an individual currency, will be exposed to foreign currency. The net hedge of the investment is executed through derivative transactions.

The following are details regarding the main foreign currency risk hedging agreements:

Note 22 – Financial Instruments (continued)

Hedge of investment in foreign activity:

- Foreign currency risk for investments in foreign activity (for Carr holdings as an investment in an associate), the balance of which, as of December 31, 2020, is USD 934 million, is partially hedged by foreign currency forward transactions in the amount of USD 415 million and by a cross currency swap transaction in foreign currency in the amount of USD 72 million.
- Foreign currency risk for investments in foreign activity (for holdings in the Boston property companies as an investment in an associate), the balance of which, as of December 31, 2020, is USD 242 million is partially hedged by foreign currency forward transactions in the amount of USD 108 million and by a cross currency swap transaction in the amount of USD 18 million.
- Foreign currency risk for investments in foreign activity (for holdings in BE as an investment in investees), the balance of which, as of December 31, 2020, is GBP 316 million, is partially hedged by foreign currency forward transactions in the amount of GBP 178 million.
- Foreign currency risk for investments in foreign activity (for PSP holdings as an investment in an associate), the balance of which, as of December 31, 2020, is CHF 55 million, is partially hedged by cross currency swap transactions in foreign currency in the amount of CHF 25 million, by forward transactions in the amount of CHF 18.8 million.
- Foreign currency risk in respect of investments in the Brockton Funds (as securities measured at fair value through profit or loss) the balance of which, as of December 31, 2020, is GBP 36 million, is partially hedged by foreign currency forward transactions in the amount of GBP 35 million.
- Foreign currency risk for Energix's activity in Poland, the foreign currency exposure balance of which, as of December 31, 2020, is PLN 900 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of PLN 320 million and by cross currency swap transactions in foreign currency in the amount of PLN 300 million.
- Foreign currency risk for Energix's activity in the United States, the foreign currency exposure balance of which, as of December 31, 2020, is USD 225 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of USD 145 million.

The following table lists the foreign currency swap derivative transactions as of December 31, 2020:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Settlement Type
		In Thousands		In Thousands			NIS thousands	
Short-term	Forward	512,000	USD	1,759,889	NIS	3.437	119,714	Gross
Short-term	Forward	18,800	CHF	69,120	NIS	3.677	1,040	Gross
Short-term	Forward	83,095	GBP	360,830	NIS	4.342	(3,735)	Gross
Short-term	Forward	245,000	PLN	268,124	NIS	1.094	14,105	Gross
Long-term	Forward	235,512	USD	798,722	NIS	3.391	47,884	Gross
Long-term	Forward	130,200	GBP	559,256	NIS	4.295	(9,312)	Gross
Long-term	Forward	75,000	PLN	66,590	NIS	0.888	2,471	Gross
(*)	CCS	25,000	CHF	53,165	NIS	2.127	21,744	Gross
(*)	CCS	90,000	USD	306,900	NIS	3.410	5,426	Gross
(**)	CCS	300,000	PLN	271,890	NIS	0.906	972	Gross

Note 22 – Financial Instruments (continued)

The following table lists the foreign currency swap derivative transactions as of December 31, 2019:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Settlement Type
		In Thousands		In Thousands			NIS thousands	
Short-term	Forward	565,863	USD	1,969,892	NIS	3.481	29,375	Gross
Short-term	Forward	33,500	CHF	118,542	NIS	3.539	(1,396)	Gross
Short-term	Forward	200,065	GBP	902,734	NIS	4.512	(7,272)	Gross
Short-term	Forward	378,500	PLN	344,726	NIS	0.912	2,123	Gross
Long-term	Forward	170,000	PLN	157,051	NIS	0.924	5,956	Gross
(*)	CCS	100,000	CHF	374,009	NIS	3.740	38,972	Gross
(*)	CCS	100,000	USD	341,000	NIS	3.410	(8,129)	Gross

(*) The Company engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series I) were converted into a liability in USD and CHF. The transactions are settled according to the repayment schedule of the bonds (Series I).

(**) Energix engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series A) in the amount of approx. NIS 272 million were converted into a liability of PLN 300 million. The transactions will be settled in parts according to the repayment schedule of the bonds (Series A).

Note 22 – Financial Instruments (continued)

Sensitivity analysis of financial instruments to changes in exchange rates

The following table lists sensitivity tests for changes of 10% in the main foreign currency exchange rates against the NIS and their effect on equity (before the tax effect) as of December 31, 2020 and 2019 (before the tax effect). 10% is the rate that is analyzed because the Company's management believes that it represents the reasonably possible change in the exchange rates.

31.12.2020

	Effect on the Comprehensive Income				
	In USD	In PLN	In CHF	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands				
Assets					
Cash and cash equivalents	21,100	9,118	2	2,943	4,842
Restricted Deposits	354	11	-	-	-
Financial assets at amortized cost	88	1,404	3	-	1,972
Financial assets measured at fair value through profit or loss	-	-	-	-	16,020
Liabilities					
Financial liabilities at amortized cost	(13,064)	(1,484)	(3)	(2,414)	(162,376)
Others – Liability for a lease and for an agreement with the tax partner	(6,366)	(5,626)	-	-	-
	2,112	3,423	2	529	(139,542)

- **The effect of a change in the exchange rate on derivative financial instruments (which are not shown in the above table) is as follows:**

  An increase (decrease) of 5% and 10% in the USD will reduce (raise) the value of the derivative financial instruments by NIS 135 million and by NIS 270 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will reduce (raise) the value of the derivative financial instruments by NIS 47 million and by NIS 94 million, respectively.

  An increase (decrease) of 5% and 10% in the CHF will reduce (raise) the value of the derivative financial instruments by NIS 8 million and by NIS 16 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will reduce (raise) the value of the derivative financial instruments by NIS 26 million and by NIS 53 million, respectively.

31.12.2019

	Effect on the Comprehensive Income				
	In USD	In PLN	In CHF	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands				
Assets					
Cash and cash equivalents	1,095	2,509	1	425	5,183
Restricted Deposits	380	12	-	-	-
Financial assets at amortized cost	14	1,689	8	-	2,209
Financial assets measured at fair value through profit or loss	-	-	-	-	5,612
Liabilities					
Lease liability	(1,256)	(6,005)	-	-	-
Financial liabilities at amortized cost	(10,011)	(1,287)	(35,761)	(2,550)	(179,543)
	(9,778)	(3,082)	(35,752)	(2,125)	(166,539)

Note 22 – Financial Instruments (continued)

(b) Market risks – Price risk

The Group has investments in tradable financial assets classified as held for trading and classified as measured at fair value through profit or loss. The Group has exposure to changes in the fair value of these financial instruments as a result of changes in their market prices.

The Group estimates that a 10% change in asset prices represents a reasonable rate of change. A 10% change in financial asset prices exposed to the price risk (before the tax effect) as of December 31, 2020 and 2019, before the tax effect, is as follows:

	As of December 31, 2020		As of December 31, 2019	
	10% change (+/-)		10% change (+/-)	
	Profit and Loss	Equity	Profit and Loss	Equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
In financial assets	6,568	6,568	5,810	5,810

(c) Market risks – Interest risk

Fair value risk – The Group has investments in financial instruments bearing fixed interest, as well as financial liabilities classified as long-term loans and bonds issued by the Company, Amot and Energix bearing fixed interest. The Group does not have exposure to the risk of a change in the fair value of these financial instruments, which will affect the Company's profit or loss, as these financial instruments are measured at amortized cost.

Cash flow risk – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates. As of December 31, 2020, 80% of the long-term financial liabilities (loans and bonds) bear fixed interest (as of December 31, 2019 – 78%).
The interest rate risk is managed by the Group companies' management by maintaining a mix of fixed- and variable-interest loans as well as by examining engagement in interest-rate swaps.

The following table details the effect of an increase of 3% in the Libor / Bank of Israel interest rate on the profit and loss in respect of financial liabilities exposed to cash flow risk due to a change in interest rate (before the tax effect):

	As of December 31, 2020		As of December 31, 2019	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans in CHF	-	-	357,500	10,725
Loans in GBP (*)	1,310,948	18,377	1,124,055	22,481
Loans in USD	1,383	41	2,337	70
Variable interest bonds	1,332,783	39,983	1,336,392	40,092
Total	2,645,114	58,401	2,820,284	73,368

(*) For loans in the amount of GBP 298 million (NIS 1.3 billion), the Group engaged with the financing bank in CAP transactions so that the maximum annual Libor interest rate will not exceed a range of 0.5%-2% over the entire term of the loan. In addition, the balance of the GBP loan does not include a variable-interest loan in the amount of GBP 63 million (NIS 275 million), which was converted into a fixed-interest loan through a SWAP transaction.

Note 22 – Financial Instruments (continued)

Interest rate sensitivity analysis

The sensitivity analysis is determined on the basis of the exposure to interest rates of non-derivative financial instruments as of the date of the Statement of Financial Position. The sensitivity analysis regarding liabilities bearing variable interest was prepared assuming that the liability amount as of the date of the Statement of Financial Position was the same throughout the entire reporting year. In order to report on interest rate risk, an increase of 300 base points was used, which represents management's assessment of a reasonably possible change in interest rates.

(d) Market risks – Risks due to changes in the CPI

CPI-linked loans expose the Group to cash flow risk due to changes in the CPI that are not accompanied by a corresponding change in the fair value of the financial instruments. As of December 31, 2020, approx. 57% of the long-term financial liabilities (loans and bonds) are CPI-linked (as of December 31, 2019 – 54%).

The effect of a 3% increase in the CPI on profit and loss for financial liabilities exposed to such risk (before the tax effect) is as follows:

	As of December 31, 2020		As of December 31, 2019	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans	705,177	(21,155)	970,155	(29,105)
Tradable NIS bonds (*)	6,928,817	(207,865)	5,920,257	(177,608)
Other NIS bonds	9,491	(285)	13,942	(418)
Total	7,643,485	(229,305)	6,904,354	(207,131)

(*) Including NIS bonds converted to CPI-linked bonds through a swap transaction.

The effect of the decrease in the CPI on part of the above liability balances is limited to the level of the base index.

(e) Collateral – For information on the book value of financial assets used as collateral for the liabilities listed above, see Note 13.

Note 23 – Fair Value of Financial Instruments

The Group's financial instruments mainly include cash and cash equivalents, deposits, tradable securities, customers, other receivables, long-term investments in tradable securities, short-term credit, other payables and long term financial liabilities (mainly loans and bonds), foreign currency forward transactions and cross currency swap transactions.

(a) Financial instruments not presented in the financial statements at fair value:

The following table lists the book value and fair value of financial assets and liabilities presented in the financial statements, not at fair value. Except as detailed in the following table, the Group believes that the book value of financial assets and liabilities presented at amortized cost in the financial statements is nearly identical to their fair value:

	As of December 31, 2020		As of December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities				
Long-term loans (including maturities)	980,091	1,086,759	1,254,236	1,365,303
Bonds (including maturities)	11,192,946	11,729,510	9,896,527	10,607,236
	12,173,037	12,816,269	11,150,763	11,972,539

- The fair value of long-term loans is determined by discounting cash flows. Interest rates used for discounting are based on a quote obtained from a financial institution for a loan under similar conditions. Calculation of the fair value of long-term fixed-interest loans is according to Level 2. The fair value of the Group's variable interest loans is near their book value, and therefore these loans are not presented in the above note.

- Bonds in the above table include only the liability component of convertible bonds (Series B) issued by Energix. The fair value of the bonds is determined by discounting the expected cash flows according to interest rates of similar debt instruments that do not include a conversion option and is in accordance with Level 2.

- The fair value of the traded bonds, except for Energix's convertible bonds (Series B), is determined based on prices quoted on the stock exchange in Israel and is in accordance with Level 1. The fair value of non-tradable bonds is determined by discounting the expected cash flows at a discount rate that reflects management's assessment of the level of risk inherent in the financial instrument and is in accordance with Level 2.

(b) Financial instruments presented in the financial statements at fair value:

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the Statement of Financial Position according to their fair value, to a hierarchy that includes the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

- The fair value of tradable securities is determined according to the closing rates as of December 31, 2020 and 2019, quoted on the various stock exchanges, multiplied by the quantity of the tradable financial instrument held by the Group on that date.

Note 23 – Fair Value of Financial Instruments (continued)

Level 2: Data that are not the quoted prices included in Level 1, that are observed directly (i.e. prices) or indirectly (data derived from prices) regarding financial assets and liabilities.

- Financial derivatives (forward contracts, SWAP and CCS) – The fair value of assets and liabilities is determined according to quotes from banking institutions with which the Group has engaged. These quotes are derived from spot rates and interest rate differences between the currencies in the transactions.

Level 3: Data regarding financial assets and liabilities not based on observable market data.

- The fair value of other non-negotiable investments is determined according to the present value of future cash flows discounted at a discount rate that reflects the level of risk inherent in the financial instrument.

Classification of financial instruments measured at fair value is based on the lowest level at which significant data was used to measure the fair value of the entire instrument.

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

	As of December 31, 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	-	21,744	-	21,744
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	5,426	-	5,426
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	5,168	-	5,168
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	179,678	-	179,678
Financial derivatives (CAP options)	-	455	-	455
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	624	624
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	18,663	-	18,663
Financial assets measured at fair value through profit and loss:				
Tradable securities	115,835	-	-	115,835
Real estate investment funds (1)	-	-	160,197	160,197
	115,835	231,134	160,821	507,790
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (foreign currency swap options)	-	(1,012)	-	(1,012)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(3,899)	-	(3,899)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(3,965)	(3,965)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(4,196)	-	(4,196)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(7,523)	-	(7,523)
	-	(16,630)	(3,965)	(20,595)

Note 23 – Fair Value of 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, 2020	153,961
Investments	27,302
Realizations	(25,745)
Amounts recorded to profit and loss in the period	(17,453)
Amounts recorded to other comprehensive income in the period	18,791
Balance as of December 31, 2020	156,856

(2) Description of valuation processes used to determine the fair value of Brockton Real Estate Investment Funds:

Brockton I Fund:

The fair value of the investment in the Brockton I Fund is calculated according to the discounted cash flow (DCF) method. Estimated cash flows expected to be distributed to the Company are discounted to their present value using a discount rate that reflects market estimates of the time value of money and the specific risks in estimating future cash flows.

The fair value of the Fund is estimated based on the present value of the expected cash flows from the sale of its assets. As of the date of the report, the Fund's balance derives mainly from the cash flow estimates, which are discounted to their present value using a discount rate of 15% (which, in the opinion of the Fund's management, represents the discount rate most appropriate for estimating fair value). A sensitivity analysis of fair value indicated that each 0.5% change in the interest according to which cash flows would be discounted would decrease/increase fair value by an insignificant amount.

Note 23 – Fair Value of Financial Instruments (continued)

Brockton II Fund and Brockton III Fund

Investment in the Brockton II Fund is recorded in the Company's books according to the Company's share in the Fund's equity, which approximates the Fund's fair value. The fair value of the Fund's assets is measured based on various valuation methodologies, the common valuation methodologies including:

- Use of an EBITDA multiplier based on multipliers used in fair value assessments in traded companies or in data from the most recent transactions carried out in the market.
- Discounting of cash flows from net rental revenues according to discount rates used for the most recent real estate transactions.
- For properties in development, a property's fair value is determined by estimating the fair value of the property after its completion, net of the present value of estimated construction costs expected for its completion.

	As of December 31, 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 23 – Fair Value of Financial Instruments (continued)

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

	Financial assets measured at fair value through profit and loss
	NIS thousands
Balance as of January 1, 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

(2) Sensitivity of fair values to reasonably potential alternative assumptions as of December 31, 2019:

The value of the investment in the Real Estate Investment Fund I was calculated according to the DCF model and the cash flows were discounted at interest of 15%, which, in management's opinion, represents the discounting interest rate most appropriate for the fair value estimate. A sensitivity analysis of fair value indicated that each 0.5% change in the interest according to which cash flows would be discounted would decrease/increase fair value by an insignificant amount.

The fair value of non-traded financial instruments is estimated using accepted pricing models, such as the present value of future cash flows discounted at discount rates reflecting, according to the Company's management, the level of risk inherent in the financial instrument. The Company relies partially on discount interest rates quoted in an active market as well as on various valuation techniques based, among other things, on interest quotes from financial bodies. The fair value estimate was calculated by estimating future cash flows and determining the discount rate according to rates close to the date of the Statement of Financial Position and based, among other things, on assumptions by the Company's management. Therefore, for most of the financial instruments, the fair value estimate below is not necessarily an indication of the realization value of the financial instrument as of the end of the reporting period. The fair value assessment was prepared in accordance with discount rates close to the date of the Statement of Financial Position and does not take into account the interest rate fluctuations from the calculation date until the date of publishing of the financial statements. Under other discount rate assumptions, fair values will be received that may be significantly different from those estimated by the Company's management, mainly with regards to financial instruments at fixed interest or those bearing no interest. Furthermore, in determining fair value, the Company did not account for commissions that may be payable upon repayment of the instrument nor do they include the tax effect. The gap between the balances in the Statement of Financial Position as of December 31, 2020 and 2019 and the fair value balances as estimated by Company's management may not necessarily materialize.

(c) The main methods and assumptions used to calculate the fair value of financial instruments (whether for the purpose of determining their value in the financial statements or for the presentation of their fair value in this note only):

(1) **Financial instruments included under current asset items** – (cash and cash equivalents, deposits, trade receivables and other receivables) – The balance in the Statement of Financial Position as of December 31, 2020 and 2019 approximates the fair value.

(2) Financial instruments included under current liability items – (short term credit and other payables) – The balance in the Statement of Financial Position as of December 31, 2020 and 2019 approximates the fair value.

(3) Financial Instruments included under non-current liabilities – see Note 22b above.

Note 24 – Changes in Liabilities due to Financing Activity

	Balance as of December 31, 2019	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	266,607	(165,070)	-	-	-	101,537
Bonds	9,883,610	1,379,062	31,580	-	(82,644)	11,211,608
Loans from banking corporations	2,738,128	(396,128)	-	(49,283)	(295)	2,292,422
Finance lease liability	39,622	(200)			3,827	43,249
Lease liability - IFTS 16 (*)	142,645	(3,110)	-	(9,582)	54,326	184,279
Liability for an agreement with the tax partner	(2,419)	162,241		(10,816)	(9,239)	139,767
Others	864	-	-	-	(60)	804
	13,069,057	976,795	31,580	(69,681)	(34,085)	13,973,666

	Balance as of January 1, 2019	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2019
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	349,314	(82,707)	-	-	-	266,607
Bonds	8,005,495	1,933,712	(57,437)	-	1,840	9,883,610
Loans from banking corporations	1,551,378	1,229,998	14,932	(55,352)	(2,828)	2,738,128
Finance lease liability	22,431	(1,340)	1,681		16,850	39,622
Lease liability - IFTS 16 (*)	100,762	(4,556)	2,635	(5,700)	49,504	142,645
Others	937	-	-	-	(73)	864
	10,030,317	3,075,107	(38,189)	(61,052)	65,293	13,071,476

(*) The balance as of January 1, 2019 is due to the retrospective application of IFRS 16 in respect of leases beginning on that date.
(**) Application of IFRS 16 for leases added during 2019.

Note 25 – Events Subsequent to the Balance Sheet Date

(1) Regarding the Board of Directors' decision on the dividend policy for 2021, and regarding the dividend for the first quarter of 2021, see Note 16d.
(2) Regarding the decision of the Company's Board of Directors on capital remuneration for directors, officers and employees in 2021, see Note 16e.
(3) Regarding a private placement by the Company subsequent to the balance sheet date by way of an expansion of the bonds (Series L) – see Note 11f.
(4) Regarding the sale of PSP shares subsequent to the balance sheet date, see Note 6h.
(5) Regarding an engagement in a credit facility agreement with the Bank of Israel subsequent to the balance sheet date, see Note 11b. (1)
(6) Regarding the purchase of several structures in the Cambridge business park subsequent to the balance sheet date by Brockton Everlast – see Note 4c.
(7) Regarding the purchase of a logistics complex by Amot subsequent to the balance sheet date – see Note 4c.
(8) Regarding the issuance of a new bond series by Amot in the amount of 450 million PV (Series H) subsequent to the balance sheet date – see Note 11m.
(9) Regarding the Memorandum of Understanding for the purchase of a photovoltaic project in the United States with a capacity of 150 MWp subsequent to the balance sheet date, see Note 7d.

Separate Financial Information

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, 901K Street, Washington DC

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

To
The Shareholders of Alony Hetz Properties and Investments Ltd.

2 Jabotinsky St.
Ramat Gan

Dear Sir/Madam,

Re: Special Report of the Independent Auditor on Separate Financial Information Pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information which is presented in accordance with regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of **Alony-Hetz Properties and Investments Ltd.** (hereafter - "the Company") as of December 31, 2020 and 2019 and for each of the three years, the last of which ended December 31, 2020. The separate financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to provide an opinion on the separate financial information based on our audit.

We did not audit the separate financial information from the financial statements of investees in which their total investments amounted to 5,868 million NIS and 6,223 million NIS as of December 31, 2020 and 2019, respectively, and their profit amounted to 270 million NIS, 490 million NIS and 382 million NIS for the years ended December 31, 2020, 2019 and 2018, respectively. The Financial Statements of these companies were audited by other auditors whose reports were furnished to us, and our opinion insofar it relates to the amounts included in respect of such companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel. These standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information does not contain a material misleading presentation. An audit also includes assessing of the accounting principles used in the preparation of the separate financial information and of the significant estimates made by the Board of Directors and management of the company as well as evaluating the appropriateness of overall presentation of the separate financial information. We believe that our audit provides an adequate basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the separate financial information was prepared, in all material respects, in accordance with Regulation 9C 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, March 16, 2021

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		As of December 31	
		2020	2019
	Note	NIS thousands	NIS thousands
Assets			
Current assets			
Cash and cash equivalents	d.	596,119	350,976
Deposits and tradable securities		39,537	40,876
Current tax assets, net		3,903	3,086
Related party receivables		4,681	12,511
Other receivables		100,018	27,308
		744,258	434,757
Investment in associate held for sale		200,311	-
Total current assets		944,569	434,757
Non-current assets			
Long-term investments in securities:			
Securities designated at fair value through profit and loss:		186,335	203,803
Investments in Investees		7,372,212	8,736,732
Loans and capital notes to investees	i.	2,097,386	1,894,324
Fixed assets, net		3,904	2,967
Other assets		63,430	33,393
Total non-current assets		9,723,267	10,871,219
Total assets		10,667,836	11,305,976

The attached notes constitute an integral part of the Separate Financial Information.

