QUARTERLY REPORT
Q1 2021

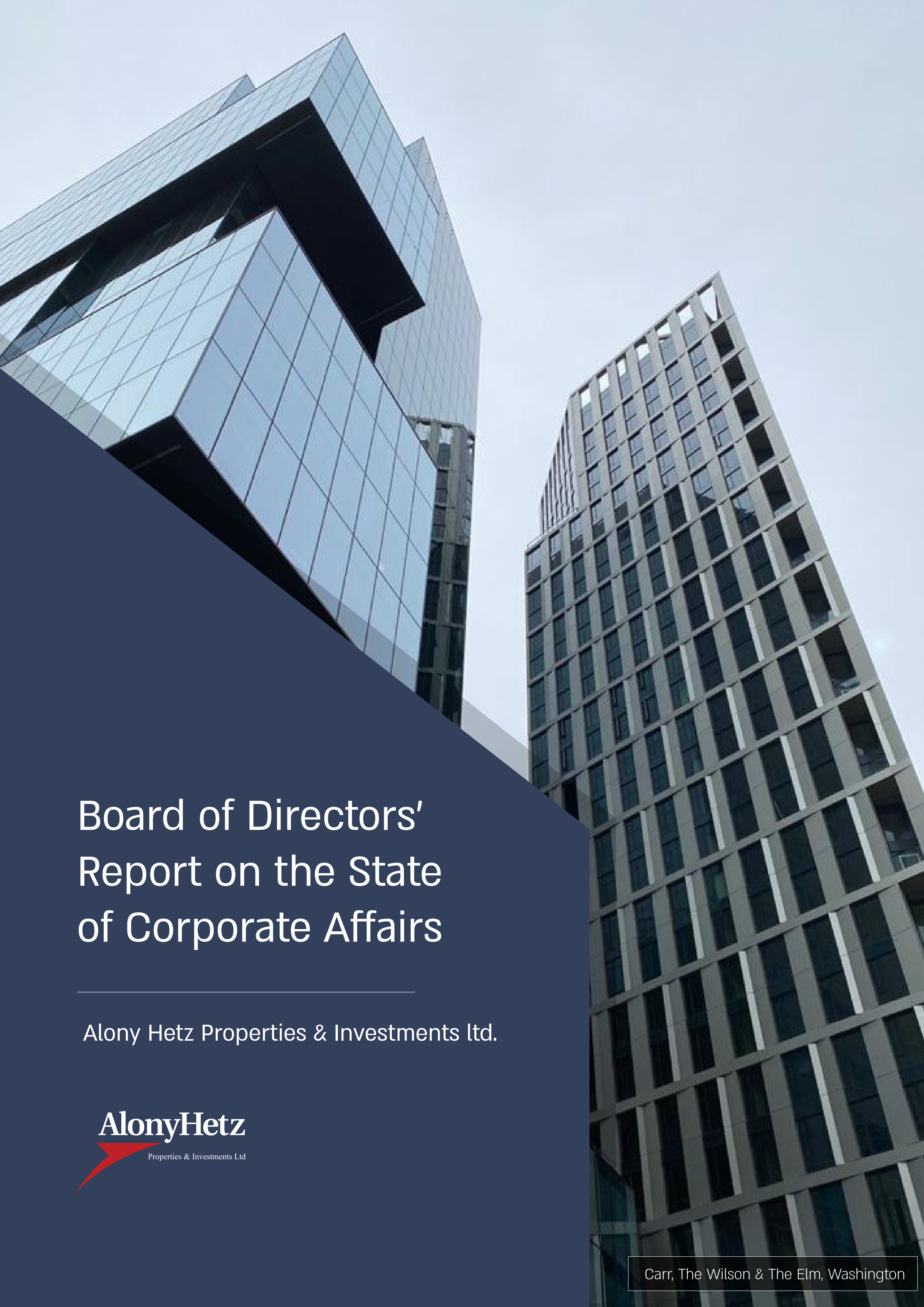
Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, Midtown Center, Washington

QUARTERLY REPORT | Q1 2021

Carr, 100 congress, Austin, Texas



Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, The Wilson & The Elm, Washington

Ramat Gan, May 18, 2021

Board of Directors' Report for the Three-Month Period ended March 31, 2021

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 three-month period ended March 31, 2021 (hereinafter: "**the Reporting Period**"). The Board of Directors' Report for the reporting period should be reviewed in the context of the 2020 Board of Directors' Report, which is attached to the 2020 Annual Report published by the Company on March 17, 2021 (Ref: 2021-01-036549) (hereinafter: "**Board of Directors' Report for 2020**").

1. Concise description of the Group

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

- 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.

- Additional area of activity – investment in renewable energy. The Group has income-generating investments in the field of photo-voltaic energy and in the field of wind energy, as well as in the development and initiation of electric power producing facilities in Israel, Poland and in the United States.

1.1 The Group's principal investments in the field of cash-generating real estate as of March 31, 2021:

Activity in Israel

Holdings of 57.0%[1] in Amot Investments Ltd. (hereinafter: "**Amot**"), a publicly traded income-generating property company listed on the Tel Aviv Stock Exchange Stock Exchange. For further details, see Section 2.3.5 below.

Activity in the United States

- Holdings of 44.2% in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, an income-generating property company whose income-generating properties are located in the Washington D.C. area, in Boston and in Austin, Texas. For additional information, see Section 2.3.6 below.

- Holdings of 55% of the equity[2] rights in three property companies in the Boston metropolitan area. Two of the properties are in the Boston CBD and one is in East Cambridge – for further details, see Section 2.3.8 below.

Activity in the UK

- Holdings of 96.7%[3] in Brockton Everlast Inc. Limited (hereinafter: "**BE**"), which operates in the income-generating property field in the UK, in the London Metropolitan Area, in Oxford and in Cambridge. For further details, see Section 2.3.7 below.
- Holdings in three British real estate funds from the Brockton Group: 25% in Brockton Capital Fund I LP, 5% in Brockton Capital Fund II and 9% in Brockton Capital Fund III LP.

[1] As of the date of publication of the report – 56.74%.

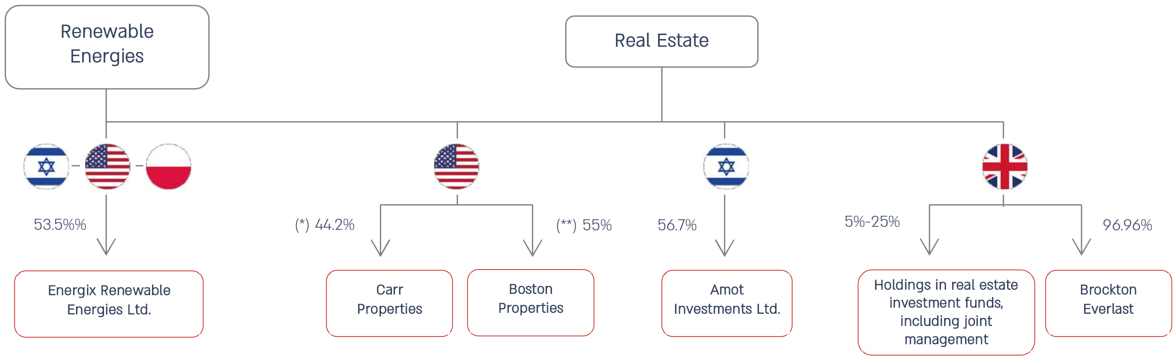
[2] 50% control.

[3] As of the date of publication of the report – 96.96%.

1.2 The Group's renewable energy investments as of March 31, 2021:

Holdings of 53.5% in Energix - Renewable Energy Ltd. (hereinafter – "**Energix**"), a public company listed for trade on the TASE. Energix is engaged in the development, construction and sale of electricity from photo-voltaic solar and/or wind powered systems in Israel, Poland and in the United States, with the intention of holding them for the long-term. For additional information, see Section 2.3.9 below.

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



* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.
** Joint holdings with Oxford Properties in income-generating real estate funds that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

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 TA-Maala index.

1.5 Main events from the beginning of 2021 to the date of publication of the report

From the beginning of the year until the date of publication of the report, the Group companies acquired assets amounting to NIS 1.8 billion and sold assets amounting to NIS 1.6 billion. In addition, during the first quarter of the year, the Group companies invested a total of NIS 0.4 billion in development and construction projects[4].