	Note	As of December 31 2020 NIS thousands	As of December 31 2019 NIS thousands
Liabilities and equity			
Current liabilities			
Short-term credit and current maturities of long-term loans		791	1,965
Current maturities of bonds		346,750	348,036
Current tax liabilities		26,546	6,965
Related party payables		13,859	846
Other payables	(e)	94,800	102,868
Total current liabilities		482,746	460,680
Non-current liabilities			
Bonds and bond options	(f)	3,461,797	3,840,621
Long-term loans and credit facilities from banking corporations		593	358,987
Deferred tax liabilities	(h)	311,356	305,485
Other liabilities		9,478	3,658
Total non-current liabilities		3,783,224	4,508,751
Equity		6,401,866	6,336,545
Total liabilities and equity		10,667,836	11,305,976

The attached notes constitute an integral part of the Separate Financial Information.

On behalf of the Board of Directors:

Aviram Wertheim	______________________	Chairman of the Board of Directors
Nathan Hetz	______________________	Member of the Board of Directors and CEO
Oren Frenkel	______________________	CFO

March 16, 2021

Financial Statements Date of Approval

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Revenues and profits			
Group share in the profits of investees, net	283,982	1,068,159	578,846
Net gain (loss) with respect to investments in long-term securities	(15,250)	24,711	33,151
Net profits from changes in holding rate and from realization of investments in investees	201,035	96,680	5,889
Management fee revenues from investees	15,090	27,561	35,088
Other revenues, net	62	579	1,882
	484,919	1,217,690	654,856
Costs and expenses			
Administrative and general	29,975	34,876	28,559
Administrative and general for investees	1,552	1,555	1,546
Financing expenses (income) in respect of investees	5,854	16,077	(85,260)
Financing income	(726)	(12,018)	(5,424)
Financing expenses	97,312	109,022	113,218
	133,967	149,512	52,639
Profit before taxes on income	350,952	1,068,178	602,217
Taxes on Income	47,954	112,078	88,071
Net profit for the period	302,998	956,100	514,146
Net earnings per share (in NIS):			
Basic	1.75	5.55	3.01
Fully diluted	1.74	5.52	3.00
Weighted average of capital stock used in calculation of earnings per share (thousands of shares)			
Basic	172,784	172,170	170,744
Fully diluted	173,060	172,992	171,013

The attached notes constitute an integral part of the Separate Financial Information.

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	302,998	956,100	514,146
<u>Other comprehensive loss</u>			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	28,276	(89,601)	117,601
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	89,051	153,855	(195,009)
Loss from exchange rate differentials in respect of cash flow hedging	(533)	(4,729)	4,277
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(17,678)	3,021	(15,742)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	8,977	1,176	-
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(17,179)	(11,213)	426
Company share in other comprehensive income (losses) of associates, net of tax	(337,793)	(411,647)	312,088
	(246,879)	(359,138)	223,641
	56,119	596,962	737,787

The attached notes constitute an integral part of the Separate Financial Information.

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net income for the period	302,998	956,100	514,146
Income (expenses) not entailing cash flows (Appendix A)	126,847	(805,491)	(239,271)
	429,845	150,609	274,875
Changes in working capital (Appendix B)	181,631	27,673	(15,377)
Net cash provided by operating activities	611,476	178,282	259,498
Cash flow - Investing activities			
Investment in investment property funds	(23,965)	(61,716)	(27,730)
Proceeds from the repayment of investments in investment property funds	22,409	65,089	90,941
Investment in consolidated companies	(401,312)	(198,716)	(366,676)
Proceeds from the sale of shares of associate	1,359,305	440,373	363,989
Provision of loans and capital notes to investees	(193,935)	(1,109,421)	(16,328)
Decrease (increase) in deposits and tradable securities, net	942	(27,387)	2,366
Repayment of loans provided to investees	-	93,892	26,604
Investment in investees, net	(244,573)	(163,771)	-
Repayment of investment in investees	3,250	-	66,112
Cash provided by (used in) forward transactions intended for hedging	22,177	21,286	(84,476)
Others, net	(1,542)	(133)	(239)
Net cash provided by (used in) investing activities	542,756	(940,504)	54,563
Cash flows – Financing activities			
Proceeds from the issue of bonds and bond options	-	1,318,037	672,429
Repayment of long-term loans	(363,666)	(879)	(873)
Proceeds from issues of stocks and options	3,687	47,093	14,633
Repayment of bonds	(347,178)	(402,748)	(344,091)
Change in short-term credit and long-term credit facility from banks	(1,109)	(1,924)	3,033
Dividends paid to Company shareholders	(200,446)	(268,559)	(252,906)
Net cash provided by (used in) financing activities	(908,712)	691,020	92,225
Increase (decrease) in cash and cash equivalents	245,520	(71,202)	406,286
Effect of changes in exchange rates on foreign currency cash balances	(377)	(6,104)	1,137
Cash and cash equivalents at beginning of year	350,976	428,282	20,859
Cash and cash equivalents at end of year	596,119	350,976	428,282

The attached notes constitute an integral part of the Separate Financial Information.

	For the Year ended December 31		
	2019	2018	2017
	NIS thousands	NIS thousands	NIS thousands
Adjustments Required to Present Cash Flows from Current Activity			
a. Income not entailing cash flows:			
Adjustment differences in respect of long-term liabilities and cash balances	(52,638)	(28,204)	(30,501)
Company share in profits of associates, less dividends and reductions of capital received	350,053	(756,006)	(261,030)
Profits relating to investments in long-term securities and assets intended for sale	18,342	(17,591)	(37,219)
Net loss (gain) from change in holding rate and realization of investments in investee	(201,035)	(96,682)	(5,891)
Net loss (profit) from tradable securities	398	(11,437)	324
Deferred taxes, net	7,679	100,559	91,079
Others, net	4,048	3,870	3,967
	126,847	(805,491)	(239,271)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in accounts receivable and debit balances	155,065	22,806	(1,723)
Decrease (increase) in current tax assets, net	(817)	5,826	(5,289)
Decrease in other accounts payable	13,432	(4,947)	(5,314)
Increase (decrease) in current tax liabilities, net	13,951	3,988	(3,051)
	181,631	27,673	(15,377)
c. Non-cash activity			
Dividend receivable from associate	157,345	3,491	-
c. Additional information			
Interest paid	130,307	129,095	113,552
Interest received	593	195	692
Taxes paid	5,485	3,212	242
Taxes received	-	1,818	-
Dividends and receipts for reductions of capital received	634,004	312,730	317,863

The attached notes constitute an integral part of the Separate Financial Information.

(a) Overview:

The Company's separate Financial Statements have been compiled pursuant to provisions of Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970.

(b) Definitions

The Company - Alony-Hetz Properties and Investments Ltd.

Investee - as defined in the note on generally accepted accounting standards.

(c) Accounting policy:

The Separate Financial Statements have been prepared in accordance with the accounting policy described in Note 2 to the Company's Consolidated Financial Statements, other than sums of assets, liabilities, revenues, expenses, and cash flows with respect to investees, as detailed below:

a. Assets and liabilities reflect the assets and liabilities that are included in the Consolidated Financial Statements and are attributable to the Company itself as parent company (excluding investments in investees).

b. Investments in investees are presented based on the Company's share on net basis of total assets less total liabilities included on the Company's consolidated financial statements.

c. Sums of revenues and expenses reflect the revenues and expenses included on the Consolidated Financial Statements attributable to the Company itself as parent company, cross-sectioned by gain/loss or other comprehensive income, except for sums of revenues and expenses with respect to investees.

d. The Company's share of the results of investees are presented at the Company's share, on a net basis, of total revenues less total expenses included in the Company's Consolidated Financial Statements and which present the operating results of investees, cross-sectioned by gain/loss or other comprehensive income.

e. Cash flow sums reflect the sums included in the Consolidated Financial Statements attributable to the Company itself as parent company, including cash flows from transactions between the Company and investees, which have been reversed in the consolidated financial statements, and except for cash flow sums arising from transactions made by investees.

Loans granted to and/or received from investees are presented at the sum attributable to the Company itself as parent company.

I. Balances (including loans granted and received) and revenues and expenses with respect to transactions with investees that have been reversed on the consolidated financial statements are measured and presented under the relevant balance sheet items and gain/loss or comprehensive income, in the same manner these transactions would have been measured and presented had they been carried out with third parties.

(d) Cash and cash equivalents:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Cash and cash equivalents - denominated in NIS	595,588	262,573
Cash and cash equivalents - denominated in USD	470	1,196
Cash and cash equivalents - denominated in EUR	3	6
Cash and cash equivalents - denominated in CHF	16	7
Cash and cash equivalents - denominated in CAD	4	4
Cash and cash equivalents - denominated in GBP	38	7,061
Monetary funds	-	80,129
	596,119	350,976

(e) Accounts payable and other credit balances:

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Interest payable in respect of bonds	77,965	82,775
Accrued expenses	10,363	10,666
Financial derivatives designated as hedging items	4,920	8,668
Others	1,552	759
	94,800	102,868

(f) Bonds - For information regarding the Company's bonds, see Note 11 to the Consolidated Financial Statements.

(g) Financial assets and liabilities:

(1) Financial Instrument Groups

	As of December 31	
	2020	2019
	NIS thousands	NIS thousands
Financial Assets		
Cash and Cash Equivalents and Tradable Securities		
Cash and cash equivalents	596,119	350,976
Tradable securities	39,537	40,876
Loans and accounts receivable:		
Loans to associates	2,097,386	1,894,324
Loans and other receivables	11,586	12,511
Derivatives:		
Financial derivatives (contract for swapping the NIS principal and interest with CHF principal and interest) designated for hedging	21,744	33,393
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	5,426	-
Financial derivatives (forward contract for foreign currency swap) designated for hedging	128,817	27,168
Securities measured at fair value through profit and loss:		
Stocks	26,138	27,768
Real Estate Investment Fund	160,197	176,035
	3,086,950	2,563,051
Financial liabilities		
Derivatives:		
Financial derivatives (forward contract for foreign currency swap) designated for hedging	7,267	8,668
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	3,443
Financial derivatives (foreign currency options)	1,012	-
Financial liabilities measured at depreciated cost		
Other payables	91,281	87,340
Short-term credit and loans from banking corporations	1,384	360,952
Bonds	3,808,547	4,188,657
	3,909,491	4,649,060

(2) Liquidity Risk Management

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Company manages liquidity risk by maintaining available credit facilities, banking and loan means, by continuously monitoring actual and expected cash flows and adjusting maturity characteristics of financial assets and liabilities.

a. Financial liabilities that do not constitute derivative financial instruments:

The following tables list the Company's remaining contractual maturity dates for financial liabilities, which do not constitute derivative financial instruments. The tables have been prepared based on the financial liabilities' non-discounted cash flows, based on the earliest date on which the Company may be required to repay them. The table includes cash flows in respect of both principal and interest.

	As of December 31, 2020						
	Average Effective Interest Rate	**Projected Cash Flow**	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Fifth Year and Thereafter**
	%	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Variable-interest USD loans	**1.74**	1,408	810	598	-	-	-
NIS bonds – unlinked with variable interest	**2.10**	1,461,291	30,775	30,775	30,775	353,829	1,015,137
NIS bonds – unlinked with fixed interest	**2.90**	1,649,093	145,831	202,263	159,718	152,067	989,214
Linked fixed-interest NIS bonds	**1.83**	701,444	243,369	233,815	224,260	-	-
USD bonds – fixed interest (*)	**3.69**	309,286	36,751	36,239	35,728	51,292	149,276
CHF bonds – fixed interest (*)	**1.23**	121,742	7,038	6,256	41,972	32,065	34,411
		4,244,264	464,574	509,946	492,453	589,253	2,188,038

	As of December 31, 2019						
	Average Effective Interest Rate	Projected Cash Flow	First Year	Second Year	Third Year	Fourth Year	Fifth Year and Thereafter
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Variable-interest CHF loans	**1.24**	367,864	4,431	4,431	359,002	-	-
Variable-interest USD loans	**3.41**	2,398	885	870	643	-	-
NIS bonds – unlinked with variable interest	**2.2**	1,503,494	32,837	32,747	32,747	32,747	1,372,416
NIS bonds – unlinked with fixed interest	**2.88**	1,576,972	118,356	120,269	175,386	168,926	994,035
Linked fixed-interest NIS bonds	**1.83**	960,083	254,438	244,827	235,215	225,603	-
USD bonds – fixed interest (*)	**3.69**	380,759	40,519	40,519	39,923	39,327	220,471
CHF bonds – fixed interest (*)	**1.23**	405,626	43,907	43,907	43,091	42,276	232,445
		5,197,196	495,373	487,570	886,007	508,879	2,819,367

(*) The Company engaged in cross currency swap agreements with a financial entity in Israel so that the bonds (Series I) were converted into a liability in CHF and USD.

b. Financial assets:

The Company has several primary sources for repayment of its financial liabilities. The sources include cash and cash equivalents in the amount of approx. NIS 566 million and unutilized credit facilities in the amount of NIS 500 million as of the date of the report. In addition, the Company has non-encumbered tradable assets in the amount of approx. NIS 8.3 billion.

(g) Financial assets and liabilities (continued):

c. Financial assets and liabilities that constitute derivative financial instruments:

For a liquidity analysis of the Company's derivative financial instruments (including the currency swap forward contracts table as of December 31, 2020 and December 31, 2019) – see Note 22(3)(a) to the Company's consolidated financial statements.

(3) Consumer Price Index Risk

As of December 31, 2020 and December 31, 2019, the Company's net exposure to the Consumer Price Index was NIS 0.8 billion and NIS 0.9 billion, respectively (excess financial liabilities over financial assets). Because the Company considers its investment in Amot and part of its investment in Energix (the CPI-linked part) as an instrument that simulates investment in a CPI-linked financial asset over the long term, as of December 31, 2020 and December 31, 2019, this exposure amounts to a net amount of NIS 3.2 billion and 2.7 NIS billion, respectively (excess assets over liabilities).

(h) Taxes on income:

(1) Deferred tax balances:

The composition and movement in deferred taxes as of December 31, 2020 is as follows:

For 2020	**As of December 31, 2019**	**Allocated to Profit and Loss**	**Allocated to Other Comprehensive Income**	**Classified against Current Tax Liabilities**	**As of December 31, 2020**
Hedging of foreign activity	14,288	-	21,309	(5,629)	29,968
Financial assets at fair value	(1,485)	(4,745)	-	-	(6,230)
In respect of associates	346,628	61,857	(17,488)	(149,716)	241,281
Losses for tax purposes	(100,141)	(49,575)	-	149,716	-
Others	46,195	142	-	-	46,337
	305,485	7,679	3,821	(5,629)	311,356

The composition and movement in deferred taxes as of December 31, 2019 is as follows:

For 2019	**As of December 31, 2018**	**Application of IFRS 16**	**Allocated to Profit and Loss**	**Allocated to Other Comprehensive Income**	**Classified against Current Tax Liabilities**	**As of December 31, 2019**
Hedging of foreign activity	(26,562)		-	40,850	-	14,288
Financial assets at fair value	6,095	-	(2,700)	-	(4,880)	(1,485)
In respect of associates	357,350	(160)	62,616	(32,716)	(40,462)	346,628
Losses for tax purposes	(186,125)	-	40,642	-	45,342	(100,141)
Others	46,195	-	-	-	-	46,195
	196,953	(160)	100,558	8,134	-	305,485

(2) Amounts for which deferred tax assets were not recognized:

For information regarding temporary differences with respect to investments in investees for which deferred tax liabilities were not recognized – see Note 20.h to the Consolidated Financial Statements.

(3) Taxes related to other comprehensive income components:

	Pre-tax Amounts NIS thousands	Tax Effect NIS thousands	After-tax Amount NIS thousands
Other comprehensive income (net, after reclassification to profit and loss):			
For the year ended December 31, 2020			
Profit (loss) from the translation of financial statements for foreign activities	36,487	(8,211)	28,276
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	115,650	(26,599)	89,051
Loss from exchange rate differentials in respect of cash flow hedging	(692)	159	(533)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(24,548)	6,870	(17,678)
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	6,768	2,209	8,977
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	(22,310)	5,131	(17,179)
Company share in other comprehensive income (losses) of associates, net of tax	(337,071)	(722)	(337,793)
Total	(225,716)	(21,163)	(246,879)

(h) Taxes on income (continued):

Other comprehensive income (net, after reclassification to profit and loss):
For the Year ended December 31, 2019

Profit (loss) from the translation of financial statements for foreign activities	(89,601)	-	(89,601)
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	194,705	(40,850)	153,855
Loss from exchange rate differentials in respect of cash flow hedging	(4,729)	-	(4,729)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,176		1,176
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(11,213)	-	(11,213)
Company share in other comprehensive income (losses) of associates, net of tax	(444,363)	32,716	(411,647)
Total	(351,004)	(8,134)	(359,138)

	Pre-tax Amounts	**Tax Effect**	**After-tax Amount**
	NIS thousands	**NIS thousands**	**NIS thousands**

Other comprehensive income (net, after reclassification to profit and loss):
For the Year ended December 31, 2018

Profit (loss) from the translation of financial statements for foreign activities	117,601	-	117,601
Profit (loss) from exchange rate differentials in respect of loans intended for the hedging of investments in associates that constitute foreign activity, net of tax	(254,760)	59,751	(195,009)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(15,742)	-	(15,742)
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	426	-	426
Profit (loss) from exchange rate differentials in respect of cash flow hedging	4,277		4,277
Company share in other comprehensive loss of investees, net of tax	332,223	(20,135)	312,088
Total	184,025	39,616	223,641

(h) Taxes on income (continued):

(4) Tax expenses on income recognized in profit and loss:

	For the Year ended December 31		
	2020	2019	2018
	NIS thousands	NIS thousands	NIS thousands
Current tax expenses	48,210	11,331	3,131
Taxes in respect of previous years	(7,935)	189	(6,139)
Deferred tax income	7,679	100,558	91,079
Total tax expenses (income)	47,954	112,078	88,071

(6) Additional Information:

a. In December 2020, the Tax Authority issued an assessment to the Company in respect of 2015, which the Company disputed. The Company has a provision in the books in respect of that assessment.

b. Tax rates applicable to the Company:

The income tax rate applicable to the Company and the consolidated companies in Israel in 2018-2020 is 23%.

(i) Engagements and significant transactions with related parties and interested parties:

(1) Loans

The following are detailed terms of the loans and capital notes that the Company granted to investees:

	Interest Rate As of December 31 2020	As of December 31	
		2020	2019
	%	NIS thousands	NIS thousands
<u>Linkage Terms</u>			
Loans and capital notes to investees			
Unlinked NIS		2,097,386	1,558,184
Unlinked NIS	4.92%	-	336,140
		2,097,386	1,894,324

(i) Engagements and significant transactions with related parties and interested parties (continued):

(2) The Company has a balance of receivables from related party balances in the amount of NIS 5 million and NIS 13 million as of December 31, 2020 and December 31, 2019, respectively.

(3) The Company has a balance of payables from related party balances in the amount of NIS 14 million and NIS 1 million as of December 31, 2020 and December 31, 2019.

(4) For information regarding the management fees agreement with Amot – see Note 6.c.(4) to the Consolidated Financial Statements published with this financial information. Management fees for 2020 amounted to a total of approx. NIS 9 million.

(5) For information regarding the management fees agreement with Energix – see Note 6.e. (5) to the Consolidated Financial Statements published with this financial information. Management fees for 2019 amounted to a total of approx. NIS 5 million.

(6) Regarding the approval of transactions with controlling shareholders and officers or controlling shareholders – see Note 18 to the Consolidated Financial Statements published with this financial information.

(j) Additional Information

(1) For information regarding the Company's investments in the Brockton Funds - see Note 5(1) to the Consolidated Financial Statements published with this financial information.

(2) For information regarding the Company's investments in the capital of Amot - see Note 6.c to the Consolidated Financial Statements published with this financial information.

(3) For information regarding the Company's investments in the capital of Brockton Everlast Inc. Limited - see Note 6d. to the Consolidated Financial Statements published with this financial information.

(4) For information regarding the Company's investments in the capital of Energix - see Note 6e to the Consolidated Financial Statements published with this financial information.

(5) For information regarding the Company's investment in PSP, see Note 6h to the Consolidated Financial Statements published with this financial information.

(6) For information on bonds (Series H) – see Note 11c to the Consolidated Financial Statements published with this financial information.

(7) For information on bonds (Series I) – see Note 11d to the Consolidated Financial Statements published with this financial information.

(8) For information on bonds (Series J) – see Note 11e to the Consolidated Financial Statements published with this financial information.

(9) For information on bonds (Series K) – see Note 11f to the Consolidated Financial Statements published with this financial information.

(10) For information on bonds (Series L) – see Note 11g to the Consolidated Financial Statements published with this financial information.

(11) For information on loans and credit facilities – see Note 12 to the Consolidated Financial Statements published with this financial information.

(12) For information on liens, collateral and guarantees – see Note 13 to the Consolidated Financial Statements published with this financial information.

(13) For information on developments in the Company's capital stock – see Note 16b to the Consolidated Financial Statements published with this financial information.

(14) For information regarding the Company's dividend policy – see Note 16d to the Consolidated Financial Statements published with this financial information.

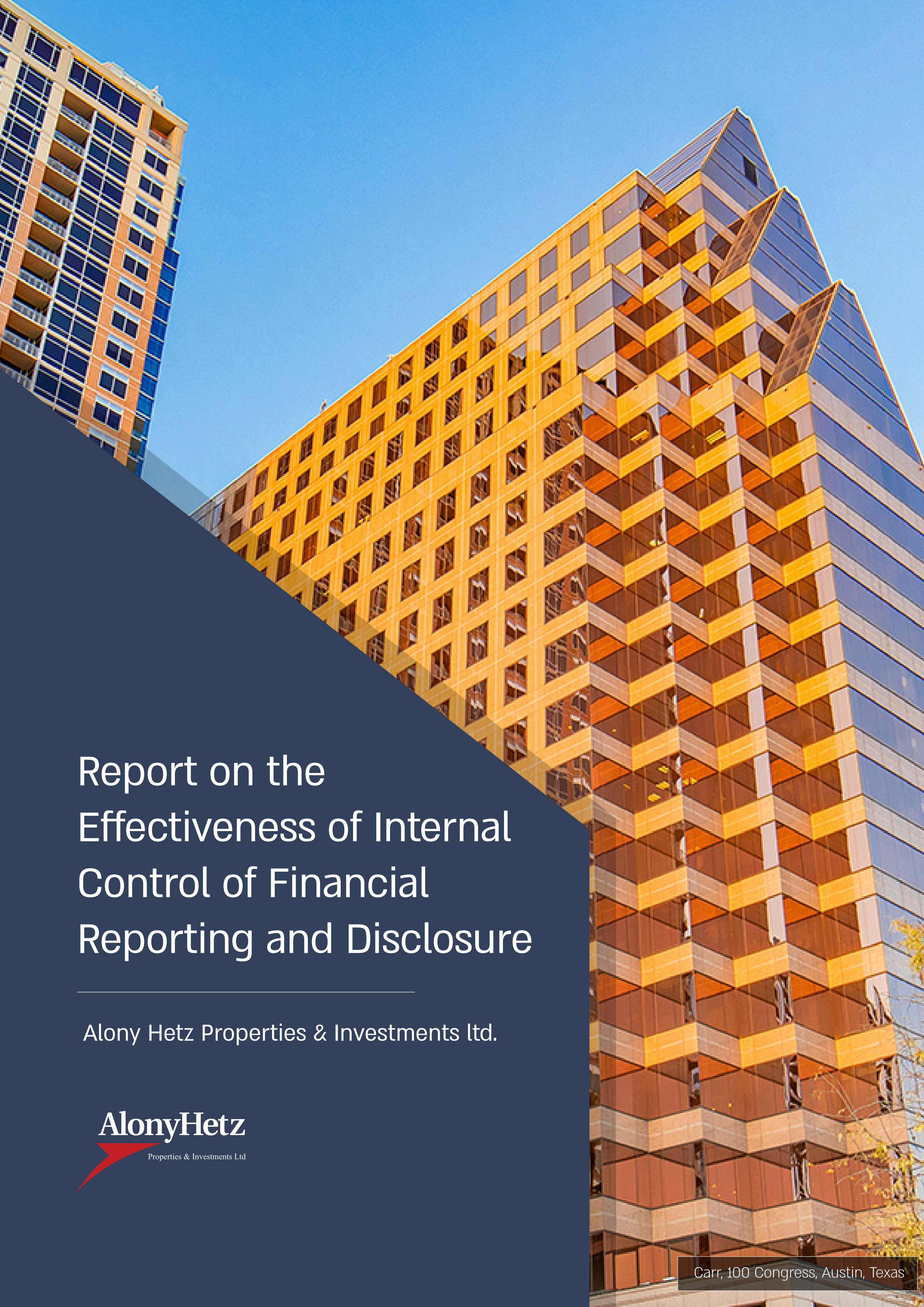
(15) For information regarding the remuneration policy for employees and officers – see Note 16e to the Consolidated Financial Statements published with this financial information.

(16) For information regarding events subsequent to the balance sheet date – see Note 25 to the Consolidated Financial Statements published with this financial information.

Report on the Effectiveness of Internal Control of Financial Reporting and Disclosure

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd



Carr, 100 Congress, Austin, Texas

Annual Report on the Effectiveness of the Internal Control on Financial Reporting and Disclosure according to Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 controls over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;
2. Moti Barzilay, VP of Business Development;
3. Oren Frenkel, Chief Financial Officer;
4. Hanan Feldmus, Legal Counsel and Company Secretary;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which have been designed by the CEO and the senior executive in finance or under their supervision, or by those who actually perform these functions, under the supervision of the Corporation's Board of Directors, which are intended to provide reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in its reports according to the provisions of the law has been collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Internal control includes, among other things, controls and procedures designed to ensure that information the Corporation is required to disclose has been accumulated and passed on to the Corporation's management, including the CEO and the senior executive in finance or whoever actually performs these functions, in order to allow decisions to be made in a timely manner, taking the disclosure requirement into consideration.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute certainty that misrepresentation or omission of information in the statements will be avoided or discovered.

Management, under the supervision of the Board of Directors, conducted an examination and assessment of the internal control over financial reporting and disclosure in the corporation and its effectiveness.

The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by management under the supervision of the Board of Directors was carried out with the implementation of the guidelines published by the Securities Authority in November 2010 in connection with the implementation of the evaluation of the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, in accordance with Regulation 9b of the Securities Regulations (Periodic and Immediate Reports), 1970.

Management's assessment of the effectiveness of internal control over financial reporting and disclosure under the supervision of the Board of Directors: A process based on the Corporation's assessment of risks pertaining to the financial reporting and disclosure.

The Company's management, under the supervision of the Board of Directors, examined the potential risks of material misstatement in the financial statements, based on its knowledge of the Corporation, its operations, organizational structure and its various processes, and based on its understanding of the Corporation's reporting and disclosure risks. The Company's management focused on the financial reporting items and on disclosure items which may be more likely to include a material error. The Company's management, under the supervision of the Board of Directors, has also examined the planning and operational effectiveness of the controls and the procedures that adequately address these risks.

The Company's assessment of the effectiveness of the internal control was based on the following four components:

Organization-level controls;

General information system controls;

Controls in very significant business processes:

- Very significant business process – investments in companies.
- Very significant business process – accounts and debt management.
- Very significant business processes in the subsidiary Amot Investments Ltd. (hereinafter: "**Amot**"): investment property and revenues from rental fees and investment property management.
- Very significant business processes in the subsidiary Energix Renewable Energies Ltd. (hereinafter: "**Energix**"): procurement for projects and revenues from the sale of electricity.
- Very significant business processes in the subsidiary Brockton Everlast Inc. Limited (hereinafter: "**BE**"): investment property and revenues from rental fees of investment property.
- Controls over the processes for closing the accounting period and preparing financial statements and disclosure.

Evaluation of the general effectiveness, including: Updating of the document "Mapping and Identifying the Accounts and Business Processes" regarding the processes which the Company considers to be very significant for the financial reporting and disclosure.

Updating of the processes and controls, examining key controls and examining the effectiveness of controls in the context of internal control components.

Performing a validation (testing) process for the effectiveness of internal control on the financial reporting and disclosure.

The management of the subsidiaries, Amot, Energix and BE, independently performed the process of assessing the effectiveness of the internal control over financial reporting and disclosure under the supervision of the Amot, Energix and BE Boards of Directors, respectively. With regard to

Amot, Energix and BE, the Company's Board of Directors and management relied on the process of examining and assessing the effectiveness of internal control and the report on the effectiveness of the internal control over the financial reporting and disclosure reported by the management of Amot, Energix and BE.

Based on the evaluation of the effectiveness performed by the management under the supervision of the Board of Directors as detailed above, and based on the evaluation of the effectiveness performed by the management of Amot, Energix and BE, under the supervision of the Board of Directors of Amot, Energix and BE, respectively, the Company's Board of Directors and management arrived at the conclusion that the internal control over financial reporting and disclosure in the Corporation as of December 31, 2020 **is effective.**

Executive statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement

Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have reviewed the periodic reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2020 (hereinafter: "**the Reports**");

2. To the best of my knowledge, the statements do not include any misrepresentation of a material fact nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

   A. All significant deficiencies and weaknesses in the determination or operation of internal controls over financial reporting and disclosure that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law, and –

   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as of the reporting date.

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

March 16, 2021	Signature Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 9B(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970.

Executive Statement

Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have reviewed the financial statements and other financial information included in the reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2020 (hereinafter: "**the Statements**");

2. To the best of my knowledge, the financial statements and other financial information included in the reports do not include any misrepresentation of a material fact and do not lack the representation of a material fact that is necessary in order that the representations included therein, in view of the circumstances in which those representations are included, not be misleading in relation to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure, as it relates to the financial statements and the other financial information included in the financial statements, that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law; and –

   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

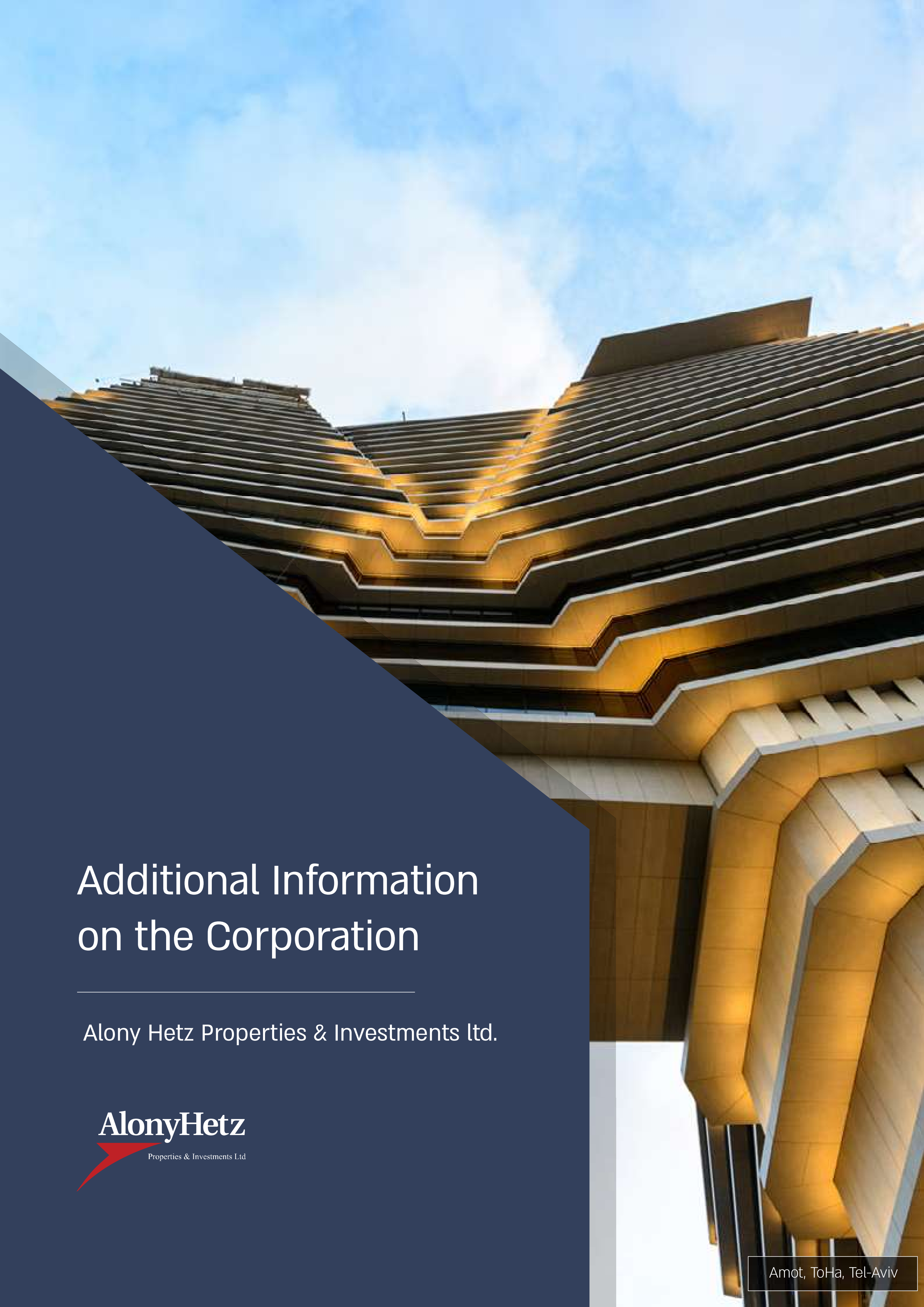
   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent that it is relevant to the financial statements and to other financial information included in the statements, is brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports as of the reporting date; my conclusions regarding my assessment have been brought up before the Board of Directors and management, and are integrated into this report.

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

March 16, 2021	Signature Oren Frenkel, Chief Financial Officer



Amot, ToHa, Tel-Aviv

Additional Information on the Corporation

Alony Hetz Properties & Investments ltd.

Additional Information on the Corporation

In accordance with the Securities Regulations
(Periodic and Immediate Reports), 1970
(Hereinafter: "**the Regulations**")

Contents

Company name:	Alony-Hetz Properties and Investments Ltd.
Company registration no.:	520038506
Address:	Amot Atrium Tower, 2 Jabotinsky Street, Ramat Gan
Telephone no.:	03-7521115
Fax:	03-7514730
Email:	office@alony-hetz.com
Website:	www.alony-hetz.com
Balance sheet date:	December 31, 2020
Reporting date:	March 16, 2021
Reporting period:	The year ended December 31, 2020

All data in this report is presented in the presentation currency, as defined in Note 2(i) to the financial statements, unless stated otherwise.

Regulation 10c: Use of Proceeds from Securities with Reference to Proceeds' Designation according to the Prospectus

In the Company's shelf prospectus dated May 4, 2018 ("**the Shelf Prospectus**") and in the previous shelf prospectus, no amount was raised. In the above shelf prospectuses, it was determined that if securities are offered according to the shelf prospectuses, the proceeds received from these offerings will be designated for various purposes, as the Company decides from time to time and/or as specified in the shelf offer report. During 2020, the Company didn't raise capital and/or debt through the shelf prospectus.

Regulation 11 – Investments in significant subsidiaries and significant associates as of December 31, 2020

a.

Company Name	Number of Participating Shares/Units	Market Value as of December 31, 2020 NIS thousands	Balance Sheet Value as of December 31, 2020 NIS thousands	Ownership as of the Balance Sheet Date	Right to Appoint Directors
Amot Investments Ltd.	233,718,872	4,204,603	3,586,540	57.06%	57.06%
Energix – Renewable Energies Ltd.[1]	260,352,283	3,816,764	821,405	53.96%	53.96%
Carr properties Holdings LP	707,338,514	-	3,004,320	50.77%	50%
Brockton Everlast Inc.	311,221,433	-	1,386,009	96.02%	96.02%

b. Material Loans and Material Capital Notes Issued (Received) by the Company to Subsidiaries and Associates:

As of December 31, 2020, the Company has capital notes to subsidiaries, wholly owned by the Company, in the amount of NIS 2,097 million. For additional information, see Note (h)(1) to the separate reports.

1 The par value of Energix shares is NIS 0.01 PV per share.

Regulation 12 – Changes in Investments in Significant Subsidiaries and in Significant Associates in the Reporting Period

Date	Description	Company Name	Number of Shares/Options	Cost (Proceeds) in NIS thousands
January 2020	Purchase of shares as part of a public offering	Energix	2,998,600	34,5
January 2020	Investment in units	BE(*)	29,474,740	131,7
June 2020	Investment in units	BE(*)	14,897,940	62,1
June 2020	Investment in units	Carr	32,849,945	151,2
July 2020	Purchase of shares on the stock market	Amot	828,579	12,4
October 2020	Purchase of shares as part of a public offering	Amot	22,000,000	320,1
November 2020	Off-market acquisition of shares	Amot	531,401	9,7
December 2020	Exercise of options (Series 3) for shares	Energix	2,898,000	24,3

(*) Indirectly, through wholly owned private subsidiaries. The investment is in units of Brockton Holding LP, which owns BE.

Regulation 13 – Income from significant subsidiaries and associates and the corporation's income from them for the year ended December 31, 2020 (in Thousands of NIS) (*)

Company Name	Net Profit (Loss) for the Period	Other Comprehensive Income (Loss) for the Period	Dividend / Capital Reduction Received	Management Fees and Participation in Expenses, net	Interest Income (Expenses), net
Amot Investments Ltd.	289,455	-	277,400	9,000	-
Energix – Renewable Energies Ltd.	77,821	(39,366)	41,193	5,075	-
Carr properties Holdings LP(*)	275,763	(1,204)	94,679 (**)	145	-
Brockton Everlast Inc.	(3,519)	(4,417)	-	177	619

(*) The data for net income for the period and other comprehensive income include non-controlling interests.

(**) The data refers to the dividend for 2020. In addition, at the end of 2020, the Company received additional receipts from Carr in the amount of NIS 87.2 million in respect of 2021.

Regulation 20 – Trading on a Stock Exchange – Securities Listed for Trade – Dates and Reasons for Suspension of Trade

- During 2020, 116,321 non-tradable option warrants, which were issued to directors, officers and employees, were exercised for NIS 116,321 PV shares of common stock.
- There was no suspension of trading during the reporting period, except in respect of the publication of financial statements.

Regulation 21 – Remuneration of Interested Parties and Senior Officers

21.1. The following are details regarding the remunerations granted in the reporting year, as recognized in the Company's financial statements for the reporting year, which were paid to each of the nine highest remunerated senior officers of the Company or in a corporation under its control that were granted in connection with their term in the Company or in a corporation under the Company's control (of which, 3 officers serve in the Company itself) (the data are in NIS thousands):

Recipient Details				Remuneration for Services				Benefit in respect of Share-based Payment	Value of Additional Benefits	Total
Name	Position	Scope of Office	Holdings in Company Capital[2]	Management Fees / Wages[3]	Cash Bonus	Deferred Bonus	Total			
Mr. Oliver Carr[4]	Carr CEO	Full time	-	1,768	1,768	-	3,536	5,131[5]	254 [6]	8,921
Mr. Avshalom Mosler	The outgoing CEO, Amot Investments Ltd.[7]	Full time	-	2,186	1,720[8]	-	3,906	2,408[9]	151 [6]	6,465
Mr. Nathan Hetz	CEO	Full time	14.52%[10]	3,305	1,200	1,200	5,705	-	151 [6]	5,856
Mr. Asa Levinger	CEO of Energix Renewable Energies Ltd.	Full time	-	1,399	-	-	1,399	2,739	139 [6]	4,277
Mr. Richard Selby	Chief Investment Manager Brockton Everlas Inc.	Full time	-	3,843	-	-	3,843	-	[11]58	3,901
Mr. Jason Blank	Deputy Chairman of the Board of Directors and President Brockton Everlast Inc.	Full time	-	3,843	-	-	3,843	-	56[11]	3,899
Mr.David Marks	CEO Brockton Everlast Inc.	Full time	-	3,843	-	-	3,843	-	[11]44	3,887
Mr. Moti Barzilay	VP of Business Development	Full time	-	2,043	512	-	2,555	1,000	143[6]	3,698
Mr. Oren Frenkel	CFO	Full time	-	1,502	411	-	1,913	720	133[6]	2,767

2Holdings in Company capital as of December 31, 2020 (not including reference to options in circulation of each officer).

3With the exception of Oliver Carr, Avshalom Mosler, Asa Levinger, Jason Blank, David Marks and Richard Shelby, who receive remuneration as wages, the other remunerations recipients receive management fees.

4 The amounts stated in relation to Carr's CEO are the amounts appearing in Carr's financial statements, which are attached to this periodic report. The Company's share as of the balance sheet date is 44.01%.

5 The amount stated includes the value as of December 31, 2020 of the units allocated to the Carr CEO from Carr's Capital Remuneration Plan (LTIP), including a special grant received by the Carr CEO in 2020 and dividends paid to the Carr CEO under the Capital Remuneration Plan. For details regarding the Capital Remuneration Plan, see Section 21.2.3(5) below.

6Mainly for a company car benefit.

7 Mr. Avshalom Mosler ended his position as Amot CEO on August 31, 2020, and Mr. Shimon Aboudrahm was appointed Amot CEO in his place as of September 1, 2020.

8 A total of NIS 840 thousand of the amount of the above grant constitutes a retirement grant, and the balance of the amount is an annual grant in respect of 2020.

9A total of approx. NIS 1,315 thousand of the above amount is due to the acceleration of the vesting of non-tradable option warrants that are immediately exercisable.

10Together with his wife, Ms. Clara Hetz, directly and indirectly (through holdings in their wholly owned companies).

11Mainly for insurance benefits.

21.2. Additional information on the terms of employment of senior officers

21.2.1. Background – remuneration policy:

On October 9, 2018, the Company's General Assembly approved the remuneration policy for officers that adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: "**the Remuneration Policy**"). For additional information regarding the remuneration policy, please refer to the Supplemental Immediate Report for the convening of the General Assembly on October 4, 2018 (Ref: 2018-01-092115) and to the Immediate Report on the Results of the General Assembly published on October 9, 2018 (Ref: 2018-01-094626) (together: "**the October 2018 Assembly Reports**").

21.2.2. Company CEO.

On October 9, 2018, the General Assembly confirmed terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2019. For additional information, see the October 2018 Assembly Reports and Note 18(a) to the financial statements.

21.2.3. Other Senior Officers

In accordance with the remuneration policy, the Remuneration Committee and the Company's Board of Directors, in their March 2019 meetings, confirmed that the monthly management fees paid to the VP of Business Development and to the CFO, starting May 1, 2019 (meaning the payment for April 2019), will amount to a total of NIS 170 thousand and NIS 125 thousand, respectively[12].

In addition, the Remuneration Committee and Board of Directors, at their above meetings, confirmed that in the formula for the annual cash bonus for the years 2019-2021, minimum and maximum bonus amounts will be determined, inter alia, with respect to the Company's VP of Business Development and the CFO, as follows:

Name of Officer	Minimum Bonus Amount (at an annual FFO yield[13] of 6%) in NIS thousands	Maximum Bonus Amount (at an annual FFO yield of 10%) in NIS thousands
VP of Business Development	255	765
CFO	205	615

12 Linked to the CPI for February 2019, but not less than the above nominal amount.

13 The bonus is derived from the annual FFO return on the Company's capital, with the Company's capital being capital at the beginning of the period plus capital raised and less special dividends during the period, all time-weighted.

13 The Company's rating adjustment mechanism, in accordance with the remuneration policy and as approved at the Remuneration Committee meeting and at the Board of Directors meeting dated March 19, 2019, determines that the amount of the bonus according to the above formula will be increased or reduced according to the Company's rating by the credit rating companies, so that the credit rating may reduce the bonus even to the cancellation of the annual bonus to the VPs on the one hand or increase it by up to 10% on the other hand. As of the date of publication of this report, the above amounts, linked (with the new index being the known CPI on December 31, 2020) and adjusted for the last rating of the Company performed by the rating companies, are as follows:

The above amounts are linked to the CPI, with the base index being the CPI for February 2019 (but not less than the above nominal amounts), and adjusted to the data from the ratings performed by the rating companies[14].