AlonyHetz Properties & Investments Ltd. The Company Expanded Solo	• Investment in BE's capital in the amount of GBP 86 million (NIS 389 million) and provision of a bridging loan to BE in the amount of GBP 91 million (NIS 414 million), mainly for BE's acquisition of two real estate complexes in Cambridge. • Sale of the remaining PSP shares (531 thousand shares) for the amount of NIS 61 million (NIS 216 million). After the sales, the Company no longer held PSP shares. • Issuance of the bonds (Series L) by way of series extensions for a gross consideration in the amount of NIS 415 million. • Re-signing of a credit facility agreement with a bank in Israel in the amount of NIS 150 million on the same terms as the previous agreement.
AMOT AlonyHetzGroup	• Acquisition of half of the rights in a logistics complex in the Kibbutz Hafetz Haim area in March 2021 for NIS 71 million. • Issuance of a new series of bonds (Series H) in February 2021 for a net consideration of NIS 446 million at an effective CPI-linked interest rate of 1% and a duration of 9 years.
CARR PROPERTIES	• Completion of the sale of 49% of Midtown Center in April 2021 at a building value of USD 980 million. The consideration received by Carr for the sale (after deducting the existing loan) amounted to USD 223 million. • Acquisition of the full rights in an office building located on the main business street of the city of Austin, Texas (100 Congress) in April 2021 at a building value of USD 315 million.
BROCKTON EVERLAST	• Acquisition of two complexes in the Cambridge Science Park, which include seven buildings in Cambridge, UK for a total consideration (not including transaction costs) in the amount of GBP 142 million (approx. NIS 644 million).
ENERGIXGROUP CREATING YOUR GREEN ENERGY	• Acquisition of a 150 MWp photovoltaic project in the United States in the development stage for a consideration of approx. USD 7.3 million. • Signing of a non-binding memorandum of understanding for the receipt of financing for the construction of the ARAN project in the amount of up to NIS 650 million. • Engagement in a set of agreements with an American financial institution as the tax partner of the Virginia 2 projects (140 MWp). In this context, the tax partner will invest an estimated amount of approx. USD 55 million in the project company. • Engagement in electricity price-fixing transactions in Poland for the years 2021-2024 in view of the rising electricity prices in Poland.

[4] The data represent the cumulative total of the Group companies (100%) and not the Company's relative share in the investee companies.

1.6 Summary of the main data – the Group

	Unit	Q1/2021	Q1/2020	2020	% Change [5]
Main financial results – Consolidated Statement					
Revenues from rental fees and management of investment property, net	NIS thousands	219,506	240,385	891,632	(8.7)
Fair value adjustments of investment property	NIS thousands	(41,554)	(86,244)	(187,782)	
Group share in the profits of associates, net	NIS thousands	74,349	25,446	99,670	192.2
Net profit for the period	NIS thousands	156,886	155,128	465,485	1.1
Net profit attributable to Company shareholders	NIS thousands	106,246	103,981	302,998	2.2
Total comprehensive income for the period attributed to Company shareholders	NIS thousands	219,614	94,281	56,119	132.9
FFO attributable to Company shareholders[6]	NIS thousands	110,795	132,430	495,433	(16.3)
Total balance sheet	NIS thousands	27,107,672	27,088,542	26,500,374	2.3
Equity (including non-controlling interests)	NIS thousands	10,068,825	9,723,091	9,912,830	1.6
Financial debt (bank credit and bonds)[7]	NIS thousands	13,963,984	14,484,404	13,394,404	4.3
Net financial debt[8]	NIS thousands	12,305,861	11,897,550	11,179,623	10.1
Ratio of net financial debt to total balance sheet[9]	%	48.4	48.6	46.0	
Main financial results – Expanded Solo[10]					
Total balance sheet	NIS thousands	11,070,683	11,727,827	10,791,514	2.6
Equity attributable to Company shareholders	NIS thousands	6,531,795	6,468,488	6,401,866	2.0
Financial debt (bank credit and bonds)[7]	NIS thousands	3,872,185	4,665,813	3,680,979	5.2
Net financial debt[8]	NIS thousands	3,433,557	3,700,870	3,078,047	11.5
Ratio of net financial debt to total balance sheet[9]	%	32.3	34.4	30.2	
Data per share					
Earnings per share – basic	NIS	0.61	0.60	1.75	1.7
Comprehensive income per share – basic	NIS	1.27	0.55	0.32	130.9
FFO per share[6]	NIS	0.64	0.77	2.87	(16.9)
Current dividend per share	NIS	0.30	0.29	1.16	3.4
NAV per share	NIS	37.79	37.44	37.04	2.0
[11]NNAV per share	NIS	44.91	45.43	44.16	1.7
Price per share at end of period	NIS	42.92	41.30	44.90	(4.4)

[5] Balance sheet data March 31, 2021 compared to March 31, 2020 Result data 1-3/2021 compared to 1-3/2020

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

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

[8] Financial debt presented net of cash balances. The Company's net financial debt (expanded solo) as of March 31, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 420 million.

[9] Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of March 31, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 420 million.

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

[11] When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees, with the exception of taxes related to investees held for sale.

1.7 Summary of Key Data – Investees

	Unit	Q1/2021	Q1/2020	2020	% Change [12]
Investment in Israel – Amot Investments Ltd. (57.0% rate of holdings)[13]					
Number of income-generating properties	Unit	104	104	104	
Value of investment property (not including property in development)	NIS thousands	12,743,267	12,819,324	12,718,390	0.2
Weighted capitalization rate deriving from investment property	%	6.53	6.43	6.52	
Occupancy rate at end of period	%	96.8	97.6	97.2	
Value of investment property in development	NIS thousands	1,270,555	816,683	1,222,883	3.9
Ratio of net financial debt to total balance sheet	%	43	44	43	
[14]NOI	NIS thousands	177,186	200,800	734,204	(11.8)
FFO[15] per share	NIS	0.31	0.37	1.32	(16.8)
Ordinary dividend per share	NIS	0.25	0.24	0.98	4.2
NAV per share	NIS	15.42	15.73	15.42	-
NNAV per share	NIS	18.78	19.20	18.73	0.3
Price per share at end of period	NIS	17.86	21.00	17.99	(0.7)
Investment in the United States – Carr Properties Corporation (rate of holdings – 44.2%)[16]					
Number of income-generating properties	Unit	13	14	13	
Value of investment property (without property in development)	USD thousands	2,895,900	2,962,326	2,894,350	-
Occupancy rate at end of period	%	89.90	93.80	90.53	
Rental rate at end of period	%	91.50	96.60	92.55	
Number of properties in development	Unit	3	3	3	
Value of real estate in development[17]	USD thousands	1,074,300	718,387	995,297	7.9
Ratio of net financial debt to total balance sheet	%	45.2	44.5	44.9	
NOI	USD thousands	33,580	38,118	155,096	(11.9)
FFO	USD thousands	17,144	22,470	92,386	(23.7)
NAV per share	USD	1.34	1.34	1.32	1.5
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings - 96.7%)					
Number of properties	Unit	[18]7	5	5	
Value of investment property	GBP thousands	812,985	644,250	665,250	22.2
Occupancy rate at end of period	%	90.1	98.0	95.1	
Ratio of financial debt to total balance sheet	%	52.1	51.9	50.7	
NOI	GBP thousands	6,933	6,356	25,868	9.1
FFO	GBP thousands	2,419	1,557	7,909	55.4
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53.5%)					
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	222.8	173.2	222.8	-
Installed capacity from connected wind systems (MWp) – Energix's share	Unit	119.2	119.2	119.2	-
Balance of connected electricity-generating facilities – according to book value	NIS thousands	1,627,659	1,289,410	1,635,328	(0.5)
Revenues from sale of electricity and green certificates	NIS thousands	58,148	69,740	261,803	(16.6)
FFO from projects[19]	NIS millions	33.5	47.7	181	(29.8)
Price per share at end of period	NIS	12.65	10.21	14.66	(13.7)

[12] Balance sheet data March 31, 2021 compared to March 31, 2020 Result data 1-3/2021 compared to 1-3/2020
[13] The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter: "Amot's Pro Forma Reports"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 coming into effect.
[14] Net operating income.
[15] Funds from operations.
[16] The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
[17] The data as of March 31, 2020 and December 31, 2020 does not include the 2025 Clarendon project, whose cost in the reporting periods in Carr's books is USD 16 million, and the advance paid on account of the land acquisition in the C-2 Union Market project.
[18] Seven property complexes including ten buildings.
[19] Not including Energix's development, administrative and general cash flow costs that are not connected with projects.

2. Board of Directors' Explanations for the State of Corporate Affairs

2.1 The business environment

The following is information regarding economic development from the beginning of 2021 in the business environment in which the Group operates[20]

At the end of 2020, the year when the Corona pandemic broke out, a recovery began in the context of the development of vaccines by a number of pharmaceutical companies, most notably Pfizer, which were approved for use by the FDA. At the same time, the above-mentioned companies established an infrastructure for the mass production of vaccines, a move that made it possible to start distributing them to various countries as early as December 2020.