In addition, it should be noted that the CEO, with the approval of the Remuneration Committee and the Board of Directors, has the discretion to grant additional cash bonuses to the VPs, all as specified in the remuneration policy.

1. VP of Business Development

The Company has an agreement with Mr. Moti Barzilay dated June 26, 2019 (which has replaced and canceled, as of April 1, 2019, an earlier agreement dated June 20, 2011, as amended from time to time), for management services as the Company's VP of Business Development. Under the agreement, each party may terminate the agreement at any time, with written notice of 6 months. According to the agreement, the monthly management fees for February 2021 were approx. NIS 170 thousand, CPI-linked, with the base index being the CPI for February 2019 (the management fees will not be less than the above nominal amount). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the VP of Business Development for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy.

Regarding the officers liability insurance and provision of exemptions and indemnities to the VP of Business Development, see Note 18c(3) to the financial statements.

2. CFO

The Company has an agreement with Mr. Oren Frenkel (which replaced a previous agreement from April 2019) for the receipt of management services as the Company's CFO. Under the agreement, each party may terminate the agreement at any time, with advanced written notice of 6 months. According to the agreement, the monthly management fees for February 2021 were approx. NIS 125 thousand, CPI-linked, with the base index being the CPI for February 2019 (the management fees will not be less than the above nominal amount). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the CFO for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy.

Regarding the officers liability insurance and provision of exemptions and indemnities to the CFO, see Note 18c(3) to the financial statements.

3. Capital remuneration for the VP of Business Development and for the CFO

The following are details on option warrants (non-tradable) exercisable into Company shares, which, according to the remuneration policy and according to the Company's previous remuneration policy, have been allocated to the Company's VP of Business Development and to the CFO and have not yet been exercised as of the publication of this report, and option warrants for which a decision was made for their allocation on March 16, 2021, but have not yet been allocated:

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[14]

	Minimum Bonus Amount (at an annual FFO yield of 6%)	Maximum Bonus Amount (at an annual FFO yield of 10%)
VP of Business Development	NIS 255 thousand	NIS 765 thousand
CFO	NIS 205 thousand	NIS 615 thousand

Date of the Board of Directors' Decision to Grant the Options	VP of Business Development		CFO	
	Economic Value of the Options in NIS thousands	Number of Options	Economic Value of the Options in NIS thousands	Number of Options
21.3.2018	935	269,206	675	194,346
19.3.2019	1,000	215,556	725	156,278
18.3.2020	1,000	447,748	720	322,378
16.3.2021	1,000	107,373	720	77,309

4. According to the agreements signed with the Company's VP of Business Development and the CFO, they are entitled to a company car and mobile phone. In addition, the agreements with them determine that management fees will also be paid for up to 22 business days (monthly gross) per calendar year, in which the management services are not provided and that failure to provide management services for a period of up to 18 business days per calendar year as a result of illness will not impact the payment of full management fees.
   The management agreements with the Company's VP of Business Development and the CFO determine that the officers will repay the company or receive from the company, as applicable, amounts paid or which should be paid to them as a capital bonus or a cash bonus, if the amounts paid to them were paid on the basis of data that turned out to be misrepresented and restated in the Company's financial statements.

5. Carr CEO
   The Carr CEO, Mr. Oliver Carr (hereinafter: "**the Carr CEO**"), has an agreement with a wholly owned subsidiary of Carr Properties Corporation (hereinafter, in this section: "**Carr**"), dated March 1, 2020 (hereinafter, in this section only : "**the New Agreement**") which replaces an agreement dated December 30, 2015 (hereinafter, in this section: "**the Old Agreement**") (Carr and its subsidiaries will hereinafter be referred to as: "**the Carr Group**"). The new agreement is in effect until December 31, 2025 and will be automatically renewed in one year, unless it is canceled with 30 days' advance notice by one of the parties.
   According to the new agreement, the CEO of Carr is entitled to basic consideration of USD 550,000 per year[15] (before social benefits) (instead of USD 500,000, according to the old agreement), and to an annual cash bonus for reaching Carr Group targets and personal targets set by the Carr Board of Directors, based on the yearly work plan and operation plan as will be established from time to time by the Carr Board of Directors, while consulting with the CEO of Carr (hereinafter: "**the Annual Bonus**"). The amount of the annual bonus payable, subject to adjustments as detailed below, will be the amount of USD 550,000 (instead of USD 500,000, according to the old agreement) (hereinafter: "**the Target Bonus**"). The annual bonus that will actually be paid may be higher or lower than the target bonus depending on the results and objectives achieved in that year and subject to a minimum and maximum amount. The annual bonus will be paid on the basis of Carr's audited annual financial statements, approved by Carr's Board of Directors, immediately after Carr's Board of Directors has determined that the targets have been reached but no later than March 15 of the subsequent year. Carr's Board of Directors decided to grant the CEO an annual bonus of USD 550,000 in respect of 2020.
   According to the agreement, the Carr CEO is subject to non-compete, non-solicitation and confidentiality conditions customary in the U.S.
   The Carr CEO serves as a director in Carr Group companies for no additional payment.
   According to the agreement, the Carr CEO is entitled to directors' and officers' insurance, to 35 days of paid absence, due to vacation or illness (with certain accrual rights), reimbursement of reasonable expenses incurred on the job and for the promotion of Carr Group business, as is customary in Carr, and participation in senior executive remuneration plans that the Carr Group will adopt from time to time, such as retirement benefits and/or other social benefits, as well as participation in the LTIP capital remuneration plan, as detailed below.
   In the event of the initial listing of Carr (or another company in the Carr Group) for trading on the US Stock Exchange, the terms of employment of Carr's CEO will be rediscussed but will not be less than the remuneration terms determined in the agreement.
   As of the reporting date, Carr's CEO holds, directly and indirectly, approx. 0.145% of Carr's capital rights.

15 This amount is updated by a rate of 3% per year, as is customary in the U.S.

Long-term incentive plan – (hereinafter, in this section: "**the LTIP Plan**" or "**the Plan**"): On March 7, 2018, Carr's Board of Directors decided to adopt a new long-term remuneration plan for Carr employees. During the years 2018-2021, Carr's Board of Directors decided to allocate units from this plan to the Carr CEO, as follows:

THE PLAN	GRANTING DATE	ON THE GRANTING DATE		AS OF DECEMBER 31, 2020	
		Number of Units Allocated	Economic Value of Allocated Units in USD thousands	Number of Units	Economic Value of Allocated Units in USD thousands
2018 Performance-based units	1.6.2018	938,266	1,317	938,266	0
2018 Time-based units		462,429	658	462,429	498
2019 Performance-based units	1.6.2019	953,892	1,317	953,892	0
2019 Time-based units		476,231	658	476,231	333
2020 Performance-based units	1.9.2020	892,587	1,317	892,587	244
2020 Time-based units		491,294	658	491,294	156
2020 Special grant	1.9.2020	4,029,851	5,400	4,029,851	749

The LTIP program consists of:

a. Performance-based units, in which a minimum cumulative return of 18% is required during the 3 years of vesting of the plan, as a condition for the vesting of the units.

b. Time-based units that vest at the end of 3 years from the date of their granting.

6. CEO of Amot Investments Ltd ("**Amot**")

Mr. Avshalom Mosler was appointed Amot CEO on April 10, 2006 (hereinafter, in this section: "**the outgoing Amot CEO**").

On July 5, 2020, the outgoing Amot CEO announced his desire to end his service after 15 years in office. The outgoing Amot CEO's term of office came to an end on August 31, 2020 and his employment by Amot ended on December 31, 2020.

As of August 1, 2020, Mr. Shimon Aboudrahm has been serving as the CEO of Amot.

On September 20, 2020, the Amot General Assembly (after receiving the approval of Amot's Remuneration Committee and the Board of Directors) approved a remuneration policy for officers based on the previous remuneration policy, in effect for three years starting on September 28, 2019 ("**Amot's remuneration policy**").

The following are details of the terms of service and employment of the outgoing Amot CEO from the date of their approval by the General Assembly (i.e. from September 28, 2016), until the end of his employment, which included the following components:

a. **Annual bonus (medium/short-term variable component), calculated according to the compliance with four separate performance indices, on a cumulative basis:**

PERFORMANCE INDICES	RANGE	RANGE OF GRANT AMOUNT (NIS THOUSANDS) **	CEILING (NIS THOUSANDS)
Return on equity rate	14%-6%	200-600	600
FFO rate of return per share	12.5%-7.5%	100-900	900
Compliance with projected FFO budget	110%-90%	100-800	800
TSR*	15%-0%	0-300	300

* Total Shareholder Return (TSR) – Examination of the performance of the Company's stock over a period of three years compared to a peer group of similar companies. The group of comparison companies includes real estate companies operating in Israel with similar characteristics to the Company, where the Company's Board of Directors can make a change in the composition of the comparison companies and the weight of each of the comparison companies in the index, as exogenous changes in the list of companies occur.

** The calculation method within the ranges is linear.

The total annual grant ceiling for the outgoing CEO of Amot is NIS 2.6 million (linked to the CPI for June 2016).

In the event that Amot presents a net annual accounting loss (after neutralizing non-recurring events as a result of regulatory and other changes, which Amot's Board of Directors estimates are not connected to Amot's performance (such as changes in corporate tax rates as a result of

legislation, etc.), but the result of the calculation of the above four indices will entitle a bonus, a 50% discount will be made from the annual bonus calculated according to the indices.
The full amount of the annual bonus is paid in cash.

b. **Board of Directors' discretionary bonus** – Amot's Board of Directors, at its own discretion, will be entitled to increase the annual bonus and determine that an immaterial part of the remuneration of the outgoing Amot CEO, in an amount that does not exceed three monthly salaries per year, will be granted according to non-measurable criteria (subject to the maximum annual bonus to the outgoing Amot CEO, which amounts to NIS 2.6 million, linked to the CPI for June 2016). Amot's Board of Directors will exercise its discretion in accordance with the criteria in Amot's remuneration policy and in accordance with any other criteria determined by Amot's Board of Directors in this regard.

c. **Capital remuneration (long-term variable component)** – An annual grant of options, as part of the Capital Gain Track under Section 102 of the Income Tax Ordinance, at a value of 48% of the annual salary cost of the outgoing Amot CEO (i.e. option warrants with a fair value of NIS 1.1 million per year). The exercise price of the warrants will be determined in accordance with the terms of Amot's remuneration policy, as they may from time to time.
Alternatively, Amot will be able to grant the outgoing Amot CEO a capital remuneration through similar mechanisms for the allocation of securities under the terms detailed in this section.

d. **Salary and related benefits (fixed component) –** A gross monthly salary of NIS 140,000 linked to the CPI for June 2016 and he will also be entitled to related social benefits as customary, and a company car, including full maintenance expenses; cell phone; reimbursement of expenses on the job (as is customary in Amot); indemnification, exemption and officers' insurance according to the terms of indemnification, exemption and insurance customary at Amot.

e. **Retirement –** The end of employment will require mutual advance notice of 4 months, except under special circumstances.

Implementation of capital remuneration

The following are details regarding options (non-tradable) that may be exercised for Amot shares, which according to Amot's previous remuneration policy and Amot's new compensation policy, have been allocated to Amot's CEO from 2018 until the date of publication of this report:

Date of the Board of Directors' Decision to Grant the Options	Economic Value of the Options in NIS millions, according to Black and Scholes Economic Model	Number of Options	Exercise price (in NIS) [16]
March 11, 2018	1.1	531,401[17]	20.17
March 10, 2019	1.1	488,889	21.63
March 8, 2020	1.1	404,412	26.13

At its meeting on November 8, 2020, Amot's Board of Directors decided (after receiving approval from Amot's Remuneration Committee) to act in accordance with the authority conferred thereon in Amot's options' framework plan and to accelerate the vesting of the option warrants issued to the outgoing Amot CEO in 2019 and 2020 which had not yet vested by the date of his retirement, and they will be exercisable by him until the end of the exercise period.

Annual bonus for 2020 - On March 7, 2021, following the approval and recommendation of Amot's Remuneration Committee, Amot's Board of Directors decided to approve a bonus to the outgoing Amot CEO for 2020 in the total amount of NIS 880 thousand, of which NIS 280 thousand is the application of the formulas determined in the terms of employment of the outgoing Amot CEO detailed above, and the balance of the bonus of NIS 600 thousand is a discretionary grant of Amot's Remuneration Committee and the Board of Directors, which exercised their discretion in accordance with their authority under Amot's remuneration policy. The full amount of the bonus will be paid in cash.

Retirement grant - On November 8, 2020, Amot's Board of Directors decided, following the approval and recommendation by Amot's Remuneration Committee, to approve the payment of a retirement grant to the outgoing Amot CEO in the amount of NIS 840 thousand (equivalent to six gross salaries). The approval for the payment of the retirement grant was granted under Section 272(d) of the Companies Law, after Amot's Remuneration Committee and Board of Directors exercised their discretion.

7. <u>CEO of Energix Renewable Energies Ltd.</u>

Mr. Asa (Assi) Levinger, the Energix CEO (hereinafter: "**the Energix CEO**"), is employed at Energix according to an employment agreement signed with him and updated from time to time. In July 2019, the Energix General Assembly approved a new remuneration package and updated the

16 Unlinked, subject to adjustments.
17 The above options were fully exercised by Amot's CEO during 2020.

terms of employment of the Energix CEO, according to the decisions of the Energix Remuneration Committee and Board of Directors at their meetings in June 2019. According to the terms of the remuneration package, the terms of employment of the Energix CEO, in effect for three years starting July 1, 2019 (hereinafter: "**the 2019 Agreement**") are as follows:

a. The Energix CEO's (gross) salary is NIS 98 thousand. The monthly salary of the Energix CEO is linked (on a monthly basis) to the last known index published as of the date of approval of the Energix General Assembly, as long as it is no less than NIS 98 thousand plus the related terms, social benefits and company car. The monthly salary cost of the Energix CEO will amount to a total of NIS 136 thousand (hereinafter, in this section: "**the Salary Cost**").

b. The Energix CEO will be entitled to an annual grant ceiling in a fixed amount of up to 6 months of the salary cost starting in 2019, with the actual amount of remuneration being dependent on performance according to the measurable component of the remuneration plan. In addition, the Board of Directors, on the recommendation of Energix's Remuneration Committee, has the authority to grant the Energix's CEO a discretionary grant of up to 3 months of the salary cost, provided that the total annual grant to be paid to the Energix CEO does not exceed 8 monthly salaries. It should be clarified that the annual grant may be paid in cash or as a capital remuneration instead of cash.

c. The Energix CEO will be entitled to a medium-term capital remuneration at a value of 3 months if the salary cost per year, each year. The medium-term capital remuneration will be granted in the framework of the 2014 Energix options plan, based on an annual allocation, vesting over a period of two years and expiring in 3 years.

d. In addition, the long-term capital remuneration granted to the Energix CEO according to the 2016 remuneration package was extended for an additional three years, beginning at the end of the first long-term remuneration period, with the required adjustments. Accordingly, after the approval of Energix's Assembly, the Energix CEO was granted stock options to purchase Energix shares of common stock with a total value of NIS 3,375 thousand, which will vest to realization in three equal portions over a period of 4, 5 and 6 years from the date of approval of Energix's Board of Directors for the updated remuneration package. The exercise price will be NIS 11.07, the exercise of the warrants is in a cashless mechanism and is subject to achieving a target price per share of NIS 13.02 (reflecting a price which is twice the share price prior to the approval of the Board of Directors (subject to adjustments)).

The employment agreement of the Energix CEO expires on July 1, 2022, or earlier, subject to advance notice of 90 days by Energix or 6 months by the Energix CEO. In the event that the employment of the Energix CEO is terminated by Energix (not under circumstances that disqualify him for severance pay), the Energix CEO will be entitled to a 3-month adaptation period, during which he will be entitled to full pay, including the related conditions.

The salary cost of the Energix CEO (employer cost, not including grants) in 2020 amounted to approx. NIS 1,538 thousand.

The following are details regarding the annual bonus to which the Energix CEO is entitled, as approved by Energix's Remuneration Committee and Board of Directors in their meetings on March 5 and 11, 2019 and on March 1 and 8, 2021, respectively:

Type of Remuneration	Grant Ceiling according to Remuneration Plan and in accordance with the Energix CEO's Employment Agreement	Grant Ceiling for 2020 according to Decisions by Energix's Remuneration Committee and Board of Directors	Actual Entitlement	Value in NIS	Actual Grant
Measurable bonus component A	Up to 6 months of salary cost The annual ceiling and the weighting for each component are determined in advance in the Remuneration Committee and the Board of Directors	1.8 months of salary cost (30% of 6 months)	5.14 months of salary cost	For the measurable component: Approx. NIS 700 thousand Discretionary grant: Approx. NIS 225 thousand	The total grant in the amount of NIS 925 thousand was converted into approx. 383 thousand options that vested immediately *
Measurable grant component B		1.8 months of salary cost (30% of 6 months)			
Measurable grant component C		2.4 months of salary cost (40% of 6 months)			
Discretionary grant	Up to 3 months of salary cost and not exceeding 8 months of total annual salary grant, determined close to the date of approval of the financial statements (retroactively)	Up to 3 months of salary cost	1.66 months of salary cost		

Within the framework of the medium-term capital remuneration, the Energix CEO was granted option warrants with a value of NIS 408 thousand.

(*) The following are details regarding the capital remuneration for the Energix CEO in 2020 and 2021:

	2020	2021[18]
Number of Options	950,000	551,843
Of which, options replacing a cash bonus, fully accelerated	691,000	382,937
Share price (in NIS)	10.7	11.26
Exercise price (NIS) (determined according to the weighted average of the share prices on the stock exchange in the 30 trading days preceding the date of the decision of Energix's Board of Directors to grant the options.	11.883	12.249
Fair value of options	1.5747	2.2969
Expected volatility	26.47%	35.17%
Lifespan of options (in years)	3.08	2.83
Final exercise date	30.6.2023	3 years from their granting
Risk-free interest rate	0.332%	0.249%

8. Senior executives at Brockton Everlast Inc.

Jason Blank (Deputy Chairman of the Board of Directors and President of BE), David Marks (BE CEO) and Richard Selby (Chief Investment Manager) constitute the active senior management team of Brockton Everlast Inc. (hereinafter: "**BE Managers**" and "**BE**", respectively). Two of BE's managers, Jason Blank and David Marks, also serve as directors of BE. The main terms of engagement with the BE managers until the end of 2025, as agreed under the partnership agreement, are as follows:

a. An annual remuneration for each of the BE managers, including related expenses, of GBP 875,000 in return for their work at BE. This amount also includes GBP 20,000 for directors' wages. At the beginning of 2022, their wages will be updated in line with what is customary in the industry at that time, taking into consideration public real estate companies with similar assets in the UK.

Brockton managers will also be entitled to this salary for absence from work for annual vacation and for sick leave.

b. Under the Long Term Incentive Plan ("**LTIP**") adopted by BE, BE executives are entitled to 60% of an amount equal to 14% of the future growth in BE's NAV beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2018 to December 31, 2021 (hereinafter: "**the First Period**") and the second from January 1, 2022 to December 31, 2025 (hereinafter: "**the Second Period**"), where the second period includes a maximum grant ceiling (to all BE employees) of GBP 40 million. The BE managers must invest in BE 50% of the consideration received by them (less tax) under the LTIP plan, in exchange for the allotment of BE shares[19].

c. As part of a cash remuneration plan, the BE managers will be entitled, in the second period, to an annual bonus of GBP 2.5 million, and a total of GBP 10 million for the entire second period, subject to targets to be determined by BE's Board of Directors.

d. The BE managers must invest 50% of the total **carry interest** (less applicable tax) if and when they are paid by the Brockton Funds (regarding the Brockton Funds, see Note 5(1) to the financial statements), against the allocation of BE shares[19].

e. The BE managers are committed to secrecy, non-solicitation of employees and non-competition. The agreement with them includes a mechanism determining different results, including expropriation of their holdings in BE, in the event that one of them ceases working at BE on a date before 2025, whether voluntarily or if they violated their commitment to BE.

As of December 31, 2020, the holdings of the BE managers in BE was approx. 3.98%, and as of the date of publication of this report they amount to 3.48%.

21.3. Details of the remuneration granted to interested parties in the Company not listed in Section 1 above, by the Company or by a corporation under its control

21.3.1. Chairman of the Company's Board of Directors

(**) As of this date, the options have yet to be allocated in practice.

19 The share price will be determined according to the equity per share (IFRS) on the date of the investment.

For information on the existing management agreement with the Chairman of the Company's Board of Directors and for the capital remuneration granted to the Chairman of the Board of Directors, see Note 18b to the financial statements.
On October 9, 2018, the General Assembly approved changes in the terms of the management agreement of the Chairman of the Company's Board of Directors regarding the years 2019-2021. For additional information, see the October 2018 Assembly Reports and Note 18b to the financial statements.

21.3.2. Remuneration of directors

For details regarding the remuneration of directors and capital remuneration of directors, see Note 18c to the financial statements.
On March 16, 2021, the Company's Board of Directors, in accordance with the remuneration policy and the decision of the General Assembly dated October 9, 2018, decided to allocate 268,374 option warrants to directors and officers (it was also decided to grant 32,212 options to the Chairman of the Board), and from this amount, 30,005 options will be allocated to 5 directors not employed by the Company, at an economic value for each director of half of the annual remuneration to which the directors are entitled due to their position on the Board of Directors (not including compensation for participation in the meetings for the year ended December 31, 2020).[20][21] The options will be allocated according to an option plan in accordance with Section 102 in a capital track with a trustee adopted by the Company's Board of Directors on February 19, 2018.

21.3.3. Exemption and indemnity

Regarding letters of exemption and letters of indemnity that were given to the Company's directors and officers, see Note 18c to the financial statements.

21.3.4. Liability insurance for officers

Regarding officers' liability insurance, including directors' liability insurance, see Note 18.c.3 to the financial statements.

21.3.5. Additional information

For the service of Nathan Hetz (CEO and Director) and Aviram Wertheim (Chairman of the Company's Board of Directors) as directors at PSP Swiss Properties (PSP), each is entitled to remuneration according to the remuneration plan for PSP directors.