The increase in the rate of around the world since the beginning of 2021 is helping the recovery of the global economy. The IMF has updated growth forecasts upward in all major blocs. World trade continues to grow and its level is high relative to the eve of the crisis. Inflation rose in all major blocs, but core indices remained lower than central bank targets. Monetary policy in the main central banks continued to be very expansionary. The US has shown signs of significant economic recovery, as a result of the rapid distribution of vaccines, reduction of restrictions and the launch of a fiscal plan with a significant volume of about 5.8% of GDP, along with a planned tax reform. In addition, activity accelerated in the promotion of infrastructure projects in general and in renewable energy in particular in the countries in which the Group operates. In European countries, on the other hand, there has been an increase in morbidity that has led the key countries in the bloc to announce the renewal of closure policies.

Regarding the relief to tenants in commerce which was granted by Amot due to the closure in the months of January-February 2021, see Section 2.3.5 below.
According to the Bank of Israel Research Division forecast, GDP in Israel is expected to grow by 3.6% in 2021 and 5% in 2022. These rates are faster than the growth rates in the years before the Corona crisis and greatly reduce the GDP gap created in the level of GDP due to the contraction in 2020. This forecast reflects the optimism following the decline in morbidity, reduction of restrictions and the relatively rapid opening of the economy as well as the rate of expansion of activity, made possible by the high effectiveness of the vaccines. Unemployment rates in Israel for 2022 are expected to amount to 6% and the return to the low levels that existed prior to the crisis is expected to take a long time.

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, the quality of their properties and the fixing of electricity prices, will enable them to face the recession created due to the Corona pandemic. 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. Regarding the Group's liquidity, its unencumbered assets and its financial debt, see Section 3.4 below.

For more information regarding trends in the office sector, see Section 2 - "The Global Corona Pandemic 2020" in the Company's Board of Directors' Report for 2020.

In May 2021, Operation Guardian of the Walls began in the Gaza Strip. The impact of this operation and its scope, on the Israeli economy in general and the real estate industry in particular, is still unknown.

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.

[20] From the Bank of Israel Monetary Committee Report, April 2021.

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.

2.2 Statement of Financial Position

Statement of Financial Position Item	31.3.2021 NIS millions	31.12.2020 NIS millions	Notes and Explanations
Cash and cash equivalents	1,658	2,215	For Statement of Cash Flows – see Section 2.6 below.
Investment property	17,128	16,250	The item includes investment property and investment property in development. Most of the increase stems from the acquisition of properties in the amount of NIS 644 million by Brockton Everlast in Cambridge, UK. In addition, there was an increase of NIS 136 million that was due to a devaluation in the NIS against the GBP.
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").	4,887	4,688	The following are the main changes: • An increase due to the devaluation of the NIS against foreign currencies in which the Company operates (mainly against the USD) in the amount of NIS 147 million. • An increase in respect of the Company's share in the profits of investees in the amount of NIS 74 million. • Partial realization the investment in PSP in the amount of NIS 37 million. For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in associates – see Note 14(c) to the financial statements.
Electricity-generating facilities – connected and in development	2,863	2,664	Most of the increase is due to investments made by the Group in photovoltaic projects in development in the United States and in Poland. For details on electricity-generating facilities, see Note 6 to the financial statements.
Other assets	572	683	
Total assets	27,108	26,500	
Loans and bonds	13,954	13,606	The following are the main changes: • Raising of bonds offset by repayments in the amount of NIS 133 million. • Receipt of loans and utilization of credit facilities (net of the receipt of loans) in the amount of NIS 216 million. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	3,085	2,981	
Total liabilities	17,039	16,587	
Equity attributable to shareholders	6,532	6,402	For details regarding the main changes in equity attributable to shareholders – see Section 2.7.2 below.
Non-controlling interests	3,537	3,511	
Total equity	10,069	9,913	
Total liabilities and equity	27,108	26,500	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of March 31, 2021

	Currency	Number of Shares	Book Balance of the Company (expanded solo)	Value	Value Measurement Basis
			NIS thousands	NIS thousands	
Amot	NIS	233,718,872	3,586,671	4,174,219	Stock market value - tradable
Energix	NIS	260,352,283	824,194	3,293,456	Stock market value - tradable
PSP [21]	CHF	431,309	175,827	175,827	Stock market value - tradable
Carr	USD	-	3,151,113	3,151,113	Equity method
AH Boston	USD	-	867,307	867,307	Equity method
Brockton Everlast	GBP	-	1,725,714	1,725,714	Equity method
Brockton Funds	GBP	-	167,310	167,310	Equity method
Other (mainly cash in the amount of NIS 19 million and a short-term bridging loan to Brockton Everlast in the amount of NIS 420 million)			489,867	489,867	
Total			10,988,003	14,044,813	

2.3.2 Investments in the Reporting Period and Subsequent to the Balance Sheet Date

During the reporting period and subsequent to the balance sheet date, the Company **invested** in its investees and in securities measured at fair value through profit or loss, as detailed below:

	January to March 2021	Subsequent to the Balance Sheet Date	Total
	In NIS millions		
Brockton Everlast	307	82	389
Brockton Everlast - bridging loan	414	(32)	382
Boston	14	-	14
	735	50	785

2.3.3 Realization of 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 sold the remaining PSP shares (531 thousand shares) it held for the amount of CHF 61 million (NIS 216 million). After the sales, the Company no longer held PSP shares.

For further details, see Note 9 to the financial statements.

[21] As of the date of publication of the report – the Company does not hold PSP shares See Section 2.3.3.

2.3.4 Real estate revaluations

The following is a list of investment property revaluations made by the Group in the first quarter of 2021:

Geographic Region	Currency	Investee's Share In millions			Company's Share In NIS millions
		Revaluations of Income-Generating Properties	Revaluations of Properties in Development	Total	Total
Israel (Amot)	ILS	-	-	-	-
USA (Carr and AH Boston)	USD	12	14	26	45
UK (BE)	GBP	(*)(9)	-	(9)	(40)
Company's share before the effect of tax					**5**
Tax effect					**(1)**
Company's share after tax					**4**

(*) Negative revaluation in the amount of GBP 9 million due to the reduction in property acquisition costs.

2.3.5 Investment in real estate in Israel – through Amot

2.3.5.1 For information regarding Amot's activity, see Chapter B of the Company's Description of Corporate Business for 2020 and Section 3.3.4 of the Company's Board of Directors' Report for 2020.

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

Relief for tenants

In relation to its shopping centers (with the exception of essential businesses such as supermarkets, pharmacies, clinics and banks), Amot formulated a graded relief plan for rent and management payments, and for the periods when the shopping centers were closed it did not charge rent and they were given certain discounts in management fees, all subject to the reduction of the relief amounts to any tenant who will be entitled to grants from the State in accordance with the Government Assistance Program). The amount of the relief (mainly for the shopping center tenants) during the first quarter of the year amounts to NIS 19 million.

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

Acquisition of half of the logistics complex in the Kibbutz Hafetz Haim area

On March 3, 2021, 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%). As of the reporting date, the transaction has not yet been completed and therefore it has not yet been reflected in the Group's financial statements.

The information regarding the expected NOI and completion of the transaction is forward-looking information within the meaning of the Securities Law, 1968.

Operating activities:

The Amot NOI in the first quarter of 2021 amounted to NIS 177 million, compared to NIS 201 million in the corresponding quarter last year, constituting a decrease of 12%.

The decrease compared to the corresponding quarter last year is mainly due to the amount of relief for shopping center tenants due to the third closure.

2.3.6 Investment in Carr

2.3.6.1 For information regarding Carr's activity, see Chapter C1 of the Company's Description of Corporate Business for 2020 and Section 3.3.5 of the Board of Directors' Report for 2020.

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

Transactions during the reporting period:

1) Further to Section 5(1) of Chapter C(1)of the Report on the Description of the Corporation's Business for 2020, ("**Report on the Description of the Corporation's Business**"), regarding Carr's sale of 49% of the Midtown Center, in April 2021, the sale transaction was completed according to a value of USD 980 million (the same value as the value in Carr's books as of March 31, 2021). The consideration received by Carr for the sale (after deducting the existing loan) amounted to USD 223 million.

2) Close to the publication of this report, Carr acquired the full rights and debt in the 100 Congress office building located on the main business street of the city of Austin, Texas ("**the Property**") according to a building value of USD 315 million. The property has a total rental area of 412 thousand sq.ft. and an occupancy rate of 94%. In 2021, the property is expected to yield NOI in the amount of USD 18 million. The property has a loan of USD 140 million.

In the coming weeks, Carr intends to examine the introduction of a partner (up to 50%) in the designated company that owns the property.

The above information regarding the NOI forecast is forward-looking information within the meaning of the Securities Law, 1968. Such information is based on future data and estimates of Carr's management and there is no certainty that they will be fully or partially realized, due in part to factors beyond Carr's or the Company's control.