20 In addition, the Board of Directors' decision also included an approval to allocate 64,424 options to Company employees.
21 NIS 55,890.

Regulation 21A – The Company's Controlling Shareholders

The Company does not have a controlling shareholder.

Regulation 22 – Transactions with Controlling Shareholders or Transactions in which Controlling Shareholders have a Personal Interest

As stated in Section 21A above, the Company does not have a controlling shareholder.
For details, to the best of the Company's knowledge, of every transaction with anyone who was, up to November 26, 2019, a controlling shareholder in the Company, or anyone for whom a controlling shareholder in the Company had a personal interest in its approval (hereinafter: "**transaction with a controlling shareholder**") to whom the Company, companies under its control and related companies engaged with them in 2019 up to the date the Company no longer had a controlling shareholder, see Regulation 22 of the Additional Information chapter of the 2019 periodic report, published by the Company on March 19, 2020 (Ref: 2020-01-026631) (hereinafter: "**the 2019 Periodic Report**").

Regulation 24 – Shares and other Company Securities Held by Interested Parties and Senior Officers in the Corporation

For details regarding holdings of interested parties and senior officers in shares and other securities of the Company, and in the securities of Amot and Energix as of December 31, 2020, see the immediate report published by the Company on January 6, 2021 (Ref: 2021-01-002277) (hereinafter, in this section: "**the immediate report**"). The information presented in the immediate report is presented here by way of reference.

Regulation 24A – Registered and Issued Capital and Convertible Securities, as of March 16, 2021

	Number of Convertible Shares/Securities
Registered capital	1,000,000,000 (*)
Issued capital	172,944,626
Issued capital held by shareholders who are not the Company or a subsidiary	172,859,286**
Issued capital owned by the Company (dormant shares)	85,340
Non-tradable options to employees and officers[22]	3,051,057

(*) Of which 500,000,000 are regular shares and 500,000,000 are preferred shares.
(**) This total does not include 85,340 dormant shares owned by the Company.

Regulation 24B – Shareholders' Registry

For the Company's shareholders' registry, see the immediate report published by the Company on February 28, 2021 (Ref: 2021-01-023670). The information presented in the report is presented here by way of reference.

Regulation 25A – Registered Address

See the beginning of first page of this report for Additional Information Regarding the Corporation (Page 2 above).

22 It should be noted that on March 16, 2021, the Company's Board of Directors approved the allocation of 365,010 option warrants to the Chairman of the Company's Board of Directors, to the directors, officers and employees, which, as of the publication of this periodic report, have not yet been allocated and which have not been taken into account.

Regulation 26 – The Corporation's Directors

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
ID:	055585277	51673192	33433152	54048574	051112027	001331206	028951192
Date of birth:	25.10.1958	7.10.1952	8/10/1976	24.1.1956	20/11/1951	9/04/1949	25/09/1971
Address:	8 Hatarbut, Ramat Hasharon	12 Litvinsky, Ramat Gan	1 Simtat HaRimon, Rishpon	11 A.D. Gordon, Jerusalem	11 Smadar, Carmei Yosef	22a Hatet-Zayin, Tel Aviv	1 Yafe Nof, Givatayim
Citizenship	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on Board of Directors committees	No	No	No	Member of the Financial Statement Examination Committee, Audit Committee and Remuneration Committee	No	Member of the Audit Committee (Chairman), Financial Statement Approval Committee and Remuneration Committee	Member of the Audit Committee, Financial Statement Approval Committee (Chairman) and Remuneration Committee (Chairman)
Independent/external director?	No	No	No	Yes - independent director	Yes - independent director	Yes - external director	Yes - external director
Employed by the corporation, a subsidiary, a related company or an interested party?	Active salaried Chairman of the Board of Directors	Company CEO since January 1, 1993	No	No	No	No	No
In office as of:	26.11.1996	28.10.1990	16.08.1998	16.5.2013	23.11.2015	13.5.2018	12.7.2018
Education:	BA Degree in Business Administration and Accounting – College of Management, Academic Studies, Certified Public Accountant.	BA in Economics and Business Administration, Bar Ilan University, BA in Accounting, Tel Aviv University, Certified Public Accountant.	PhD in Neuroscience, Haifa University. MBA in Business Administration, the Hebrew University of Jerusalem, MSc in Neurobiology (Neuroscience), Haifa University, BSc in Marine Biology from Ruppin College.	MA in Business Administration and Economics, BA in Mathematics, Economics and Supplementary Studies, BA in Law, all from Hebrew University of Jerusalem. Certified Attorney at Law.	BA in Economics, Ben Gurion University, MA in Public Administration, Harvard University.	BA in Economics, Tel Aviv University. PhD in Economics, University of Minnesota	BA in Business Administration with Specialization in Accounting, College of Management Academic Studies MBA in Business Administration, Ben Gurion University

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
Employment over the past five years:	Alony-Hetz Properties and Investments Ltd.	Company CEO from January 1, 1993, Chairman of the Board of Directors of Amot Investments Ltd., Chairman of the Board of Directors of Energix Renewable Energy Ltd., Chairman of the Board of Directors of Carr Properties and Chairman of the Board of Directors of Brockton Everlast.	PhD student of Neuroscience – Haifa University. Director at Eden Energy Discoveries (until May 2017) Chairman of the Hetz Center at the Givat Olga Technoda. General Manager of Hetz Vamatara Association.	Director and Chairman of the Audit Committee at the Company for the Management of Remuneration and Pension Funds of Jewish Agency Employees Ltd., external director at Chum Food products (Israel) Ltd., member of the Audit Committee and the Remuneration Committee at Chum until December 2017, External Director of the Tel Aviv Stock Exchange Ltd. and its subsidiaries. Member of the Audit, Remuneration and Risk Management Committee. Until December 2016, external director at RoboGroup TAC Ltd. until 2014.	Head of INSS – Institute of National Security Studies Head of the Ben Gurion Heritage Institute - volunteer Chairman of Fidel Foundation - volunteer Owner of an international lecture and consulting company.	Professor of Economics, Dean of the Tiomkin School of Economics at the Herzliya Interdisciplinary Center and Head of the Aharon Institute for Economic Policy at the Herzliya Interdisciplinary Center, lecturer on Economics at Wharton School of Business Administration at the University of Pennsylvania, academic and strategic advisor at the Center for Financial Growth, Bank Hapoalim and economic consultant for Brevan Howard Investment until July 2017.	Head of the Accounting program and Deputy Dean of the Arison School of Business Administration at the Herzliya Interdisciplinary Center, senior lecturer on accounting at the School of Business Administration in the Academic Program of the College of Management until 2015, academic supervisor for accounting courses and academic consultant for accounting at the Open University, the Department of Management and Economics, owner and CEO of IFRS Consulting.

	Aviram Wertheim Chairman of the Board of Directors	Nathan Hetz	Adva Sharvit	Gitit Guberman	Amos Yadlin	Zvi Eckstein	Shlomi Shuv
Serves on the board of directors of:	The Company (Chairman), Amot Investments Ltd., Energix Renewable Energies Ltd., PSP Swiss Property AG, Carr Properties Corporation and director in consolidated companies of the Company, of Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies and in private companies owned by him and by family members.	The Company, Amot Investments Ltd. (Chairman), Energix Renewable Energy Ltd. (Chairman), Carr Properties Corporation (Chairman), PSP Swiss Property AG, Brockton Everlast, director of subsidiaries of the Company, Energix and Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies as well as director in private companies in his possession and in the possession of his family members.	The Company.	The Company and the Company for the Management of Remuneration and Pension Funds of Jewish Agency Employees Ltd.	Ben Gurion Heritage Institute, Chair of Fidel Fund.	External director at the Company	Director at the Israeli Association of Valuators (Non-Profit), external director at Midroog Ltd. and external director of the Company
Family member of another interested party in the corporation?	No	Father of Adva Sharvit	Daughter of Nathan Hetz	No	No	No	No
Does the Company consider them as having accounting and financial expertise for the purpose of complying with the minimum number on the Board of Directors?	Yes	Yes	No	Yes	No	Yes	Yes

Regulation 26A – Senior Corporate Officers

	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	OSHRIT BAR-DAVID	MAYA YAAKOV	NAAMA EMMANUEL	YISRAEL GEWIRTZ
ID:	022939276	023944176	055080428	027217736	036402733	039265327	033762139
Date of birth:	13/9/1967	24/7/1968	25/1/1958	26/03/1974	13/7/1979	15/12/1983	19/02/1977
In office as of:	October 2005	April 2008	March 2007	June 2000	June 2008	April 2014	May 2017
Position at the corporation:	VP of Business Development	CFO	Legal Counsel and Company Secretary	Accountant	Accountant	Accountant	Internal Auditor
Position in the corporation's subsidiary or interested party	Director at Amot, director at Energix, director at Carr Properties Corporation, director at joint Alony-Hetz Properties and Investments and Oxford Properties companies, director at Brockton Everlast Inc. and director at Company subsidiaries. Member of Brockton Capital Funds steering committees	Director at Energix, director at Brockton Everlast Inc. and director at Company and Energix subsidiaries.	None	None	None	None	Internal Auditor at Energix Renewable Energies Ltd.
Interested party or family member of interested party or senior officer in the corporation:	No	No	No	No	No	No	No

	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	OSHRIT BAR-DAVID	MAYA YAAKOV	NAAMA EMMANUEL	YISRAEL GEWIRTZ
Education:	MBA, BA in Economics and Accounting, Tel Aviv University. Certified Public Accountant	MST, University of San Jose, CA. BA in Business Administration and Accounting, College of Management Certified Public Accountant	Attorney, BA of Law, Tel Aviv University.	MBA of Business Administration and BA in Economics and Accounting, Bar Ilan University Certified Public Accountant	MBA (with a Specialization in Business Taxation), College of Management, BA in Accounting and Economics, Tel Aviv University. Certified Public Accountant	BA in Accounting, Management and Economics, Tel Aviv University. Certified Public Accountant	BA in Accounting and Economics, Bar Ilan University Certified Public Accountant Certification in Risk Management Assurance (CRMA) and Certified Internal Auditor (CIA) from the U.S. Institute of Internal Auditors
Employment over the past five years:	Current position	Current position	Current position	Current position	Current position	Current position	Partner in Fahn Kanne Management and Control Ltd.

Regulation 26B – Independent Authorized Signatories

The Company has no independent authorized signatories.

Regulation 27 – The Corporation's Accountant

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

Regulation 28 – Amendment of Memorandum or in Articles of Association

There were no changes made to the Company's Memorandum or Articles of Association in 2020.
For an up-to-date version of the Company's Articles of Association, see the immediate report published by the Company on July 12, 2018 (Ref: 2018-01-063447).

Regulation 29 – Recommendations and Decisions of the Board of Directors

a.

1. At its meeting on March 18, 2020, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share for the first quarter of 2020, in accordance with the dividend policy for 2020.
2. At its meeting on May 20, 2020, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share, for the second quarter of 2020, in accordance with the dividend policy for 2020.
3. At its meeting on August 24, 2020, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share for the third quarter of 2020, in accordance with the dividend policy for 2020.
4. At its meeting on November 22, 2020, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.29 per share for the fourth quarter of 2020, in accordance with the dividend policy for 2020.
5. The Company did not engage in transactions with interested parties that are not in accordance with market conditions. For details of transactions between the Company and its interested parties, see Note 18 to the financial statements and Regulation 21 above.

b. General Assembly decisions:

In 2020, no special general meetings were held and no decisions were made contrary to the recommendation of the Board of Directors.

Regulation 29A – Company Decisions

1. Regarding Company decisions on the subject of indemnification, exemption and insurance, see Note 18 to the financial statements.
2. On May 20, 2020, the Company's Board of Directors (on the recommendation of the Audit Committee) approved the Company to extend, by one year, the existing arrangement with Energix for the execution forward transactions. For additional information, see Note 18g to the financial statements.
   For the sake of caution, the framework transaction was defined as an exceptional transaction by the Audit Committee.

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

Amot, Platinum, Petach-Tikva

Corporate Governance Questionnaire

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

AlonyHetz Group קבוצת אלוני חץ

Corporate Governance Questionnaire

BOARD OF DIRECTORS' INDEPENDENCE				
			Correct	**Incorrect**
1.		Two or more external directors served at the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as noted in Section 363a(b)(10) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which two external directors did not serve during the reporting year (including a period of service approved retroactively, while separating between the different external directors): Director A: Prof. Zvi Eckstein – served throughout the year. Director B: Shlomi Shuv – served throughout the year. Number of external directors serving in the corporation as of the publication of this questionnaire: 2.	V	
2.		Rate[1] of independent directors[2] serving in the corporation as of the date of publication of this questionnaire: 57%. Rate of independent directors determined in the corporation's bylaws: ____.[3][4] X N/A (no instructions were determined in the bylaws).	___	___
3.		In the reporting year, an examination was conducted with the external directors (and the independent directors) and they were found to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law in the reporting year regarding the absence of affiliation of the external (and independent) directors serving in the corporation, and they comply with the conditions required for serving as an external (or independent) director.	V	
4.		None of the directors serving at the corporation during the reporting year are subordinate[5] to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if the corporation has employee representation). If your answer is "Incorrect" (meaning that the director is subordinate to the CEO) – note the rate of directors failing to meet this restriction: _____.	V	
5.		All directors who announced the existence of their personal interest in approving a transaction on the agenda of the meeting were absent from the discussion and did not vote as aforesaid (except for discussion and/or voting under the circumstances in Section 278(b) of the Companies Law): If your answer is "Incorrect" – Was it for the presentation of a specific subject in accordance with Section 278(a) final clause: ☐Yes ☐No (check the appropriate box). Note the rate of meetings in which such directors attended the discussion and/or participated in the vote, except for the circumstances noted in Subsection (a): ____.	V	

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1 In this questionnaire, "**rate**" means a certain number out of the total. For instance, 3/8.
2 Including "external directors", as defined in the Companies Law.
3 In this questionnaire – "bylaws" including in accordance with a specific legal provision applicable to the corporation (for instance in a banking corporation – the Supervisor of Banks instructions).
4 A bond company does not have to answer this section.
5 Regarding this question – the very fact of service as a director in an investee corporation under the corporation's control will not be considered "subordination", while on the other hand, the service of a director in a corporation serving as an officer (with the exception of a director) and/or an employee in a corporation held by the corporation will be considered "subordinate" for this question.

6.		The controlling shareholder (including his relatives or representatives on his behalf), who is not a director or other senior officer of the corporation, was not present at board meetings held during the reporting year[6]. If your answer is "Incorrect" (meaning that the controlling shareholder and/or their relative and/or their representative who is not a board member and/or senior officer of the corporation was present at the board meetings) – list the following information regarding the presence of any additional person at the board meeting: Identity: ___. Position at the corporation (if any): ____. Details of affiliation with the controlling shareholder (if the person present was not the controlling shareholder): ___. Was it for the presentation of a specific subject: ☐ Yes ☐ No (check the appropriate box) His rate of attendance[7] at board meetings held in the reporting year for his presentation of a specific subject: ___, other attendance: ____. X N/A (the corporation has no controlling shareholder).		

COMPETENCE AND CAPABILITIES OF THE DIRECTORS

				Correct	Incorrect
7.		The corporation's bylaws do not have a provision limiting the possibility of immediately terminating the service of all of the corporation's directors who are not external directors (in this regard – a regular majority vote is not considered a limitation).[8] If your answer is "Incorrect" (meaning that such a limitation exists), note –		V	
		a.	Director's term of office determined in the bylaws: ___.	___	___
		b.	Required majority determined in the bylaws for the termination of the service of directors: ___.	___	___
		c.	Legal quorum determined in the bylaws at the general assembly for the termination of the service of directors: ___.	___	___
		d.	Required majority for making these changes in the bylaws: ___.	___	___
8.		The corporation was responsible for preparing a training program for new directors, on the subject of corporate business and regarding the laws applicable to the corporation and the directors, and also prepared an advanced program for the training of incumbent directors, which is adapted, inter alia, to the role of the director in the corporation. If your answer is "Correct" – note whether the program was activated during the reporting year: X Yes No (check the appropriate box)		V	
9.		a.	The corporation established a mandatory minimum number of directors on the board of directors who are required to have accounting and financial expertise. If your answer is "Correct" – note the minimum number determined: 3.	V	
		b.	Number of directors serving in the corporation during the reporting year – With accounting and financial expertise[9]: 5. Directors with professional qualifications[10]: 2.	___	___

[6] It should be noted that our answer relates to the controlling shareholder (including his relative and/or his representative), who is not a director, but not to other senior officers of the corporation.
[7] With separation between the controlling shareholder, his relative and/or representative.
[8] A bond company does not have to answer this section.
[9] After the assessment of the Board of Directors, in accordance with the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.
[10] See footnote 8.

				Correct	Incorrect
			In the event of changes in the number of directors during the reporting year, the lowest number should be listed (with the exception of a period of 60 days from the change) of directors of any kind serving in the reporting year.		
10.		a.	Throughout the reporting year, the composition of the board of directors consisted of members of both genders. If your answer is "incorrect" – note the period of time (in days) in which this was not upheld: ___. This question may be answered "Correct" if the period of time in which directors of both genders did not serve does not exceed 60 days, however, any (Correct/Incorrect) answer must note the period of time (in days) in which directors of both genders did not serve in the corporation: ___.	V	
		b.	Number of directors of each gender serving on the corporation's board of directors as of the publication of this questionnaire: Men: 5. Women: 2.	___	___

BOARD MEETINGS (AND CONVENING OF THE GENERAL ASSEMBLY)

				Correct	Incorrect
11.		a.	The number of board meetings held during each quarter in the reporting year: total during 2020 – 7 First quarter (2020): 1 Second quarter: 2 Third quarter: 3 Fourth quarter: 1	___	___
		b.	Next to the name of each of the directors serving in the corporation during the reporting year, note their participation rate[11] in meetings of the board of directors (in this sub-section – including the meetings of the board of directors committees in which they are members, and as noted below) that took place during the reporting year (and referring to their term in office): (Add additional lines according to the number of directors)	___	___

Name of Director	Attendance rate at **Board** meetings	Attendance rate at **Audit Committee** meetings[12]	Attendance rate at **Financial Statements Examination Committee meetings**[13]	Attendance rate at **Remuneration Committee** meetings[14]	Attendance rate at **additional board committees in which they are members** (noting the name of the committee)	Correct	Incorrect
Aviram Wertheim	100%	-	-	-	___		
Nathan Hetz	100%	-	-	-	___	___	___
Zvi Eckstein	100%	100%	100%	100%	___	___	___
Shlomi Shuv	86%	100%	100%	100%	___	___	___
Gitit Guberman	100%	100%	100%	100%	___	___	___
Adva Sharvit	100%	-	-	-	___	___	___
Amos Yadlin	100%	-	___	___	___	___	___

			Correct	Incorrect
12.		During the reporting year, the board of directors held at least one discussion on the subject of the management of the corporation's business by the CEO and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.	V	

[11] See Footnote 2.
[12] For directors who are members of this committee.
[13] For directors who are members of this committee.
[14] For directors who are members of this committee.

SEPARATION BETWEEN THE POSITIONS OF CEO AND CHAIRMAN OF THE BOARD OF DIRECTORS				
			Correct	**Incorrect**
13.		A chairman of the board of directors served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no chairman of the board served in the corporation does not exceed 60 days (as stated in Section 363a(2) of the Companies Law), however, any (Correct/Incorrect) answer must note the period of time (in days) in which a chairman of the board did not serve in the corporation: ___.	V	
14.		A CEO served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no CEO served in the corporation does not exceed 90 days as stated in Section 363a(6) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which a CEO did not serve in the corporation: ___.	V	
15.		In a corporation in which the chairman of the board also serves as the corporation's CEO and/or has the authorities of the CEO, the double service has been approved in accordance with Section 121(c) of the Companies Law[15]. X N/A (if no such double service exists at the corporation).		
16.		The CEO is <u>not</u> related to the Chairman of the Board. If you answer is "Incorrect" (that is, the CEO is a relative of the Chairman of the Board of Directors –	V	
	a.	State family relationship between the parties: ________	___	___
	b.	The service was approved in accordance with Section 121(c) of the Companies Law[16]: ☐ Yes ☐ No *(Check the appropriate box).*	___	___
17.		The controlling shareholder or his relative <u>does not</u> serve as CEO or senior officer in the corporation, except as a director.[17] X N/A (the corporation has no controlling shareholder).		

[15] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[16] In a bond company – approval in accordance with Section 121(d) of the Companies Law.

[17] Note that as of November 26, 2019, the Company does not have a controlling shareholder.