Fair value of investment property:

In the first quarter of 2021, Carr recorded a net positive revaluation of USD 4 million in its financial statements, consisting of positive revaluations of USD 14 million in respect of projects in development, which were partially offset by negative revaluations of USD 10 million in respect of income-generating properties (the Group's share in the positive revaluation before tax is approx. USD 2 million, NIS 6 million). The adjustment of the value of Carr's income-generating properties is mainly due to a change in assumptions regarding the provision of incentives to tenants.

Update regarding projects in construction and planning stages:

Signal House project in the Union market area of Washington D.C. with an area of 228 thousand sq.ft. (21 thousand sq.m.)

Further to Section 5.3.3 of Chapter C1 of the Report on the Description of the Corporation's Business for 2020, as of the date of publication of the reports, memoranda of intent were signed with tenants regarding the lease of 16% of the building's total space. Carr is negotiating with those tenants for the signing of binding contracts, including the possibility of doubling the space stated. The project is in the construction process and is expected to be completed in June 2021. Carr expects that the annual representative NOI based on cash (Stabilization NOI) in 2023 will be USD 10 million. The project's construction budget is USD 141 million of which USD 89 million has been invested as of the date of the report. Carr is building the above project from equity without the need for bank financing for the construction stage.

That stated in this section 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.

2.3.7 Investment in Brockton Everlast ("BE"):

2.3.7.1 For information regarding BE's activity, see Chapter D of the Company's Description of Corporate Business for 2020 and Section 3.3.6 of the Board of Directors' Report for 2020.

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

Transactions during the reporting period:

During the reporting period, BE acquired two complexes in the Cambridge Science Park located in the northern part of the city of Cambridge in the UK for the amount of GBP 142 million (NIS 644 million) (not including transaction costs), of which the value attributed to income-generating properties in a total rental area of 205 thousand sq.ft. is GBP 107 million, which is leased to companies from the Life Science industry, and the balance is attributed to a property with an area of approx. 14 dunams designated for demolition, and in its place it is planned to build (subject to approval of the master plan) a new building with a total area of approx. 130 thousand sq.ft.

For the acquisition of the complexes, the Company invested a total of approx. GBP 68 million (approx. NIS 307 million) in BE's capital and provided BE with bridging loans in the amount of approx. GBP 91 million (approx. NIS 414 million).

Subsequent to the balance sheet date, BE repaid GBP 7 million (approx. NIS 32 million) of the balance of the bridging loans. BE is expected to repay the bridging loan balance over the next few weeks, upon taking bank credit in the amount of GBP 90 million against a lien on the acquired complexes.

The expected NOI in 2021 from the two complexes is in the amount of GBP 4.4 million.

For further details regarding the development component in the complexes, see Note 5 to the financial statements.

Subsequent to the balance sheet date, in April 2021, BE granted a loan for the financing of construction in the amount of GBP 18 million for a period of one year, for the financing of completion of a project for the construction of a luxury apartment building in central London managed by the Brockton I Fund. The loan bears annual interest of 20%. For this purpose, subsequent to the balance sheet date, the Company invested the amount of GBP 18 million (NIS 82 million) in BE's capital.

As of the date of publication of the report and further to the acquisitions described above, BE owns seven property complexes (four of which are in the London metropolitan area, one property is in Oxford and two properties are in Cambridge) at a value of GBP 813 million (approx. NIS 3.8 billion), with a total rental space of 1,024 thousand sq. ft. (approx. 95 thousand sq.m.).

Further to Note 6(d)(2) to the Company's financial statements for 2020, regarding the Company's commitment to invest in BE, and after the investments described above, the balance of the Company's commitment to invest in BE immediately close to the date of publication of the report amounted to GBP 140 million.

Fair value of investment property:

In the reporting period, BE recorded a negative revaluation in respect of the amortization of acquisition expenses for properties acquired in the first quarter this year in the amount of GBP 9 million (NIS 42 million).

2.3.8 Investment in AH Boston

2.3.8.1 For information regarding AH Boston's activity, see Chapter C2 of the Company's Description of Corporate Business for 2020.

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

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, hereinafter: "**the Building**"), which accounts for 76% of the total rental space in that building, decided to leave the building.

The Company and its partner, Oxford Properties (hereinafter: "**Oxford**"), have decided to take action to promote an entrepreneurial project to transform the building from an office building to a laboratory building for the Life Sciences. The Company and Oxford estimate that they will receive approval for the change in the designation of the building from offices to laboratories at the beginning of 2022 and begin construction work in the second quarter of that year. The project's cost of is estimated at approx. USD 130 million and the expected completion date for the conversion is in the second quarter of 2023.

That stated in this section regarding the feasibility and the date of receipt of approval for the change of designated use, the dates for the start and completion of construction and the cost of the project is forward-looking information.

Fair value of investment property:

In view of the expected change in designation described above, positive revaluations were recorded in the reporting period in the amount of approx. USD 22 million in respect of the 745 Atlantic building, which is held by the Company in partnership with Oxford in Boston (the Group's share before tax – USD 12 million, which is approx. NIS 39 million).

2.3.9 Investment in renewable energy through Energix

2.3.9.1 For information regarding Energix's activity, see Chapter F of the Company's Description of Corporate Business for 2020 and Section 3.3.7 of the Board of Directors' Report for 2020.

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

(1) Israel

Continued promotion of the ARAN project towards financial closure:

In April 2021, subsequent to the reporting date, approval was received from the Licensing Authority of the National Infrastructure Planning and Building Committee for the construction of the wind farm, which is a significant milestone as part of the procedure for granting a building permit for the project. In addition, close to the date of approval of the report, the project company signed a memorandum of understanding for the receipt of financing for the construction in the amount of up to NIS 650 million.

Establishment of systems in the third and fourth competitive procedures with a capacity of up to 139 MWp:

As of the reporting date, Energix is in the midst of construction work on a backlog of up to to 18 projects.

(2) United States

Establishment of the Virginia 2 Projects (140 MWp):

Energix is in the midst of construction work on an additional backlog of 6 projects in Virginia. Close to the date of publication of the report, the project company engaged in a set of agreements with an American financial institution as the tax partner of the projects. In this context, the tax partner will invest an estimated amount of approx. USD 55 million in the project company. For additional information, see Note 6(b) to the financial statements.

Acquisition of a project in advanced development stages – Virginia 5 project (150 MWp)

On March 31, 2021, Energix entered into an agreement for the acquisition of 100% of the rights in a photovoltaic project in Virginia with a capacity of approx. 150 MWp for the amount of approx. USD 7.3 million (of which approx. USD 2.8 million has been paid). The project is in advanced stages of development, including an interest in the land, a binding connection survey to the electricity grid and a building permit.

(3) Poland

Acquisition of the non-controlling interests' share in the project for the establishment of the Banie stage 4 wind farm:

Further to Note 8d to the annual consolidated financial statements in relation to a wind farm with a capacity of approx. 56 MW (held through a designated corporation), shortly before the date of approval of the report, Energix acquired the non-controlling interest (32%) in the designated company holding the Banie 4 wind farm project with a capacity of approx. 56 MW for the amount of EUR 3.7 million (approx. NIS 14.5 million). Accordingly, as of the date of approval of the report, Energix, through subsidiaries, holds 100% of the wind farms and ownership rights in the project. For additional information, see Note 6(b)(5) to the financial statements.

Establishment of a wind farm with a total capacity of approx. 126 MW

Establishment of a wind farm with a total capacity of approx. 126 MW. For further details, see Note 6(b)(4) to the financial statements.

Engagement in transactions for fixing and raising electricity prices in Poland:

In the reporting period and thereafter, there has been a trend of a significant increase in electricity prices (spot prices and prices of future transactions on the electricity exchange). In this context, Energix continued to enter into price fixing transactions for the years 2021-2024 at increasing prices over the years. The increase in prices in price-fixing transactions will be reflected in Energix's revenues in the coming years. For details regarding electricity price fixing transactions in respect of electricity generation at Energix's wind farms in commercial operation and in development, see Note 6(b)(3) to the financial statements.

2.3.10 Dividend receipts and returns of capital

The following are the dividends and returns of capital received from the Company's main investments (expanded solo) in 2021, up to the date of publication of the financial statements, and the projected receipts of dividends and capital repayments for 2021:

	From the Beginning of 2021 to the Financial Statements Publication Date	2021 Forecast
	In NIS millions	
Amot	58	234
Carr[22]	89	91
BE	-	53
Energix	10	47
AH Boston	5	29
PSP	4	4
	166	**458**

The dividend receipt and return of capital forecast for 2021 is calculated in accordance with the declared dividend distribution and return of capital policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

The above table does not include dividends and returns on investments from the Brockton Funds, which were received and which may be received upon realization of their properties.

The information on dividend receipts and return of capital 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.