AUDIT COMMITTEE

				Correct	Incorrect
18.		The following did not serve on the Audit Committee in the reporting year –		___	___
		a.	The controlling shareholder or his relative X N/A (the corporation has no controlling shareholder).		
		b.	Chairman of the Board of Directors	V	
		c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	V	
		d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	V	
		e.	A director whose main earnings are from the controlling shareholder. X N/A (the corporation has no controlling shareholder).		
19.		Those who are not entitled to be members of the Audit Committee, including the controlling shareholder or his relatives, were not present in the reporting year at the meetings of the Audit Committee, except in accordance with Section 115(e) of the Companies Law.		V	
20.		A legal quorum for discussions and decision-making at all of the Audit Committee meetings held in the reporting year was a majority of the committee members, and most of those present were independent directors, and at least one of them was an external director. If your answer is "Incorrect" - state the number of meetings in which the requirement was not upheld: _______		V	
21.	The Audit Committee held at least one meeting during the reporting year in the presence of the internal auditor and the auditing accountant, and without the presence of officers of the corporation who are not committee members, on the subject of deficiencies in the corporation's business management.			V	
22.	In all Audit Committee meetings at which people not entitled to be committee members were in attendance, it was with the approval of the chairman of the committee or at the committee's request (regarding the corporation's legal counsel and secretary, who is not a controlling shareholder or related to one).			V	
23.	During the reporting year, arrangements were in effect that had been established by the Audit Committee regarding the treatment of complaints of the corporation's employees in the matter of deficiencies in the management of its business and regarding the protection given employees who complained.			V	
24.	The Audit Committee (and/or the Financial Statements Examination Committee) is satisfied that the extent of the work of the auditing accountant his wage regarding the financial statements in the reporting year are sufficient for performing appropriate auditing and reviewing work.			V	

THE DUTIES OF THE FINANCIAL STATEMENTS EXAMINATION COMMITTEE (HEREINAFTER – THE COMMITTEE) IN ITS PRELIMINARY WORK FOR THE APPROVAL OF THE FINANCIAL STATEMENTS				
			Correct	**Incorrect**
25.	a.	Note the amount of time (in days) that the Board of Directors has determined as a reasonable time for submitting the Committee's recommendations for the Board of Directors' discussion for approval of the financial statements: 3.	___	___
	b.	Number of days that passed between submission of the recommendations to the board of directors and the date of the Board meeting for the approval of the financial statements: First quarter report (2020): 3 Second quarter report: 5 Third quarter report: 3 Annual report (2020) 3	___	___
	c.	Number of days that passed between submission of the Draft Financial Statements to the directors and the date of the Board discussion for the approval of the financial statements: First quarter report (2019): 3 Second quarter report: 5 Third quarter report: 3 Annual report (2020) 3		
26.		The corporation's auditing accountant participated in all of the meetings of the committee and the board of directors, in which the corporation's financial statements were discussed, which refer to periods included in the reporting year. If your answer is "Incorrect", note his participation rate: ____.	V	
27.		The Committee complied with all of the conditions below during the entire reporting year and until the publication of the annual report:	___	___
	a.	The number of its members was not less than three (on the date of the committee discussion and approval of the statements).	V	
	b.	All of the conditions in Section 115(b) and (c) of the Companies Law (regarding the tenure of members of the Audit Committee) were complied with.	V	
	c.	The Chairman of the Audit Committee is an External Director.	V	
	d.	All of the members are directors and the majority are independent directors.	V	
	e.	All of its members are capable of reading financial statements and at least one of the independent directors has accounting and financial expertise.	V	
	f.	The Committee members submitted declarations prior to their appointment.	V	
	g.	The legal quorum for discussions and decision-making in the Committee is a majority of its members, on the condition that the majority of those present are independent directors, at least one of whom is an external director.	V	
		If your answer for one or more of the sub-sections of this question is "Incorrect", specify regarding which report (periodic/quarterly) the condition was not complied with and the condition that was not complied with: ____.	___	___

REMUNERATION COMMITTEE

				Correct	Incorrect
28.		In the reporting year, the committee consisted of at least three members and there was a majority of external directors (on the date of the committee's discussion). ☐N/A (no discussion held).		V	
29.		The terms of service and employment of all members of the Remuneration committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000.		V	
30.		The following did not serve on the Remuneration Committee in the reporting year –		___	___
		a.	The controlling shareholder or his relative X N/A (the corporation has no controlling shareholder).		
		b.	Chairman of the Board of Directors	V	
		c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	V	
		d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	V	
		e.	A director whose main earnings are from the controlling shareholder. X N/A (the corporation has no controlling shareholder).		
31.		The controlling shareholder or his relative did not attend the Remuneration Committee meetings in the reporting year, unless if the chairman of the committee stated that any of them were needed to present a certain subject.		N/A	
32.	The Remuneration Committee and the Board of Directors did use their authority under Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a remuneration policy despite the opposition of the General Assembly. If your answer is "Incorrect" note – The type of transaction approved: ______ The number of times their authority was used in the reporting year: _____			V	

INTERNAL AUDITOR

		Correct	Incorrect
33.	The Chairman of the Board of Directors or the corporation's CEO is the Internal Auditors organizational supervisor at the organization.	V	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan for the current year. Audit issues dealt with by the internal auditor in the reporting year: (a) Control of the internal audit of an investee company – Amot Investments; (b) A fraud and embezzlement survey; (c) information systems; and (d) Alony-Hetz control over investee companies – an examination in relation to Alony-Hetz's control over the acquisition of properties by BE.	V	
35.	Scope of employment of the internal auditor in the corporation in the reporting year (in hours[18]): 295	___	___
	A discussion was held in the reporting year (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	V	
36.	The Internal Auditor is not an interested party in the corporation, a relative, an auditing accountant or anyone acting on his behalf and does not conduct significant business relations with the corporation, its controlling shareholder, his relative or corporations under his control.	V	

[18] Including work hours invested in audits of investees. It should be noted that the public subsidiaries, Amot Investments Ltd. and Energix Renewable Energy Ltd., have their own internal auditors.

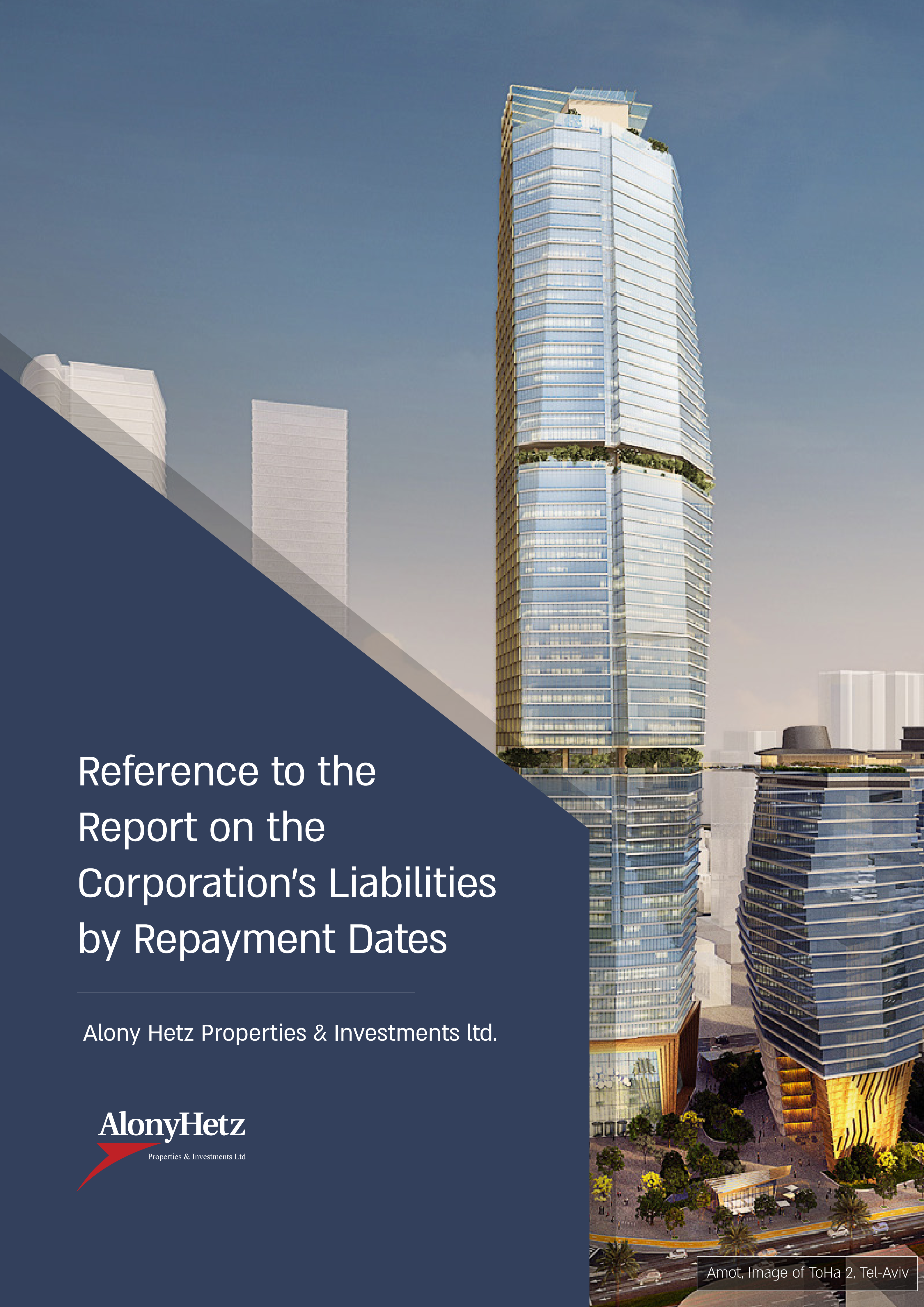
TRANSACTIONS WITH INTERESTED PARTIES			
		Correct	Incorrect
37.	The controlling shareholder or his relative (including a company under his control) are not employed by the corporation or provide management services. If your answer is "Incorrect" (meaning that the controlling shareholder or their relatives are employed by the corporation or provide management services), note – - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): - Were such employment agreements and/or management services approved by the legally mandated organs: ☐ Yes ☐ No X N/A (the corporation has no controlling shareholder).		
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's area of activity (in one area or more). If your answer is "incorrect" – note whether an arrangement was determined for setting boundaries between the corporation's activity and that of its controlling shareholder: ☐ Yes ☐ No (Check the appropriate box). X N/A (the corporation has no controlling shareholder).		

Chairman of the Board of Directors:
Aviram Wertheim

Chairman of the Audit Committee:
Zvi Eckstein

Chairman of the Balance Sheet Examination Committee:
Shlomi Shuv

Signing date: March 17, 2021



Reference to the Report on the Corporation's Liabilities by Repayment Dates

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot, Image of ToHa 2, Tel-Aviv

Report on the status of liabilities by repayment dates as of December 31, 2020

Regarding the Report on the status of liabilities by repayment dates as of December 31, 2020, see the Immediate Report dated March 17, 2021.

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, Image of One Congress, Boston

CARR PROPERTIES HOLDINGS LP

Consolidated Financial Statements as of December 31, 2020, and 2019 and for the years ended December 31, 2020 and 2019

CARR PROPERTIES HOLDINGS LP

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Report of Independent Auditors

To Management of Carr Properties Holdings LP

We have audited the accompanying consolidated financial statements of Carr Properties Holdings LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Carr Properties Holdings LP and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Arlington, Virginia
March 5, 2021

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

	Notes	December 31, 2020	2019
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,512,155 and $2,434,216)	5,12	$ 2,796,120	$ 2,805,605
Properties in development (cost of $577,019 and $420,513)	5,12	646,316	437,148
Investments in associates	6	318,983	215,639
Goodwill	9	9,326	9,326
Restricted cash	11	—	915
Straight line rent receivable		110,632	107,289
Deferred leasing costs and other, net		59,079	57,553
		3,940,456	3,633,475
Current assets			
Investment property held for sale		18,750	—
Trade receivables, net	2	13,039	3,388
Prepaid expense and other assets		9,906	10,602
Restricted cash	11	12,153	26,018
Cash and cash equivalents	2,11	34,128	20,723
		87,976	60,731
Total assets		$ 4,028,432	$ 3,694,206
EQUITY			
Equity attributable to common shareholders	18	$ 1,606,196	$ 1,519,563
Equity reserve from increase in CPP		9,756	9,732
Equity reserve for cash flow hedges	12	(38,054)	(38,191)
Retained earnings		262,864	296,335
Equity attributable to non-redeemable non-controlling interests	18	143,031	143,314
Total equity		1,983,793	1,930,753
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	10,11	$ 431,130	$ 474,187
Notes payable, net of current portion and deferred financing fees	10,11	1,230,917	847,153
Lease liabilities, net of current portion	8,16	128,746	129,006
Redeemable non-controlling interests, net of current portion	18	2,997	4,353
Derivative liabilities, net of current portion	12	7,030	2,947
Security deposits		4,056	4,226
Other liabilities		13,198	11,259
		1,818,074	1,473,131
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	10,11	2,505	62,487
Derivative liabilities, current	12	39	—
Current portion of lease liabilities	8,16	335	508
Redeemable non-controlling interests, current	18	147,373	150,176
Rent received in advance		14,736	11,934
Trade and other payables	2	59,649	65,217
Liabilities of investment property held for sale		1,928	—
		226,565	290,322
Total liabilities		2,044,639	1,763,453
Total equity and liabilities		$ 4,028,432	$ 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	March 5, 2021	

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

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

	Notes	For The Years Ended December 31, 2020	2019
Revenues			
Rental revenue		$ 198,927	$ 192,295
Recoveries from tenants		38,923	35,086
Parking income		7,681	13,778
Property management fees and other	15	2,065	1,384
Total revenues		247,596	242,543
Operating expenses			
Property operating expenses			
Direct payroll and benefits		8,469	8,603
Repairs and maintenance		10,028	9,435
Cleaning		5,482	6,396
Utilities		6,764	8,110
Real estate and other taxes		41,467	37,144
Other expenses	14	19,281	19,268
Property operating expenses		91,491	88,956
Non-property general and administrative expenses	13	20,118	19,632
Total operating expenses		111,609	108,588
Other operating loss			
Net loss from fair value adjustment of investment properties		(33,198)	(55,093)
Income from investments in associates	6	30,965	39,021
Total other operating loss and expense		(2,233)	(16,072)
Operating income		133,754	117,883
Other income (expense)			
Loss on extinguishment of debt	10	(1,157)	(4,364)
Other income		191	287
Revaluation of redeemable non-controlling interests		2,887	5,467
Interest expense	10	(56,840)	(58,841)
Pre-tax income		78,835	60,432
Income and franchise tax benefit		(1,700)	(272)
Net income		$ 80,535	$ 60,704
Attribution of net income			
Common shareholders		$ 74,239	$ 58,172
Non-redeemable non-controlling interests		6,296	2,532
		$ 80,535	$ 60,704
Other comprehensive income (loss)			
Items that may be subsequently reclassified to income or loss:			
Unrealized gain (loss) on cash flow hedges	12	$ (4,122)	$ (44,156)
Less: Reclassification adjustments for losses included in net income	10	3,936	—
Other comprehensive income (loss)		(186)	(44,156)
Total comprehensive income		$ 80,349	$ 16,548
Attribution of comprehensive income			
Common shareholders		$ 74,376	$ 16,798
Non-redeemable non-controlling interests		5,973	(250)
		$ 80,349	$ 16,548

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

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

	Notes	Common 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	$ 1,388,262	$ 633	$ 9,657	$ 2,261	$ 314,737	$ 1,715,550	$ 140,394	$ 1,855,944
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		98,497	131,301					131,301	8,370	139,671
Share based compensation		—	—	(633)	—	—	—	(633)	—	(633)
Change in equity reserve from increase in CPP		—	—	—	75	—	—	75	(75)	—
Net Income		—	—	—	—	922	57,250	58,172	2,532	60,704
Unrealized loss on cash flow hedges	11	—	—	—	—	(41,374)	—	(41,374)	(2,782)	(44,156)
Distributions	17	—	—	—	—	—	(75,184)	(75,184)	(5,193)	(80,377)
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

	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
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	64	64
Non-controlling interest partner distribution to 2311 Wilson	5	—	—	—	—	—	—	(4,840)	(4,840)
Issuance of common shares, net of offering costs		64,709	86,633	—	—	—	86,633	5,810	92,443
Change in equity reserve from increase in CPP		—	—	24	—	—	24	(24)	—
Net income		—	—	—	—	74,239	74,239	6,296	80,535
Unrealized loss on cash flow hedges	12	—	—	—	(3,552)	—	(3,552)	(570)	(4,122)
Amortization of terminated cash flow hedge		—	—	—	3,689	—	3,689	247	3,936
Distributions	18	—	—	—	—	(107,710)	(107,710)	(7,266)	(114,976)
Balance as of December 31, 2020		$1,393,348	$ 1,606,196	$ 9,756	$ (38,054)	$ 262,864	$ 1,840,762	$ 143,031	$ 1,983,793

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

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

		For The Years Ended December 31,	
	Notes	2020	2019
Cash flows from operating activities			
Net income		$ 80,535	$ 60,704
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	5	33,198	55,093
Income from investments in associates	6	(30,965)	(39,021)
Loss on extinguishment of debt	10	1,157	4,364
Distributions from investments in associates	6	—	670
Income and franchise tax benefit		(1,700)	(272)
Interest expense, net excluding amortization of deferred financing fees		56,272	56,387
Amortization of deferred financing fees		703	2,590
Amortization of equipment leases		515	561
Amortization of deferred leasing costs and lease incentives		5,831	5,348
Amortization of note payable premium		(135)	(136)
Provision for bad debt expense		672	333
LTIP Compensation		3,664	(633)
Revaluation of redeemable non-controlling interests		(2,887)	(5,467)
Changes in assets and liabilities			
Trade receivables		(10,323)	591
Straight line rent receivable		(3,343)	(25,970)
Prepaid expense and other assets		696	(2,286)
Trade and other payables		(1,438)	(10,792)
Rent received in advance		2,802	2,637
Cash generated by operations		**135,254**	**104,701**
Cash paid for interest		(59,371)	(56,777)
Net cash provided by operating activities		**75,883**	**47,924**
Cash flows from investing activities			
Proceeds from sale of income generating properties	5	181,656	54,825
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	5	(102,664)	—
Contributions to investment in associates	6	(73,971)	(149,850)
Return of investments in associates	6	1,592	55,638
Proceeds from the Wilson tenant buyout cost reimbursement	5	—	8,000
Additions to deferred leasing costs		(4,890)	(24,340)
Additions to tenant improvements		(22,576)	(21,276)
Additions to construction in progress, including capitalized interest		(174,856)	(136,887)
Other capital improvements on income generating properties		(14,921)	(19,064)
Decrease (increase) in restricted cash		14,857	(19,986)
Net cash used in investing activities		**(195,773)**	**(252,940)**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	18	(1,499)	(501)
Distribution to 2311 Wilson non-controlling interest partner	5	(4,840)	—
Redemption of non-controlling interests		—	(106)
Principal portion of lease payments	8	(496)	(559)
Issuance of common shares, net of offering costs	18	92,443	139,671
Borrowings under credit facility	10	170,000	294,000
Repayments under credit facility	10	(213,500)	(208,000)
Borrowings on notes payable	10	272,972	554,671

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

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

	Notes	For The Years Ended December 31, 2020	2019
Repayments of notes payable	10	(63,728)	(473,941)
Settlement of interest rate swap		—	(39,364)
Payment of deferred financing fees		(3,377)	(2,921)
Issuance of redeemable non-controlling interests		228	4,307
Distributions to common shareholders and non-redeemable non-controlling interests	18	(114,976)	(80,271)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		68	100
Net cash provided by (used in) financing activities		**133,295**	**187,086**
Net increase (decrease) in cash and cash equivalents		**13,405**	**(17,930)**
Cash and cash equivalents, beginning of the period		**20,723**	**38,653**
Cash and cash equivalents, end of the period		**$ 34,128**	**$ 20,723**
Supplemental disclosures of cash flow information:			
Capitalized interest		$ 10,906	$ 12,276
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		(12,130)	15,388
Lease liabilities arising from obtaining right-of-use assets		13	—
Non-cash interest expense	10	3,936	984
Debt and other liabilities assumed in acquisition of 75-101 Federal	5	140,820	—

The accompanying notes are an integral part of these 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 13 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 Insurance Enterprise Holdings Ltd., a company who began investing in 2018 ("Clal") in Holdings as of December 31, 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

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These financial statements are presented in United States dollars, which is the Partnership's functional and reporting currency. The Partnership has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

The Partnership reports cash flows from operating activities using the indirect method. Interest received and paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership’s business activities.

(c) Principles of Consolidation

General

The consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities over which the Partnership has the power to govern the entities’ financial and operating policies, generally accompanying an ownership of 50% or more of the voting rights. Control exists when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated in the financial statements from the date on which control is transferred to the Partnership and are de-consolidated from the date that control ceases. All intercompany balances and transactions, primarily management fees, have been eliminated in the consolidation process.

Investments in Associates

Associates are entities over which the Partnership has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights 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 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 consolidated financial statements include the accounts of the Partnership and its subsidiaries. The equity interests of the preferred shareholders and other limited partners in Carr Properties Partnership and its subsidiaries are reflected as non-redeemable non-controlling interests. Certain redeemable non-controlling interests retain redemption rights and are classified within current and non-current liabilities depending on contractual provisions of the redemption features. Redeemable non-controlling interests are recorded at contractual redemption amounts based on the Net Asset Value of CPP at each respective period end.

(d) Leases

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 Consolidated Statements of Operations and Comprehensive Income (Loss).

(e) 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.

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

(f) Investment Properties

In accordance with IAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Partnership, is classified as investment property. Investment properties are properties held to earn rental income and are accounted for using the fair value model. Investment property also includes property that is being constructed or developed for future use.

Investment property is measured initially at its cost. Subsequently, investment property is measured at fair value, at each balance sheet date. Gains and losses from changes in fair value are recorded in "Change in unrealized gain (loss) on valuation" and "Realized loss on sale of investment properties" on the Consolidated Statements of Operations and Comprehensive Income (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.

Total properties in development measured at cost, at December 31, 2020 and 2019 totaled $91.4 million and $257.0 million, respectively. Real estate taxes, insurance, and overhead are capitalized onto the cost basis of the asset. Borrowing costs incurred for the construction of assets are also capitalized during the period of time that is required to complete and prepare the asset for its intended use. Thereafter, borrowing costs are charged to earnings. Interest capitalized, including debt financing costs, on investment property that is being constructed, developed or redeveloped totaled $13.7 million at a weighted average rate of 3.23% for the year ended December 31, 2020 and $14.7 million at a weighted average rate of 4.82% for the year ended December 31, 2019.

Development rights are development opportunities in the early phase of the development process where the Partnership either has an option to acquire land, enter into a leasehold interest or where the Partnership is the buyer under a long-term conditional contract to purchase land. The Partnership capitalizes related pre-development costs incurred in pursuit of new developments for which the Partnership currently believes future development is probable. Repairs and maintenance costs are charged to expense as incurred and are included in the Consolidated Statements of Operations and Comprehensive Income.

(g) Goodwill and Intangible Assets

Goodwill arises on the acquisition of a business and represents the excess of consideration transferred over the fair value of the net identifiable assets acquired and the liabilities assumed. Each quarter, the Partnership evaluates the values assigned to its goodwill and other intangible assets to determine whether any indicators of impairment are present. The Partnership also performs an annual impairment test or more frequently when there is an indicator of an impairment on the goodwill balance, which has an indefinite life. No such losses have been identified and reflected in the accompanying consolidated financial statements.