[22] Receipts in the amounts of approx. NIS 87 million were received at the end of 2020 in respect of 2021.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of March 31, 2021, the Group has cash balances of NIS 1.7 billion (of which the Company's expanded solo balance – NIS 19 million) and unutilized lines of credit in the amount of NIS 1.3 billion (of which the Company's expanded solo lines of credit – NIS 132 million). As of the date of publication of the report, the Company (expanded solo) has unutilized lines of credit in the amount of approx. NIS 500 million.

2.4.2 Unpledged assets

As of September 31, 2021, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash and other current assets) is NIS 11 billion (a market value of NIS 14 billion). As of March 31, 2021, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 13.7 billion.

2.4.3 Financial debt

As of March 31, 2021, the Group's net financial debt amounted to NIS 12.3 billion, constituting 48.4% of the Group's total assets, compared to a net financial debt of NIS 11.2 billion, which constituted 46% of the Group's assets as of December 31, 2020.

As of March 31, 2021, the net financial debt of the Company (expanded solo) amounted to NIS 3.4 billion, constituting 32.3% of the total assets of the Company (expanded solo), compared to net financial debt of NIS 3.1 billion, constituting 30.2% of the assets of the Company (expanded solo), as of December 31, 2020.

The Company's adjusted leverage rate (expanded solo) based on the stock exchange value of the Company's tradable holdings as of the date of publication of the report amounts to 23.9%.

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

- In January 2021, the Company re-signed a credit facility agreement with the Bank of Israel in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement ("the utilization period") to be repaid by the end of two years from the end of the utilization period ("the New Facility Agreement"). See details in Note 10a(1) to the financial statements.
- In January 2021, the Company carried out an expansion of bonds (Series L) by way of a private offering of NIS 137.5 million PV for a consideration of NIS 144 million.
- Subsequent to the reporting date, in April 2021, the Company issued an additional NIS 265 million PV of bonds (Series L) by way of a series expansion, through a shelf offer report for a gross consideration of NIS 271 million (approx. NIS 269 million, net).

  See details in Note 11a to the financial statements.

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

For disclosure specific to bondholders, see Section 5 below.

For details of the Company's liabilities (expanded solo) maturing after March 31, 2021, see Section 2 of Appendix A below.

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

Amot:

In February 2021, Amot issued a new series of bonds (Series H) for a net consideration of NIS 446 million at an effective CPI-linked interest rate of 1% and a duration of 9 years. For additional information, see Note 11(b) to the financial statements.

Energix:

(1) Close to the date of approval of the financial statement, the project company signed a memorandum of understanding that does not require financing for the construction of the ARAN project in the amount of up to NIS 650 million.

(2) Close to the date of approval of the report, Energix signed a set of agreements to engage with an American financial institution as the tax partner for 5 of the 6 Virginia 2 projects with a capacity of 115 MWp. Depending on the engagement, the tax partner will invest a total of approx. USD 55 million in the project company. The investment of the tax partner will be made against the acquisition of rights, as is customary in transactions of this type, the main purpose of which is the federal tax benefit (ITC) in respect of the projects. The final investment amount will be determined, among other things, depending on the actual construction cost of the projects.

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

2.4.4 Working capital deficit

The working capital deficit as of March 31, 2021 amounted to a total of NIS 178 million in the Company's statements (expanded solo). The Company (expanded solo) has unutilized lines of long-term credit and a high balance of unencumbered assets (see Sections 3.4.1 and 3.4.2 above). In this light, the Company's Board of Directors believes that the existence of a working capital deficit stemming from the Company's policy of holding unutilized long-term credit facilities, instead of cash and deposits, does not indicate a liquidity problem.

2.5 Operating results

In the reporting period, the Group recorded a net profit of NIS 157 million. The share of Company shareholders in the profit amounted to NIS 106 million, compared to a profit of NIS 104 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 279 million. The share of Company shareholders in the income amounted to NIS 220 million, compared to a profit of NIS 94 million attributable to Company shareholders in the corresponding period last year.

For an explanation of the operating results in the reporting period, see Sections 2.5.2 and 2.5.3 below.

2.5.1 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):

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	106,246	103,981	302,998
Adjustments to profit and loss:			
Fair value adjustments of investment property	41,554	86,244	187,782
Company share in real estate revaluations and other non-FFO items in investees	(29,980)	38,268	125,297
Profit from decrease in rate of holding, from purchase and realization of investees	(4,944)	(124,245)	(200,953)
Loss (profit) from securities	(17,491)	11,105	19,094
Others (mainly depreciation and amortizations)	20,290	16,976	89,381
Accumulated linkage differentials and exchange rate differentials	(4,809)	(12,041)	(30,403)
Deferred taxes and current taxes from the realization of securities and real estate, net	18,208	43,037	134,834
Share of non-controlling interests in the above adjustments to FFO	(18,279)	(30,895)	(132,597)
FFO	**110,795**	**132,430**	**495,433**
The sources of the FFO are as follows:			
Revenues			
Investment property NOI	200,849	221,091	817,010
NOI from the sale of electricity, less development costs	47,607	56,315	215,609
PSP's share in FFO without real estate revaluations	2,390	12,653	31,495
Carr's share in FFO without real estate revaluations	24,765	35,332	139,903
AH Boston's share in FFO without real estate revaluations	12,681	12,626	43,244
Energix, Brockton Everlast and Amot associates' share in FFO	4,532	3,103	10,324
Dividend income from investments and others (mainly Brockton Funds)	37	2,546	5,142
Total revenues	**292,861**	**343,666**	**1,262,727**
Expenses			
Real financing, net	(71,238)	(73,994)	(300,932)
Administrative and general	(27,844)	(28,317)	(111,462)
Current taxes	(14,065)	(26,883)	(59,816)
Share of non-controlling interests attributable to current operations	(68,919)	(82,042)	(295,084)
Total expenses	**(182,066)**	**(211,236)**	**(767,294)**
FFO	**110,795**	**132,430**	**495,433**
FFO per share (NIS)	**0.64**	**0.77**	**2.87**

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands		
Revenues and profits			
Income from rental and management fees of investment property	219,506	240,385	891,632
Fair value adjustments of investment property	(41,554)	(86,244)	(187,782)
Group share in the profits of associates, net	74,349	25,446	99,670
Net profits (losses) from investments in securities measured at fair value through profit or loss	17,491	(9,153)	(15,250)
Profit from decrease in rate of holding, from purchase and realization of associates	4,944	124,245	200,953
Revenues from sale of electricity and green certificates	58,147	69,740	261,803
Other revenues (expenses), net	37	582	(553)
	332,920	**365,001**	**1,250,473**
Costs and Expenses			
Cost of investment property rental and operation	18,523	19,294	74,622
Electric power production facility development, maintenance and operation costs	8,282	11,614	37,565
Depreciation and amortization	18,671	16,183	82,598
Administrative and general	31,856	30,909	125,024
Financing expenses, net	66,429	61,953	270,529
	143,761	**139,953**	**590,338**
Profit before taxes on income	**189,159**	**225,048**	**660,135**
Income tax expenses	32,273	69,920	194,650
Net profit for the period	**156,886**	**155,128**	**465,485**
Distribution of net income for the period:			
Company shareholders' share	106,246	103,981	302,998
Non-controlling interests	50,640	51,147	162,487
	156,886	**155,128**	**465,485**

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

Revenues from rental fees and investment property management, net – amounted to NIS 220 million in the reporting period, compared to NIS 240 million in the corresponding period last year, a 9% decrease. The decrease stems from a decrease in Amot's revenues (approx. NIS 23 million) due to the relief granted to the shopping center tenants in the reporting period. On the other hand, there was an increase of approx. NIS 3 million in revenues from new properties acquired by Brockton Everlast during 2020 and in the reporting period.

Adjustment of the fair value of investment property – In the reporting period, an adjustment of a negative fair value was recorded for investment property in the amount of NIS 42 million in respect of Brockton Everlast properties due to the amortization of acquisition expenses of properties it acquired in the reporting period.

The loss in the corresponding period last year in the amount of NIS 86 million was mainly due to losses recorded by Amot in the amount of NIS 36 million due to the impact of the Corona crisis on commercial properties. The loss also included the acquisition costs for new properties of Brockton Everlast and Amot.

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

- The Group's share in PSP's profits – In the reporting period, the Company did not record a profit in respect of PSP, while in the corresponding period last year a profit of NIS 13 million was recorded. 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 due to the classification of the investment as "held for sale" in the Company's financial statements.
- Group share in Carr's profits – A profit of NIS 28 million was recorded in the reporting period, compared to a profit of NIS 10 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 (see explanation in Section 2.3.6 above), compared to the corresponding period last year.
- Group share in AH Boston's profits – A profit of NIS 50 million was recorded in the reporting period, compared to a profit of NIS 11 million in the corresponding period last year. The increase in AH Boston's profits stems from a positive revaluation in respect of the 745 Atlantic building that was recorded in the reporting period due to a plan for a change in designation (see Section 2.3.8 above).