(h) Restricted Cash

The Partnership classifies cash that is restricted as to usage or withdrawal as restricted cash. Restricted cash includes amounts established pursuant to various agreements for property taxes, insurance and other future lease operations. Restricted cash consists of funds restricted by agreements with financial institutions. These funds will be released upon completion of agreed-upon events, tasks, or time-lines as specified in the respective agreements. For purposes of the Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(i) Fair Value Measurements

The Partnership measures the fair value of its assets and liabilities in accordance with IFRS 13 - *Fair Value Measurement*. This standard requires assets and liabilities to be categorized into a hierarchy based on the lowest level input that is significant to the fair value measurement of the asset or liability. Disclosure of fair value measurements is according to the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Partnership recognizes transfers into and transfers out of the fair value hierarchy levels as of the date of the event or changes in circumstances that causes the transfer. There were no transfers in and out of level 1, 2, or 3 for the year ended December 31, 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.

Investment Properties

The Partnership records investment properties at fair value. The fair value of investment properties is estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investment properties without a public market are valued based upon fair value assumptions and valuation techniques utilized by the Partnership. Such valuation techniques include income capitalization and sales comparison approaches. The Partnership also considers actual sale negotiations and bona fide purchase offers received from third parties, as well as independent external appraisals. In general, the Partnership considers multiple valuation techniques when measuring the fair value of an investment property. However, in certain circumstances, a single valuation technique may be appropriate. Independent third-party appraisal reports are prepared annually and updated quarterly for all properties subject to fair value measurement.

Income Capitalization Approach: This approach is based on the principle that value is created by the expectation of future income. This approach is particularly applicable in the case of income producing properties. One technique to convert income to value is direct capitalization, which involves dividing the net operating income by a market capitalization rate. A second technique is the discounted cash flow analysis, in which projected cash flows (net operating income less periodic capital expenditures and reversion value at the conclusion of the holding period) are converted to present value by applying an annual discount rate. In both techniques, net operating income and cash flow are estimated based on an analysis of market rent and occupancy levels and projected property expenses. Key inputs and assumptions include rental income and expense amounts and related growth rates, as well as discount and income capitalization rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount and the capitalization rate is accompanied by a directionally opposite change in the fair value measurement and a change in the assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement.

Sales Comparison Approach: This approach is a method of estimating fair value based on analyzing transactions of similar properties in the market area. A major premise of this approach is that the fair value of the property is directly related to the prices of comparable, competitive properties. The reliability of this approach is dependent upon the availability of comparable data, the verification of sales data, the degree of comparability and the absence of atypical conditions affecting the sales price. Once sales data is gathered, adjustments involving the judgment of management are made to the comparable properties to determine a value range for the property being valued. Generally, a point of value within the adjusted range is selected.

Cost Approach: The application of the cost approach is based on the principle of substitution and the concept that a market participant would not pay more for a property than the cost to develop a substitute property of equivalent desirability and utility. This approach involves the valuation of the land as if vacant, estimation of the replacement cost of the existing or proposed structure and site improvements, estimation of accrued depreciation found in the improvements and estimation of an appropriate entrepreneurial profit as applicable. The cost approach is typically utilized to determine value for new or proposed properties, special use properties or where the cost of reproducing the improvements is easily and accurately quantified and there is no economic obsolescence.

Derivative Instruments

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 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.

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

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.

(j) 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.

Future cash revenues under non-cancelable leases as of December 31, 2020 are as follows:

Years Ending December 31,	Amount
2021	$ 157,254
2022	167,554
2023	167,644
2024	149,216
2025	136,918
Thereafter	742,048
	$ 1,520,634

Recoveries from Tenants

The Partnership operates as a principal for all investment properties with the exception of 75-101 Federal. As a principal with respect to property operating expenses subject to tenant recoveries, the Partnership is required to report tenant recovery revenue on a gross basis. The Partnership accounts for and reports as revenue all property operating costs reimbursable by the tenants as the costs are incurred.

Construction Management Fees

Construction management fees are earned by the Partnership for managing the construction of tenant and capital improvements at properties owned by related parties or third parties. Construction management fees are recognized as a single performance obligation (managing the construction of the project) comprised of a series of distinct services. Construction management fees are based upon contractual rates as defined in the relevant leasing and property management agreements. The Partnership believes that the overall service of construction management has substantially the same pattern of performance over the term of the agreement, therefore construction management fee income is recognized ratably throughout the period. Construction management fees for wholly owned properties and the Partnership’s proportion of the management fees earned from unconsolidated entities in which the Partnership is invested have been appropriately eliminated.

Property Management Fees

Management fees are earned by the Partnership for managing properties owned by related or third parties. The management fees are based upon contractual rates applied to gross cash receipts from property operation. Property management fees are recognized on a monthly basis as a single performance obligation comprised of a series of distinct services related to property operations. The Partnership believes the overall services provided by property management activities have the same pattern of performance over the term of the agreement. Management fees for wholly owned properties and the Partnership’s share of the management fees earned from unconsolidated entities in which the Partnership is invested have been eliminated in consolidation.

Parking Income

The Partnership generates revenues from the parking garages located within its operating properties through management agreements. The Partnership operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(k) Deferred Financing Fees and Notes Payable

The Partnership amortizes the costs incurred to obtain debt financing over the terms of the underlying obligation using the straight-line method, which approximates the effective interest method, in accordance with IFRS 9, *Financial Instruments*. Debt financing costs are netted against the related loan balance and are amortized to interest expense. Deferred financing fees, net of accumulated amortization, were $7.0 million and $8.3 million at December 31, 2020 and 2019, respectively. Amortization expense net of the capitalized portion of deferred financing fees totaled $0.7 million and $2.6 million for the years ended December 31, 2020 and 2019, respectively.

In accordance with IFRS 9, notes payable are recognized initially at fair value, net of transaction costs incurred. After initial recognition, notes payable are subsequently measured at amortized cost. Amounts payable within one year of the balance sheet date are classified as current.

(l) Deferred Leasing Costs

The Partnership defers costs incurred to obtain new tenant leases or to extend existing tenant leases. Deferred leasing costs are direct costs that are essential in originating a lease and include third-party commissions and legal leasing costs (legal leasing costs capitalized prior to adoption of IFRS 16). These costs are amortized over the life of the related lease. If a tenant terminates its lease prior to the contractual termination, the unamortized balance of any previously deferred leasing costs are expensed in the period the lease is terminated. Amortization expense on deferred leasing costs is recorded within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income. Deferred leasing costs, net of accumulated amortization, are included within "Deferred leasing costs and other, net" on the Consolidated Balance Sheets.

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

(m) Trade Receivables

Trade receivables are recorded initially at cost and are carried net of a provision for bad debt expense. The Partnership applies IFRS 9 simplified approach to measuring expected credit losses. The determination as to the collectability of trade receivables and, correspondingly, the adequacy of this allowance is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, days past due, and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. Accounts receivable are written-off when they are deemed to be uncollectible and the Partnership is no longer actively pursuing collection. Bad debt expense, net of recoveries, totaled \$0.7 million and \$0.3 million for the years ended December 31, 2020 and 2019, respectively.

The aging analysis of trade receivables, net of the provision for bad debts of \$1.1 million and \$0.9 million as of December 31, 2020 and 2019, respectively, is as follows:

	December 31,	
Trade receivables	**2020**	**2019**
Current	$ 12,627	$ 2,905
30 - 90 days	348	461
Over 90 days	1,102	902
AR allowance	(1,061)	(880)
Trade receivable, net	$ 13,016	$ 3,388

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term deposits with original maturities of three months or less which are subject to an insignificant risk of changes in value. The majority of the Partnership's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of \$0.25 million. The Partnership has not experienced any losses to date on its invested cash. For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are comprised of the following:

	December 31,	
	2020	**2019**
Cash at banks	$ 33,924	$ 20,490
Short-term investments	204	233
Cash and cash equivalents	$ 34,128	$ 20,723

(o) Prepaid Expenses

Prepaid expenses include deposits, prepaid insurance and other prepaid operating expenses.

(p) Trade and Other Payables

Trade payables are expected to be settled within the next 30 days, with a year being the maximum duration for the Partnership to settle any outstanding short term payables.

(q) Security Deposits

Certain leases require tenants pay a deposit as a guarantee to return the property at the end of the lease term in a good condition or to cover a portion of future lease payments for leases with terms ranging from 6 to 204 months. Such deposits are treated as financial liabilities in accordance with IFRS 9 and are initially recorded at face value as defined in the terms of the lease agreements, which approximates fair value. Security deposits are maintained as a non-current liability until refunded to the tenant. Amounts expected to be refunded within the next 12 months are recorded in "Trade and other payables" on the Consolidated Balance Sheets.

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

(r) Income Taxes

The Partnership owns 100% interest in CPC, which has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Partnership is a flow-through entity for income tax purposes and generally will not be subject to federal income tax on its taxable income. The only provision for federal income taxes in the accompanying consolidated financial statements relates to the Partnership's indirect ownership in the taxable REIT subsidiaries ("TRS") of CPC.

No provision has been made in the consolidated financial statements for federal, state, or local income taxes, for which the partners of CPH are individually responsible for reporting and paying directly. The Partnership is directly liable for some taxes, primarily Massachusetts and District of Columbia franchise taxes and federal and state taxes of its TRS. The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2017 forward (with limited exceptions). If such examinations result in changes to the Partnership's profits and losses, the tax liability of the partners could be changed accordingly. Deferred income tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income liabilities are measured at the tax rates that are expected to apply to the year when the liability is settled, based on the tax rates and laws that have been enacted at the balance sheet date.

The Partnership's primary investment is the units it owns in CPC, whose primary investment is the units it owns in CPP, a limited partnership that is taxed as a partnership for federal and state income tax purposes. While the majority of CPP's net income is not taxed at the entity level and is passed through to the partners, CPP is liable for its share of federal income taxes on the taxable income of the TRS it owns, which are taxed as corporations for federal and state income tax purposes.

The significant components of the Partnership's deferred tax assets and liabilities which are included within "Deferred leasing costs and other, net" and "Other liabilities", respectively, on the Consolidated Balance Sheets are as follows:

	Year Ended December 31,	
Deferred tax assets:	**2020**	**2019**
Deferred tax assets	$ 3,632	$ 1,586
Deferred tax liabilities:		
Deferred tax liabilities	$ (2)	$ —

The tax provision for the year ended December 31, 2020 is as follows:

Provision	Federal	State	Total
Current(1)	$ —	$ —	$ —
Deferred(1)	68	(2,112)	(2,044)
	$ 68	$ (2,112)	$ (2,044)

(1) This tax provision excludes franchise tax expense of $0.3 million that is included within "Income and Franchise Tax Benefit" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax provision for the year ended December 31, 2019 is as follows:

Provision	Federal	State	Total
Current	$ —	$ —	$ —
Deferred	(115)	(164)	(279)
	$ (115)	$ (164)	$ (279)

The tax loss carryforward of $42.2 million and $16.6 million ($3.5 million and $1.4 million deferred tax asset) as of December 31, 2020 and 2019, respectively, is related to tax losses incurred in the District of Columbia prior to August 19, 2013 and was accounted for as a purchase price adjustment as of inception, and for losses incurred in 2014. The tax loss carryforward begins to expire in 2028.

(s) Commitments and Contingencies

For properties in development, the Partnership or its subsidiaries have made commitments as to the completion of construction of the development properties and repayment of any construction-related indebtedness. Commitments to repay investment-related debt and complete construction represent contingent funding commitments by the Partnership to invest additional amounts in its investment properties. The Partnership accounts for these commitments in accordance with the provisions of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

(t) Equity

Dividend Policy

Preferred dividends are paid semi-annually at a rate of 12.0%-12.5% per year. Common dividends are paid upon declaration of the Board of Directors, generally quarterly.

Preferred Stock

Various consolidated entities of the Partnership have issued preferred stock for tax planning purposes. As of December 31, 2020, these entities have authorized and issued 500 shares of 12.5% cumulative preferred stock with total proceeds from the issuances of $0.2 million for each of the years ended December 31, 2020 and 2019, respectively. The net proceeds and related dividends were classified as non-controlling non-redeemable interests. Dividends are paid semi-annually on all preferred stock. In January 2021, an additional 250 shares of 12.0% cumulative preferred stock were issued by certain entities resulting in proceeds of $0.2 million.

(u) Performance Plan Accruals

All employees of the Partnership participated in an annual performance bonus plan (the "Bonus Plan") under which employees were awarded bonuses based on their performance against assigned goals and objectives. The estimated cost of the bonus is accrued ratably over the year, and the accrual is adjusted based upon actual performance at the end of the respective year. Bonus payments are made in the first quarter following the performance year. At December 31, 2020 and 2019, the Partnership accrued $4.5 million and $4.8 million, respectively, for payments due under the Bonus Plan. The bonus is recorded within "Trade and other payables" on the Consolidated Balance Sheets, and within "Direct payroll and benefits" and "Non-property general and administrative expenses" on the Consolidated Statements of Operations and Comprehensive Income. Amounts capitalized as part of development projects are classified as part of "Investment properties, at fair value."

Some of the Partnership’s employees participate in an Equity Incentive Plan (“the Plan”). The Plan provides for the issuance of LTIP Units which may be in the form of Service Units ("LTIP Service Units"), Performance Units ("LTIP Performance Units") or both. See Note 16 - "Commitments and Contingencies" for further disclosure.

(v) Property Operating Expenses

Expenses classified as "Property operating expenses" on the Consolidated Statements of Operations and Comprehensive Income consists of expenses directly and indirectly associated with operating the properties.

(w) Retirement Plans

The Partnership operates a defined contribution plan qualified under Section 401(k) of the US Internal Revenue Code. Participants may contribute a portion of their compensation each pay period not exceeding a limit set annually by the Internal Revenue Service. The Partnership matches 100% of the first 4% of contributions made by employees. The Partnership has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense each pay period, and are recorded within "Direct payroll and benefits" and "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income based upon the classification of the employee.

(x) Interest Expense

Premium and issuance costs on the Partnership's notes payable or credit facility are recognized over their respective terms using the straight-line method which approximates the effective interest method, except for borrowing costs relating to properties in development, which are capitalized. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the discount rate at which the estimated future cash payments or receipts throughout the expected life of the financial instrument, or for a shorter period where appropriate, equals the net carrying amount of the financial asset or financial liability.

(y) Use of Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses for the reporting periods. Actual results could differ from those estimates. The material judgments, apart from those involving estimations, that management has made in the process of applying the Partnership’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Investment properties and the real estate investments owned by associates are carried at fair value as determined by management, using independent third-party appraisals, and reflect the price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. Factors beyond the Partnership’s control may cause significant swings in assigned values, resulting in significant changes in reported earnings. Most of the Partnership’s properties are located in the Greater Washington, D.C. metropolitan area, making the Partnership vulnerable to changes in economic conditions in the region, including the adverse impact of decreased government spending. Any adverse change in the region’s economic conditions may reduce the ability of the Partnership to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, significantly decreasing cash flow.

- The Partnership determines whether joint arrangements should be accounted for as joint operations or joint ventures, associates, consolidated or unconsolidated structured entities and determines which investments should be reported as assets held for sale.

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

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 on January 1, 2020 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 Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).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.

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

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. Earlier application is permitted, including in interim or year end financial statements not yet authorized for issue at May 28, 2020. This amendment did not have a material impact on the Partnership's financial position or results from operations.

4. Operating Segments and Concentration

The Partnership presently operates under one operating segment, defined as the acquisition, development, ownership and management of commercial real estate investments, primarily in the office buildings sector, and primarily in one geographic area, the Greater Washington, D.C. Metropolitan area as well as Boston.

5. Investment Properties

Income Generating Properties

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

Balance, December 31, 2018	**$**	**2,715,234**
Capital expenditures additions and other		38,713
Arlington Plaza sale		(54,825)
Net loss from fair value adjustment of income generating properties		(66,684)
Reclassification of Midtown Center and 2311 Wilson from properties in development		173,167
Balance, December 31, 2019	**$**	**2,805,605**
Capital expenditures additions and other		42,899
Barlow Sale(1)		(155,281)
King I Sale(2)		(57,433)
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal(3)		242,616
Net loss from fair value adjustment of income generating properties		(82,286)
Balance, December 31 2020	**$**	**2,796,120**

(1) On March 6, 2020, the Partnership sold Barlow. See below "2020 Dispositions" for additional information.
(2) On December 22, 2020, the Partnership sold King I. See below "2020 Dispositions" for additional information.

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

(3) On March 12, 2020, the Partnership acquired 75-101 Federal. See below "2020 Acquisitions" for additional information.

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 $0.9 million as of December 31, 2020. The fair value of the Partnership's proportionate interest in the investment property was $251.2 million as of December 31, 2020 and the carrying value of the assumed debt was $140.1 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.

2019 Acquisitions

There were no acquisitions completed for the year ended December 31, 2019.

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 of $93.8 million in a like-kind exchange transaction as discussed in Note 6 - "Investments in Associates" and to repay outstanding borrowings on the credit facility. The Partnership recognized a loss of $1.4 million upon disposition.

On December 22, 2020, the Partnership sold King I at a contractual price of $58.5 million resulting in consideration of $58.3 million net of transaction costs of $0.2 million. The buyer assumed debt of $31.1 million, and the Partnership used the remaining proceeds of $26.4 million to fund distributions. The Partnership recognized a loss of $0.5 million upon disposition.

2019 Dispositions

On September 10, 2019, the Partnership sold Arlington Plaza at a contractual price of $57.5 million, with consideration of $56.9 million, and incurred transaction costs of $0.7 million. The Partnership received net proceeds of $54.8 million and recognized a loss of $0.3 million upon disposition.

Properties in Development

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

Balance, December 31, 2018	**$**	**439,489**
Capital expenditures additions and other		167,149
Net gain from fair value adjustment of development properties		11,677
The Wilson tenant buyout cost reimbursement		(8,000)
Reclassification of Midtown Center and 2311 Wilson from properties in development		(173,167)
Balance, December 31, 2019	**$**	**437,148**
Capital expenditures additions and other		178,579
Net gain from fair value adjustment of development properties		49,088

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

Reclassification of 2025 Clarendon to investment properties held for sale	(18,499)
Balance, December 31, 2020	**$ 646,316**

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 $131.1 million and $137.0 million of capital expenditures for the years ended December 31, 2020 and 2019, respectively. The office space was 100% leased as of December 31, 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 in early 2021 as tenants complete their build outs. Construction of the Elm is also anticipated to be completed in early 2021 and pre-leasing of units commenced during the fourth-quarter of 2020.

On July 23, 2019, the Partnership received a final $8.0 million payment from the Montgomery County Department of Transportation for tenant buyout cost reimbursement in conjunction with the Wilson project. On March 23, 2018, the Partnership also received an $8.3 million payment from the Maryland Transit Administration for transit related easements granted in conjunction with the Wilson project. This payment was recorded as a reduction in the cost basis of the development property.

On January 12, 2018, the Partnership acquired a parcel of land at 350 Morse Street ("Signal House"), at a purchase price of $23.2 million, with the capacity to develop an approximate 225,000 rentable square feet office building. The Partnership incurred $47.5 million and $17.4 million of capital expenditures for the years ended December 31, 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 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 December 31, 2020, the building was 98% 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 years ended December 31, 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 years ended December 31, 2020 and 2019, respectively. The Partnership signed a binding purchase and sale agreement to sell 2025 Clarendon for $19.0 million as of December 31, 2020. The sale subsequently closed on January 7, 2021. The Partnership will classify 2025 Clarendon as held for sale as of December 31, 2020.

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

	As of December 31, 2020						For the year ended December 31, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ 176	$ 18,501	$ 8	$ 1,920	$ 16,749	$ —	$ (3,575)
2311 Wilson	60.00 %	3,531	120,553	914	81,331	41,839	7,577	3,407
		$ 3,707	$139,054	$ 922	$ 83,251	$ 58,588	$ 7,577	$ (168)
Less interest held by non-controlling interests						(19,403)		(1,228)

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

As of December 31, 2020							For the year ended December 31, 2020	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Equity attributable to Partnership						$ 39,185		$ (1,396)

As of December 31, 2019							For the year ended December 31, 2019	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
2025 Clarendon	85.37 %	$ 23	$ 23,013	$ 42	$ 2,825	$ 20,169	$ —	$ (34)
2311 Wilson	60.00 %	762	116,351	1,354	64,398	51,361	7,161	(3,503)
		$ 785	$139,364	$ 1,396	$ 67,223	$ 71,530	$ 7,161	$ (3,537)
Less interest held by non-controlling interests						(23,506)		1,407
Equity attributable to Partnership						$ 48,024		$ (2,130)

6. Investments in Associates

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

Balance, December 31, 2018	**$ 83,076**
Contributions	149,864
Distributions	(56,308)
Adoption of IFRS 16	(14)
Share of unrealized gain on valuation of underlying properties	45,250
Share of net income (excluding unrealized gain on valuation)	1,202
Realized share of loss on disposition of Centerpointe I & II	(1,851)
Share of loss on extinguishment of debt of Centerpointe I & II	(1,578)
Realized share of loss on disposition of One Liberty	(645)
Share of loss on extinguishment of debt of One Liberty	(3,357)
Balance, December 31, 2019	**$ 215,639**
Contributions	73,971
Distributions	(1,592)
Share of unrealized gain on valuation of underlying properties	31,159
Share of net loss (excluding unrealized gain on valuation)	(194)
Balance, December 31 2020	**$ 318,983**

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.

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

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 years ended December 31, 2020 and 2019, the Partnership contributed $73.9 million and $151.8 million to the venture, respectively. The Partnership has contributed a total of $246.2 million to the venture as of December 31, 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 joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million. The joint venture does not anticipate incurring borrowings on the facility until 2021.

The facility stipulates the joint venture must contribute up-front equity not to exceed $341.3 million prior to incurring any borrowings under the loan.

2019 Dispositions

On May 10, 2019 the Partnership and its joint venture partner sold the underlying properties Centerpointe I & II at a contractual price of $122.0 million and incurred transaction costs of $1.0 million. The Partnership received net proceeds of $24.6 million, and recognized a proportionate loss of $1.9 million upon disposition.

On June 24, 2019, the Partnership and its joint venture partner sold the underlying property One Liberty at a contractual price of $151.2 million, and incurred transaction costs of $1.0 million. The Partnership received net proceeds of $29.8 million and recognized a proportionate loss of $0.6 million upon disposition.

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

	As of December 31, 2020						For the year ended December 31, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ 35
One Liberty	— %	—	—	—	—	—	—	(29)
One Congress	75.00 %	542	441,055	15,531	—	426,066	—	41,292
		$ 542	$ 441,055	$ 15,531	$ —	$ 426,066	$ —	$ 41,298
Less: interest held by third-parties						(107,083)		(10,333)
Amounts per financial statements						$ 318,983		$ 30,965

	As of December 31, 2019						For the year ended December 31, 2019	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	50.00 %	$ 38	$ —	$ 81	$ —	$ (43)	$ 4,848	$ (9,770)
One Liberty	49.90 %	4,013	—	820	—	3,193	6,713	(471)
One Congress	75.00 %		292,350	6,162		286,188	—	58,845
		$ 4,051	$ 292,350	$ 7,063	$ —	$ 289,338	$ 11,561	$ 48,604
Less: interest held by third-parties						(73,699)		(9,583)
Amounts per financial statements						$ 215,639		$ 39,021

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

7. Assets Held for Sale

2020 Assets Held for Sale

The Partnership signed a binding purchase and sale agreement to sell 2025 Clarendon for $19.0 million as of December 31, 2020. The sale subsequently closed on January 7, 2021. The Partnership will classify 2025 Clarendon as held for sale as of December 31, 2020.

2019 Assets Held for Sale

There were no assets classified as Held for Sale for the year ended December 31, 2019.

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

	December 31, 2020	December 31, 2019
Non-current assets		
Income generating properties, net of ROUA	2,660,020	2,670,005
ROUA, at fair value	136,100	135,600
Income generating properties	2,796,120	2,805,605
Properties in development	646,316	437,148
Total investment properties, at fair value	$ 3,442,436	$ 3,242,753
Current assets - CPC		
Prepaid expense and other assets	9,263	9,551
ROUA, net of accumulated depreciation and non-current portion	643	1,051
Prepaid expense and other assets	$ 9,906	$ 10,602

At December 31, 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 $0.6 million and $1.1 million, respectively, related to equipment and copier leases.

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

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 January 1, 2019	$ 135,500	$ 1,596	$ 137,096
Fair value adjustment, valuation	100	—	100
ROUA Additions, net	—	17	17
Accumulated Depreciation	—	(562)	(562)
Balance at December 31, 2019	$ 135,600	$ 1,051	$ 136,651
Fair value adjustment, valuation	500	—	500
ROUA Additions, net	—	108	108
Accumulated Depreciation	—	(516)	(516)
Balance as of December 31, 2020	$ 136,100	$ 643	$ 136,743

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**	**December 31, 2020**	**December 31, 2019**
Columbia Center	3.79%	2114	$ 119,396	$ 119,526
1701 Duke Street[(1)]	10.32%	2107	4,656	4,565
2001 Penn	4.94%	2087	4,345	4,318
Other equipment leases	Various	Various	682	1,105
Total lease liabilities			129,079	129,514
Less current portion			335	508
Lease liabilities, net of current portion			$ 128,744	$ 129,006

(1) The 1701 Duke Street Ground Lease will reset on April 1, 2021 with the valuation based on appraised value as well as the 10 year treasury rate at that time.

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

Future Lease Maturities	**December 31, 2020**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 5,645
One to five years	21,480
More than five years	502,309
Total undiscounted lease liabilities as of December 31, 2020	$ 529,434

Lease liabilities	**December 31, 2020**
Current lease liabilities	$ 335
Non-current lease liabilities	128,744
Total lease liabilities	$ 129,079

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

Lease expense costs were as follows:

Lease Expense	**For The Years Ended December 31,**	
	2020	**2019**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 5,142	$ 5,201
Equipment lease depreciation	516	562
Total lease expense	$ 5,658	$ 5,763

Interest expense recognized on leases totaled $5.1 million and $5.2 million for the years ended December 31, 2020 and 2019, respectively.

Cash Flows	**For The Years Ended December 31,**	
	2020	**2019**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 496	559
Interest expense on lease liabilities	5,142	5,201
Total cash outflows related to leases	$ 5,638	$ 5,760

9. Goodwill and Intangibles

The carrying value of goodwill was $9.3 million as of December 31, 2020 and December 31, 2019. There were no indicators of impairment noted during either comparative period. No impairment losses were recognized in the years ended December 31, 2020 and 2019, respectively.

10. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of	
Borrower/Facility	**Contractual Rate**	**Maturity**	**December 31, 2020**	**December 31, 2019**
Credit facility [1]:				
Revolver	LIBOR +1.25% to 2.50%	7/6/22	$ 232,500 [8]	$ 276,000
Term Loan A	LIBOR +1.20% to 2.40%	7/6/22	50,000 [6][8]	50,000 [6]
Term Loan B	LIBOR +1.20% to 2.40%	7/6/22	50,000 [6][8]	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	140,943 [7]	—
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23	200,943 [2]	—
Midtown Center	3.09%	10/11/29	525,000 [3]	525,000 [3]
1700 New York Avenue	LIBOR +1.50%	4/25/24	64,680 [3,6]	65,820 [3]
2001 Pennsylvania	4.10%	8/1/24	65,000 [3]	65,000 [3]
Clarendon Square	4.66%	1/5/27	33,276 [3,4]	34,819 [3,4]
King	3.94%	1/1/25	— [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			1,671,592	1,392,110
Less unamortized deferred financing fees			7,040	8,283

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

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of December 31, 2020	Principal Balance as of December 31, 2019
Total Debt, net of unamortized deferred financing fees			1,664,552	1,383,827
Less current portion, net of unamortized deferred financing fees (5)			2,505	62,487
Debt obligations, net of current portion			**$ 1,662,047**	**$ 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 December 31, 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 December 31, 2020, and December 31, 2019, the one-month LIBOR was 0.14% and 1.76%, respectively.
(2) A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of The Wilson and the Elm, and 2311 Wilson Construction Loan borrowings whereas in an event of default, the respective lenders have recourse to the collateral pledged to secure the borrowings. This recourse is limited to the general credit of the guarantor entity to the extent of this guarantee. As of December 31, 2020, The Wilson and the Elm borrowings had $30.0 million of guarantees outstanding while 2311 Wilson Construction Loan had no guarantees outstanding. As of December 31, 2019, no borrowings had been incurred for The Wilson and the Elm, while 2311 Wilson Construction Loan had outstanding guarantees of $17.8 million.
(3) The fair value of the collateral pledged to these notes was $1,656.1 million and $1,709.3 million as of December 31, 2020 and December 31, 2019, respectively.
(4) The carrying value of the Clarendon Square note payable as of December 31, 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 December 31, 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 note encumbering 75-101 Federal.
(8) The Partnership has a unilateral one year extension that it will exercise, extending the maturity from 7/6/21 to 7/6/22.

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 $0.9 million as of December 31, 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 for the loan associated with 75-101 Federal. 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 year ended December 31, 2020, $3.9 million was accreted in "Interest expense" on the 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 December 31, 2020 as recorded in the 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 for the loan associated with 2311 Wilson. 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 December 31, 2020 and December 31, 2019, respectively. The Partnership's Amended Credit Facility expires on July 6, 2021. The Partnership has a one year unilateral extension option that it will exercise which will extend the maturity to July 6, 2022.

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 December 31, 2020, the Partnership had capacity to borrow an additional $82.9 million under the Credit Facility. Subsequent to December 31, 2020, the Partnership paid down $9.0 million of the revolver through March 5, 2021.

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 December 31, 2020, the Partnership incurred $200.9 million of borrowings under this facility.

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.

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

Interest Expense

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

Description	For The Years Ended December 31, 2020	For The Years Ended December 31, 2019
Credit facility	$ 9,541	$ 16,789
Notes payable	43,409	39,759
Distributions to redeemable non-controlling interests	8,950	6,777
Lease liabilities	5,142	5,201
Amortization expense of deferred financing fees	3,464	5,046
Gross interest expense	$ 70,506	$ 73,572
Capitalized interest expense		
Capitalized deferred financing fees	(2,761)	(2,455)
Capitalized interest	(10,905)	(12,276)
Total capitalized interest expense	(13,666)	(14,731)
Net interest expense	56,840	58,841

Future Maturities of Debt

For periods subsequent to December 31, 2020, scheduled annual maturities of debt outstanding as of December 31, 2020 are as follows:

Years Ending December 31,	Amount (1)
2021	2,614
2022(2)	435,184
2023	337,952
2024	127,955
Thereafter	767,074
	$ 1,670,778

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.8 million.
(2) Includes $332.5 million Credit Facility principal maturing in July 2021. The Partnership has a one year extension right that it will exercise which will extend maturity to July 2022.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the years ended December 31, 2020 and 2019:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net debt, December 31, 2018	(1,201,029)	(129,787)	(1,330,816)	38,653	(1,292,163)
Cash flows	(163,809)	559	(163,250)	(17,930)	(181,180)
New leases	—	(286)	(286)	—	(286)
Other changes	(18,989)	—	(18,989)	—	(18,989)
Net debt, December 31, 2019	(1,383,827)	(129,514)	(1,513,341)	20,723	(1,492,618)
Cash flows	(131,309)	496	(130,813)	13,405	(117,408)

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

New leases	—	(63)	(63)	—	(63)
Assumption of debt	(140,820)	—	(140,820)	—	(140,820)
Other changes	(8,596)	—	(8,596)	—	(8,596)
Net debt, December 31, 2020	(1,664,552)	(129,081)	(1,793,633)	34,128	(1,759,505)

11. Financial Instruments

The Partnership's cash, cash equivalents, and restricted cash are subject to market risk due to changes in interest rates that may result in reduced income if interest rates decline. Credit facility and floating rate notes payable are subject to interest rate risk that may result in higher interest expense and adversely impact fair values.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of December 31, 2020, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 34,128	$ 34,128	Level 1
Restricted cash[1]	12,153	12,153	Level 1
Trade receivables, net	13,039	13,039	Level 3
Liabilities, including current portion			
Credit facility[2]	$ 432,500	$ 432,437	Level 3
Notes payable[2]	1,238,278	1,223,658	Level 3
Redeemable non-controlling interests[3]	150,370	150,370	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $11.6 million, and $0.6 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 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,

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(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.

12. Fair Value Measurements

The following table summarizes the Partnership's interest rate swap agreements as of December 31, 2020:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance[1]	$ 304,680
Weighted average interest rate [2]	1.41 %
Earliest maturity date	February 5, 2021
Latest maturity date	March 27, 2027

(1) Two interest rate swaps with a notional value of $25.0 million will expire on Febuary 5, 2021.
(2) 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 Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $(4.1) million and $(44.2) million for the years ended December 31, 2020 and 2019, respectively. There was no material hedge ineffectiveness recognized during the years ended December 31, 2020 and 2019. During the years ended December 31, 2020 and 2019, the Partnership reclassified $(2.3) million and $(1.0) million, respectively, of (losses) gains on cash flow hedges from "Equity reserve for cash flow hedges" to "Interest expense."

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

As of December 31, 2020, the Partnership anticipates the reclassification of $3.0 million of hedging losses from "Equity reserve for cash flow hedges" into earnings within the next 12 months to offset the variability of cash flows of the hedged items during this period.

As of December 31, 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 December 31, 2020, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,796,120
Investments in properties in development (1)	—	—	554,934
Investment in investment property held for sale(2)	—	—	18,499
Total Assets	$ —	$ —	$ 3,369,553
Liabilities:			
Derivative liabilities, net of current portion	—	7,030	—
Derivative liabilities, current	—	39	—
Total Liabilities	$ —	$ 7,069	$ —

(1) Excludes Signal House developments which are carried at an aggregate cost basis of $91.4 million. As of December 31, 2020, no impairment was recognized on any development properties carried at cost.
(2) Excludes other assets held for sale which are carried at an aggregate cost basis of $0.3 million.

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 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.

A summary of the changes in the Partnership's assets measured at fair value using significant unobservable inputs (Level 3) are set forth in Note 5 - "Investment Properties"

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 December 31, 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 December 31, 2020.

(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, 2020:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,796,120	Discounted cash flow - Income capitalization Market transaction Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.50% - 7.25% (6.21%) 4.75% - 6.00% (5.42%)
Investments in properties in development (2)	554,934	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.50% - 6.75% (6.57%) 4.75% - 5.75% (5.04%)
Total	$ 3,351,054			

(2) Excludes Signal House developments which are carried at an aggregate cost basis of $91.4 million. As of December 31, 2020, no impairment was recognized on any development properties carried at cost.

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

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.

13. Non-Property General and Administrative Expenses

The Partnership incurs personnel and compensation costs, professional fees, information technology costs and other corporate related costs that are collectively classified as non-property general and administrative expenses.
The following summarizes the various expenses comprising this activity for the respective periods:

	For The Years Ended December 31,	
Description	**2020**	**2019**
Personnel and compensation	$ 13,340	$ 11,983
Professional fees	3,247	3,607
Information technology	1,167	1,194
Other corporate	2,364	2,848
Total non-property general and administrative	$ 20,118	$ 19,632

14. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $19.3 million and $19.3 million for the years ended December 31, 2020 and 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.

15. Related Party Transactions

The Partnership manages properties owned by associates and other unconsolidated related parties for which it receives fees for asset management, property management, construction management and development. All fees charged to wholly owned properties are fully eliminated in consolidation. The Partnership's portion of the fees earned from Investment in associates is appropriately eliminated during the consolidation process. Property management fees for the years ended December 31, 2020 and 2019, totaled $1.8 million and $1.0 million, respectively. Construction management fees totaled $0.2 million and $0.3 million for the years ended December 31, 2020 and 2019, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were 0.7 million and $0.2 million for December 31, 2020 and 2019, respectively. The Partnership leases the ground under Columbia Center and 1701 Duke properties from related parties. See Note 6 - "Leases" for additional information.

On December 22, 2020, the Partnership sold King I to a related party at a contractual price of $58.5 million resulting in consideration of $58.3 million net of transaction costs of $0.2 million. The Partnership recognized a loss of $0.5 million upon disposition. The Partnership manages property operations for several properties owned by the related party, and the Company's Chief Executive Officer serves on the Board of Directors of the related party.

16. Commitments and Contingencies

There are no asserted or unasserted legal claims, other than ordinary routine litigation incidental to its business, to which the Partnership is a party or to which any of the properties is subject to, that the Partnership believes will have a material adverse effect on financial condition, results of operations or cash flows.

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure its performance under its development projects. These bonds provide a guarantee to the counterparty that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of December 31, 2020, the Partnership had $2.1 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 December 31, 2020 and 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 15.7 million units were awarded during the year ended December 31, 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 years ended December 31, 2020 and 2019, respectively, is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2018	5,337
LTIP units granted during the period	5,343
LTIP units exercised	—
LTIP units forfeited	(696)
LTIP units outstanding, December 31, 2019	9,984
LTIP units granted during the period	15,672
LTIP units exercised	—
LTIP units forfeited	(792)
LTIP units outstanding, December 31, 2020	24,864

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.

The Partnership recognized $1.8 million, of which $0.4 million was capitalized, and $1.4 million, of which $0.2 million was capitalized, of LTIP-related expense during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, 792 and 696 LTIP units were forfeited, respectively.

17. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $1.9 million and $3.6 million for the years ended December 31, 2020 and 2019, respectively. Employee benefit expense for these officers was $0.2 million for both the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, LTIP expense was $2.1 million and $0.7 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

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

18. 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 December 31, 2020 and December 31, 2019, CPH owned 100% of CPC.

The ownership interests of CPP as of December 31, 2020 are as follows:

Ownership of Carr Properties Partnership LP

Partner/Investor	Additional Investment	Ownership Percent
Carr Properties Corporation	$ 86,691	93.71 %
Clal	5,814	6.29 %
	$ 92,505	100.00 %

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 %
Clal	7,840	9.04 %
Other Investors	26	0.03 %
	$ 86,691	100.00 %

2019 Capital Raise

On August 30, 2019, the Partnership raised additional funds through the sale of shares of common units of CPH and CPP of $131.3 million and $8.4 million, respectively, to CET, Alony-Hetz and six additional investors. Total proceeds to the Partnership were $139.7 million. Amounts raised by CPH were contributed to CPC in exchange for shares through a subscription agreement and subsequently contributed to CPP. The proceeds from the raise were used primarily to repay outstanding borrowings on the revolver and for operational purposes.

Non-Controlling Interests

Certain of the non-controlling interests have special redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of December 31, 2020, the value of these redeemable non-controlling interests were $147.4 million and $3.0 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 Consolidated Balance Sheets. As of December 31, 2020 and 2019, the total value of these non-redeemable non-controlling interests was $143.0 million and $143.3 million, respectively.

The Partnership maintained four additional subsidiary REITs as of December 31, 2020 in which there are preferred shareholder interests.

On June 30, 2020, the Partnership raised additional funds through the sale of shares of common units of CPP of $0.2 million to redeemable non-controlling interests.

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.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. On December 23, 2020, the Partnership declared and paid $61.7 million, of which $4.8 million was attributable to redeemable non-controlling interests.

19. 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 100% of contractual rent from its customers during the year ended December 31, 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 year ended December 31, 2020, the Partnership provided short-term rent relief to certain tenants on a case by case basis. However, these changes did not have a material impact on the 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.

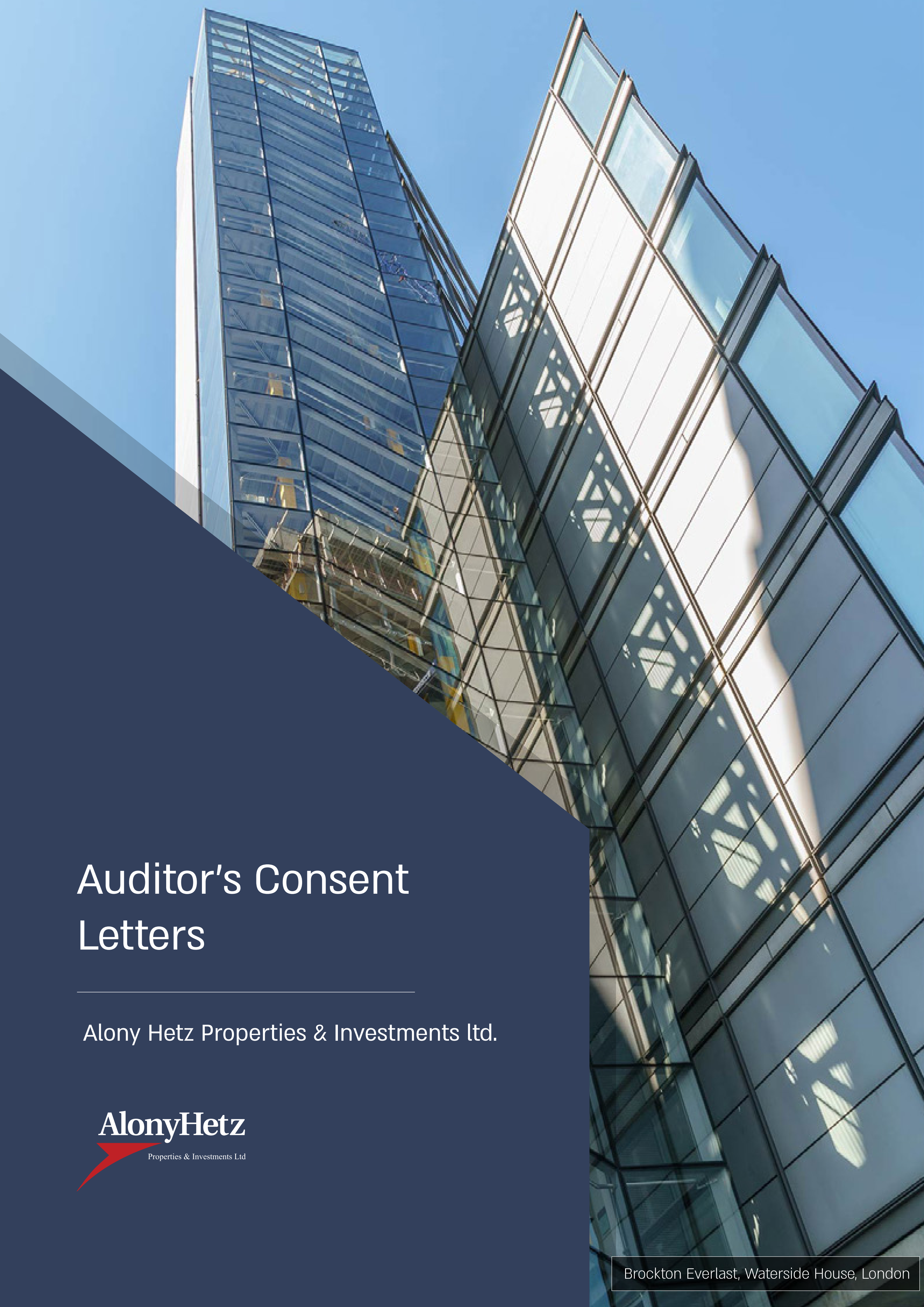
Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The Partnership generally manages this risk by signing long-term leases with tenants who have investment grade credit ratings. For the years ended December 31, 2020 and 2019, one tenant at Midtown Center, accounted for approximately 25% and 24% (excluding termination fee revenue), respectively, of Rental revenue and Recoveries from tenants combined.

20. Capital Management

The Partnership manages its capital, taking into account its long-term business objectives. The Partnership's capital structure currently includes common shares, preferred shares, mortgage notes and revolving credit facilities, which together provide the Partnership with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions of operating properties, capital improvements, leasing costs and principal repayments on our mortgage notes and Credit Facility. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the optimal leverage in the business.

21. Subsequent Events

The Partnership evaluated subsequent events through March 5, 2021 the date the 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 consolidated financial statements other than those disclosed in the respective footnotes.



Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Brockton Everlast, Waterside House, London

Deloitte.

Date: March 16, 2021

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

Dear Sir/Madam,

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

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

(1) Auditors' Report dated March 16, 2021 regarding the Consolidated Financial Statements of the Company as of December 31, 2020 and 2019 and for the three years periods ended December 31, 2020.

(2) Auditors' Report dated March 16, 2021 regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2020.

(3) Auditors' Report dated March 16, 2021 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2020 and 2019 and for the three years periods ended December 31, 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) Report of Independent Auditors dated March 5, 2021 regarding the Consolidated Financial Statements of Carr Properties Holdings LP as of December 31, 2020 and 2019, and for the years then ended.

PricewaterhouseCoopers LLP

Arlington, Virginia

March 15, 2021