Net profit, relating to investments in securities measured at fair value through profit and loss – The profit in the reporting period stems mainly from the revaluation of the balance of the investment in PSP in the financial statements to the stock exchange value due to a change in accounting classification from "investment in an associate" to "investment in a security measured at fair value through profit or loss" (for details, see Note 9 to the financial statements). The loss in the corresponding period last year was 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 5 million, stems from the sale of 100 thousand PSP shares during the first quarter of 2021 (see also Note 9 to the financial statements). The profit in the corresponding period last year in the amount of NIS 124 million stemmed from the sale of 1,050 thousand PSP shares during the first quarter of 2020.

Revenues from the sale of electricity and Green Certificates – The NIS 12 million decrease in revenues in the reporting period compared to the corresponding period last year stems from a decrease in capacity generated in Poland (approx. NIS 15 million) compared to the corresponding period last year, due to weak wind conditions in the quarter compared to exceptionally good wind conditions in the corresponding quarter last year. This decrease was partially offset by an increase in the capacity generated in Israel in the amount of approx. NIS 4 million and by revenues from photovoltaic projects in the United States that were not yet connected in the corresponding quarter last year in the amount of approx. NIS 3 million.

Financing expenses – There was a NIS 4 million increase in financing expenses in the reporting period compared to the reporting period last year.

In the reporting period, there was an increase of NIS 23 million in financing expenses resulting from the effect of the CPI, which rose by a rate of 0.1%, compared to a decline at a rate of 0.5% in the corresponding period last year. On the other hand, there was a decrease in financing expenses in the amount of NIS 21 million due to the adjustment of the stock market value of short-term tradable securities (a profit of NIS 4 million in the current quarter compared with a loss of NIS 17 million in the corresponding quarter last year).

Tax expenses – There was a NIS 38 million decrease in tax expenses in the reporting period compared to the reporting period last year. The decrease in tax expenses in the reporting period compared to the corresponding period last year is mainly due to the difference in the tax component in respect of PSP profits between the reporting period and the corresponding period last year (approx. NIS 26 million) and due to revenues from the tax partner in Energix (approx. NIS 7 million) (regarding the tax partner, see Note 7(d) to the Company's financial statements for 2020).

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands		
Net income for the period:	**156,886**	**155,128**	**465,485**
Profit (loss) from investment in Carr (1) (2)	51,132	21,458	(135,706)
Profit (loss) from investment in PSP (1)	(2,147)	2,846	10,919
Profit (loss) from investment in Boston properties (1)	13,006	8,527	(34,748)
Profit (loss) from investment in BE (1) (2)	30,278	(20,757)	(30,408)
Classification of profit from realization of investment in long-term securities intended for sale to the Statement of Income (before tax)	(1,628)	(8,956)	(36,335)
Profit (loss) from other investments	16,720	(36,658)	(40,354)
Tax effects	14,714	7,360	1,999
Other Comprehensive Income (Loss) for the Period	**122,075**	**(26,180)**	**(264,634)**
Total comprehensive income for the period	**278,961**	**128,948**	**200,851**
Distribution of comprehensive income for the period:			
Company shareholders' share	219,614	94,281	56,119
Non-controlling interests	59,347	34,667	144,732
	278,961	**128,948**	**200,851**

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(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 3.7%, 4.44% and (3.04)% against the USD, the GBP and the CHF, respectively. In the reporting period last year, there was a devaluation or an (appreciation) of the NIS by a rate of 3.15%, (3.53%) and 3.08%) against the USD, the GBP and the CHF, respectively.

(2) The net loss in the reporting period includes a profit in the amount of NIS 8 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr (in the reporting period last year – a loss of NIS 4 million).

(3) The net profit in the reporting period includes a profit in the amount of NIS 1 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE (in the reporting period last year – a loss of NIS 3 million).

2.6 Cash Flows

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS millions		
Total cash provided by operating activities	**57**	**77**	**754**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(806)	(603)	(1,139)
Investment in electric power production facilities	(229)	(109)	(628)
Investment in Boston properties	(14)	-	(28)
Proceeds from the sale of PSP (net of tax)	22	521	1,359
Proceeds (payment) of repaid hedging transaction	23	(6)	25
Investment in Carr	-	-	(151)
Investment in Brockton Funds	-	(12)	(12)
Repayment of investment from Brockton Funds	-	22	10
Net decrease (increase) in pledged deposits and restricted cash in Energix	1	107	137
Other	77	(56)	(39)
Total cash used in investing activities	**(926)**	**(136)**	**(466)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	226	1,236	428
Proceeds from the issue of bonds and bond options	589	1,056	2,300
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(466)	(597)	(1,705)
Capital raised by the Company	-	1	4
Capital raised by Amot (net of the Company's investment in Amot in the issue)	6	6	18
Capital raised by Energix (net of the Company's investment in Energix in the issue)	3	221	598
Acquisition of Amot and Energix shares from non-controlling interests	-	-	(22)
Payment of dividends to Company shareholders and to non-controlling interests in Amot and in Energix	(44)	(94)	(457)
Other	-	43	-
Total cash provided by financing activities	**314**	**1,872**	**1,164**
Total increase (decrease) in cash balances in the period	**(555)**	**1,813**	**1,452**
Other influences	**(2)**	**2**	**(9)**
Cash and cash equivalents at end of period	**1,658**	**2,587**	**2,215**

2.7 Equity

2.7.1 Equity per share

	As of March 31 2021	As of December 31 2020
	NIS millions	
Equity	10,069	9,913
Less non-controlling interests	(3,537)	(3,511)
Equity attributable to Company shareholders	**6,532**	**6,402**
NAV per share	**37.79**	**37.04**
NNAV per share	**44.91**	**44.16**

2.7.2 Explanation of changes in equity

During the reporting period, the capital attributed to the Company's shareholders increased by NIS 130 million. The main changes are as follows:

- Net profit attributable to Company shareholders in the amount of NIS 106 million – see additional details in Section 2.5.2 above.
- Other comprehensive income attributable to Company shareholders in the amount of NIS 113 million – see additional details in Section 2.5.3 above.
- A reduction in capital following dividends declared and paid in the amount of NIS 86 million.
- A decrease in capital reserves due to the loss created in the capital offering of associates in the amount of NIS 4 million.

2.7.3 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 March 31, 2021 (in NIS millions)[23]:

Currency	Boston	Liabilities	Assets, net	%
USD	4,109	(2,654)	1,455	22%
CHF	176	(140)	36	1%
GBP	2,313	(1,606)	707	11%
Other (mainly PLN)	165	(24)	141	2%
Excess assets over liabilities in foreign currency	**6,763**	**(4,424)**	**2,339**	**37%**
Excess assets over liabilities in NIS	4,308	(115)	4,193	63%
Equity as of March 31, 2021	**11,071**	**(4,539)**	**6,532**	**100%**

2.7.4 For details on dividends distributed by the Company in 2021 – see Note 12(a) to the financial statements.

2.8 Remuneration of senior officers and directors

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

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

3. Market risk exposure and management

3.1 Over the course of the reporting period, no material changes have occurred in the types of market risks as reported in the 2020 Board of Directors Report and in Company policy regarding the management of these risks.

3.2 Regarding the linkage base report for monetary balances (expanded solo) as of March 31, 2021, see Section 2.7.3 above and Appendix B.

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

4. Aspects of Corporate Governance

4.1 The Company's Board of Directors – Directors with Accounting and Financial Expertise

As of the date of publication of this report, the Company's Board of Directors has 7 directors, 5 of whom have accounting and financial expertise.

4.2 Independent Directors

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

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

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

4.3 The Company's Internal Auditor

On March 14, 2019, the Audit Committee approved a multi-year work plan for the years 2019-2022 and in the same decision it was determined that the plan for each specific year would be re-examined for that year, prior to its implementation. At its meeting on November 12, 2020, the Audit Committee approved a work plan for 2021 that includes the following topics: (a) bank accounts and current investments; (b) financing and cash flow; (c) examination regarding the implementation of recommendations in the Internal Auditor's report on information systems; and (d) dealing with the Corona crisis.

At its meeting on May 13, 2021, the Audit Committee discussed the Internal Auditor's report on bank accounts, current investments, financing and cash flows, and also discussed the implementation of the Internal Auditor's report's recommendations on information systems (which was discussed in the Audit Committee in August 2020).

5. Special Disclosure for Bondholders

5.1 The following are data as of March 31, 2021 relating to bonds issued by the Company:

(in thousands)	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Total
Par value as of March 31, 2021	415,821	1,056,355	1,315,153	200,932	538,230	**3,526,491**
Linked par value as of March 31, 2021	429,841	1,056,355	1,315,153	200,932	538,230	**3,540,511**
Value in the financial statements as of March 31, 2021 (at amortized cost)	445,940	1,083,105	1,331,881	198,145	538,270	**3,597,341**
Stock market value as of March 31, 2021	465,096	1,158,610	1,372,757	209,050	549,587	**3,755,100**
Accrued Interest as of March 31, 2021	1,829	3,445	2,607	467	1,134	**9,482**

Regarding the expansion of bonds (Series L) in the reporting period and subsequent to the balance sheet date, see Note 11(a) to the financial statements.

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

Financial Ratio		Criterion	Value as of March 31, 2021
Net financial debt to value of holdings24	%	Less than 80	34.8
Minimum equity (Series H, I, J, K and L)[25]	NIS billions	More than 2.1	6.5

For further information, see Section 5.2.2 of Chapter F(5) to the Description of Corporate Business in the 2020 Periodic Report.

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

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

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

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

Appendix A - Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

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 March 31	As of December 31
	2021	2020
	NIS thousands	
Current assets		
Cash and cash equivalents	19,064	602,932
Tradable securities	27,144	39,537
Investment in an investee held for sale (see Note 9 to the financial statements)	175,827	200,311
Loan to a consolidated company	419,564	-
Other accounts receivable	61,321	105,791
Total current assets	702,920	948,571
Non-current assets		
Securities measured at fair value through profit and loss:	167,770	186,335
Investments in Investees	10,168,220	9,589,274
Services	31,773	67,334
Total non-current assets	10,367,763	9,842,943
Total assets	**11,070,683**	**10,791,514**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	739,701	347,541
Other accounts payable	141,364	123,069
Total current liabilities	881,065	470,610
Non-current liabilities		
Debentures	3,176,460	3,461,797
Loans from banking corporations and others	410	593
Deferred taxes	435,683	446,365
Others	45,270	10,283
Total non-current liabilities	3,657,823	3,919,038
Equity	6,531,795	6,401,866
Total liabilities and equity	**11,070,683**	**10,791,514**

Financial Data, Expanded Solo

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands		
Revenues			
Group share in the profits of associates, net	112,274	55,842	306,656
Profit from decrease in rate of holding, from purchase and realization of investees	4,944	124,245	200,953
Net profit, relating to investments in long-term securities intended for sale	17,491	(9,153)	(15,250)
Other revenues, net	3,570	3,467	14,134
	138,279	174,401	506,493
Expenses			
Administrative and general (including contributions)	8,266	8,443	32,757
Financing expenses, net	17,784	35,002	96,659
	26,050	43,445	129,416
Profit before taxes on income	**112,229**	**130,956**	**377,077**
Income tax expenses	5,983	26,975	74,079
Net profit for the period	**106,246**	**103,981**	**302,998**

-

2. The Company's Liabilities (Expanded Solo) Payable after March 31, 2021:

	Bonds	Bank Loans	Total	%
	NIS thousands			
Current maturities	420,121	318,820	738,941	19
Second year	418,107	410	418,517	11
Third year	523,541	-	523,541	14
Fourth year	523,541	-	523,541	14
Fifth year	523,541	-	523,541	14
Sixth year onward	1,119,218	-	1,119,218	29
Total repayments	**3,528,069**	**319,230**	**3,847,299**	**100**
Others			**22,004**	
Balance of liabilities related to foreign currency forward transactions			**2,882**	
Total financial debt (taking foreign currency forward transactions into account)			**3,872,185**	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 368 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of CHF 25 million and USD 80 million.

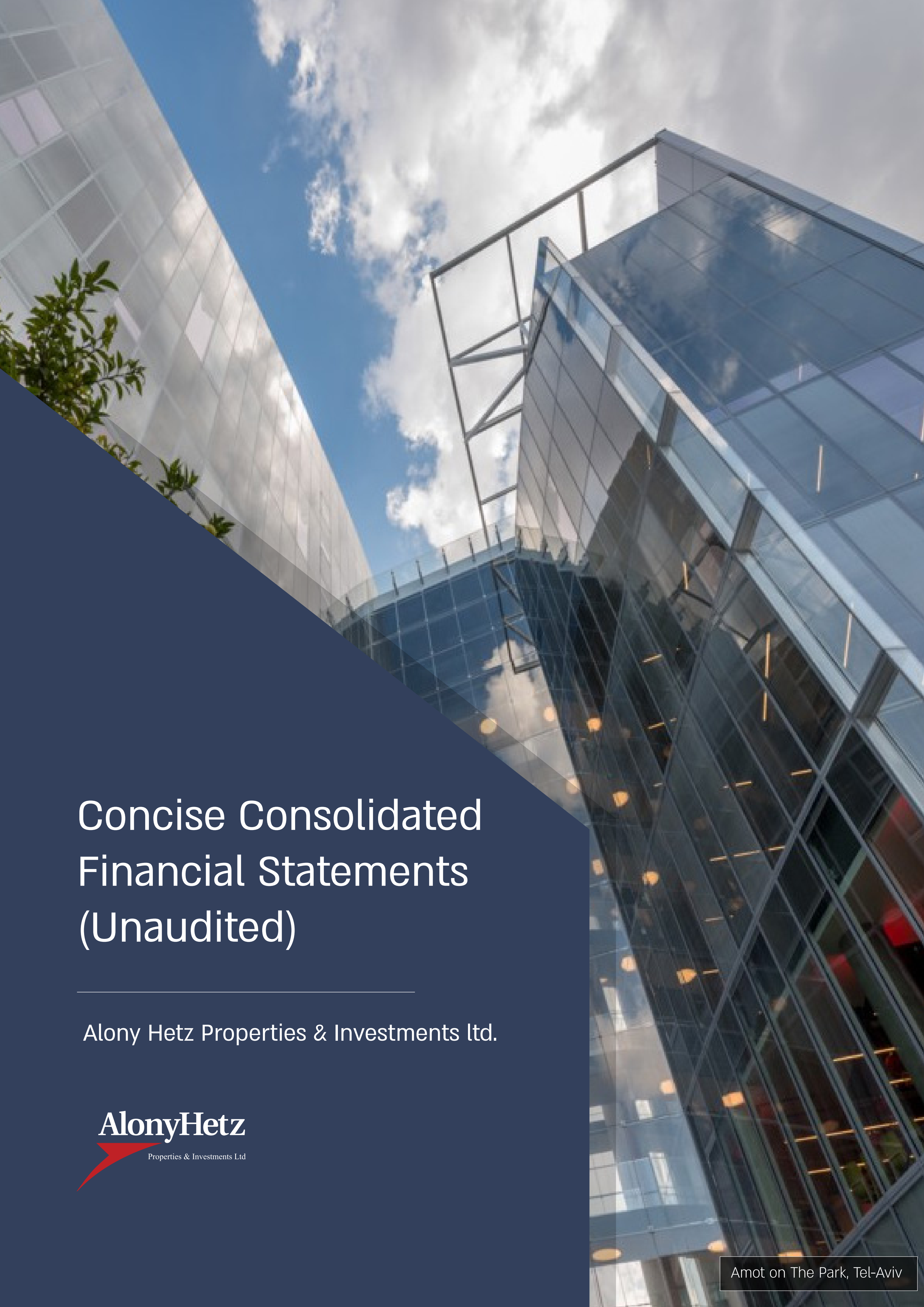
Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of March 31, 2021 **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	11,266	-	-	7,555	49	194	19,064	-	19,064
Tradable securities	27,144	-	-	-	-	-	27,144	-	27,144
Investment in investee held for sale	-	-	175,827	-	-	-	175,827	-	175,827
Loan to a consolidated company	-	-	-	-	419,564	-	419,564	-	419,564
Other accounts receivable	56,836	-	30	-	-	-	56,866	4,455	61,321
Total current assets	95,246	-	175,857	7,555	419,613	194	698,465	4,455	702,920
Non-Current Assets									
Securities measured at fair value through profit and loss:	460	-	-	-	167,310	-	167,770	-	167,770
Investments in associates	-	-	-	-	-	-	-	10,168,220	10,168,220
Services	28,033	-	-	-	-	-	28,033	3,740	31,773
Total non-current assets	28,493	-	-	-	167,310	-	195,803	10,171,960	10,367,763
Total assets	**123,739**	**-**	**175,857**	**7,555**	**586,923**	**194**	**894,268**	**10,176,415**	**11,070,683**
Current liabilities							-		
Short-term credit and current maturities of long-term liabilities	523,960	214,921	-	820	-	-	739,701	-	739,701
Other payables	120,108	3,726	-	26	-	33	123,893	17,471	141,364
Total current liabilities	644,068	218,647	-	846	-	33	863,594	17,471	881,065
Non-Current Liabilities							-		
Debentures	2,945,441	231,019	-	-	-	-	3,176,460	-	3,176,460
Loans from banking corporations and others	-	-	-	410	-	-	410	-	410
Deferred tax liabilities	-	-	-	-	-	-	-	435,683	435,683
Others	44,270	-	-	835	-	-	45,105	165	45,270
Total non-current liabilities	2,989,711	231,019	-	1,245	-	-	3,221,975	435,848	3,657,823
Total liabilities	**3,633,779**	**449,666**	**-**	**2,091**	**-**	**33**	**4,085,569**	**453,319**	**4,538,888**
Excess assets over liabilities (liabilities over assets)	**(3,510,040)**	**(449,666)**	**175,857**	**5,464**	**586,923**	**161**	**(3,191,301)**	**9,723,096**	**6,531,795**
Financial derivatives	**4,003,798**	**-**	**(121,116)**	**(2,313,646)**	**(1,569,036)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**493,758**	**(449,666)**	**54,741**	**(2,308,182)**	**(982,113)**	**161**	**(3,191,301)**	**9,723,096**	**6,531,795**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**(23,640)**	**4,171,931**	**(18,552)**	**3,763,580**	**1,688,998**	**140,779**	**9,723,096**	**(9,723,096)**	**-**
Excess assets over liabilities (liabilities over assets)	**470,118**	**3,722,265**	**36,189**	**1,455,398**	**706,885**	**140,940**	**6,531,795**	**-**	**6,531,795**

Appendix C – Rating Reports[26]

- For an up-to-date Midroog rating report, see the immediate report published by the Company on March 7, 2021 (Ref: 2021-01-027990) and the immediate report dated April 25, 2021 (Ref: 2021-01-070140).
- For an up-to-date rating report by Maalot, the Israeli Securities Rating Company Ltd., see the immediate report published by the Company on July 9, 2020 (Ref: 2020-01-066058) and the immediate report dated April 26, 2021 (Ref: 2020-01-070278).

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



Concise Consolidated Financial Statements (Unaudited)

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot on The Park, Tel-Aviv

Deloitte.

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

Introduction

We have reviewed the accompanying financial information of **Alony Hetz Properties & Investments Ltd.** the Company and subsidiaries (hereafter- “the Company”) which includes the condensed consolidated statement of financial position as of March 31, 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-months period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “Interim Financial Reporting” and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 14% of the total consolidated assets as of March 31, 2021, and whose revenues included in consolidation constitute approximately 17% of the total consolidated revenues for the three-months period then ended. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,182 million NIS as of March 31, 2021 and the share of the results of which for the three-months period then ended, amounted to approximately 39 million NIS. The interim condensed financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, May 18, 2021

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

	Note	As of March 31		As of December 31
		2021	2020	2020
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Assets				
Current assets				
Cash and cash equivalents		1,658,123	2,586,854	2,214,781
Deposits, tradable securities and blocked cash		27,145	119,250	90,340
Trade receivables		70,746	49,349	60,565
Current tax assets, net		13,806	7,511	11,462
Other receivables		237,998	212,158	258,811
		2,007,818	2,975,122	2,635,959
Investment in investee held for sale (*)	9	175,827	1,024,292	200,311
Total current assets		2,183,645	3,999,414	2,836,270
Non-Current Assets				
Investment property	5	15,931,148	15,113,119	15,100,135
Investment property under construction		1,197,211	746,083	1,149,644
Long-term investments:				
Securities measured at fair value through profit and loss:		167,770	178,982	186,335
Investments in associates	8 ,7	4,543,894	4,652,465	4,301,655
Deferred tax assets		6,880	4,038	10,646
Power production facilities:	6			
Active electric power production facilities		1,626,755	1,289,410	1,635,328
Right-of-use asset		244,278	157,630	198,657
Electricity-Generating Facilities in Development		943,478	735,213	781,818
Restricted deposits		48,345	40,518	47,768
Fixed assets, net		104,546	77,656	94,257
Other assets		109,722	94,014	157,861
Total non-current assets		24,924,027	23,089,128	23,664,104
Total assets		27,107,672	27,088,542	26,500,374

(*) See Note 9h.

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

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

	Note	As of March 31		As of December 31
		2021	2020	2020
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Liabilities and equity				
Current liabilities				
Short term credit and current maturities of long term liabilities		365,510	1,336,794	148,333
Current maturities of debentures		974,814	985,625	876,816
Current maturities of lease liabilities		9,220	3,567	4,722
Current tax liabilities, net		79,208	65,866	118,333
Other payables		608,372	668,656	628,087
Total current liabilities		2,037,124	3,060,508	1,776,291
Non-Current Liabilities				
Debentures	11	10,293,891	9,602,163	10,334,792
Loans from banking corporations and financial institutions	10	2,320,224	2,613,112	2,245,626
Lease liability		248,657	135,844	179,557
Deferred tax liabilities		1,815,528	1,753,424	1,809,154
Provisions		16,483	16,484	16,483
Other liabilities		306,940	183,916	225,641
Total non-current liabilities		15,001,723	14,304,943	14,811,253
Equity				
Equity attributable to Company shareholders		6,531,795	6,468,488	6,401,866
Non-controlling interests		3,537,030	3,254,603	3,510,964
Total equity		10,068,825	9,723,091	9,912,830
Total liabilities and equity		27,107,672	27,088,542	26,500,374

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

On behalf of the Board of Directors:

Aviram Wertheim	______________________	Chairman of the Board of Directors
Nathan Hetz	______________________	Member of the Board of Directors and CEO
Oren Frenkel	______________________	CFO

May 18, 2021

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

	For the Three Month Period ended March 31		For the Year Ending December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Revenues and profits			
Income from rental and management fees of investment property	219,506	240,385	891,632
Fair value adjustments of investment property	(41,554)	(86,244)	(187,782)
Group share in the profits of associates, net	74,349	25,446	99,670
Net profits (losses) from investments in securities measured at fair value through profit or loss	17,491	(9,153)	(15,250)
Profit from decrease in rate of holding, from purchase and realization of associates	4,944	124,245	200,953
Revenues from sale of electricity and green certificates	58,147	69,740	261,803
Other revenues (expenses), net	37	582	(553)
	332,920	365,001	1,250,473
Costs and Expenses			
Cost of investment property rental and operation	18,523	19,294	74,622
Electric power production facility development, maintenance and operation costs	8,282	11,614	37,565
Depreciation and amortization	18,671	16,183	82,598
Administrative and general	31,856	30,909	125,024
Financing revenues	(4,481)	(9,665)	(9,270)
Financing expenses	70,910	71,618	279,799
	143,761	139,953	590,338
Profit before taxes on income	189,159	225,048	660,135
Tax expenses on income	32,273	69,920	194,650
Net profit for the period	156,886	155,128	465,485
Company shareholders	106,246	103,981	302,998
Non-controlling interests	50,640	51,147	162,487
	156,886	155,128	465,485
Net income attributable to Company shareholders (in NIS):			
Basic	0.61	0.60	1.75
Fully Diluted	0.61	0.59	1.74
Weighted average of capital stock issued for calculation of profit per share (thousands of shares)			
Basic	172,859	172,751	172,784
Fully diluted	173,165	173,829	173,060

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

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

	For the Three Month Period ended March 31		For the Year Ending December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Net profit for the period	156,886	155,128	465,485
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	205,844	63,780	(375,228)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding and loss of significant influence in associate, net of tax	3,088	(3,058)	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding and loss of significant influence in the associate, net of tax	1,532	3,011	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 and loss of significant influence in associate, net of tax	(3,557)	(6,118)	(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	(99,350)	(77,499)	122,483
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	8,220	(3,398)	11,112
Company share in other comprehensive income (losses) of associates, net of tax	6,298	(2,898)	(1,050)
Other comprehensive income (loss) for the period, net of tax	122,075	(26,180)	(264,634)
Total comprehensive income for period	278,961	128,948	200,851
Distribution of comprehensive earnings (loss) for the period			
Company shareholders	219,614	94,281	56,119
Non-controlling interests	59,347	34,667	144,732
	278,961	128,948	200,851

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended March 31, 2021 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of January 1, 2021	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830
Total comprehensive income for period	-	-	105,538	7,830	-	106,246	219,614	59,347	278,961
Dividends declared for Company shareholders	-	-	-	-	-	(86,430)	(86,430)	-	(86,430)
Dividends declared for non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(53,126)	(53,126)
Issue of capital in consolidated companies	-	-	-	(4,097)	-	-	(4,097)	13,535	9,438
Allocation of benefit in respect of options to employees and others	-	-	-	842	-	-	842	6,310	7,152
Balance as of March 31, 2021	190,932	2,472,582	(458,827)	249,698	(589)	4,077,999	6,531,795	3,537,030	10,068,825

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended March 31, 2020 (Unaudited) (NIS thousands)

	Capital Stock	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributable to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of January 1, 2020	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835
Total comprehensive income for period	-	-	(2,026)	(7,674)	-	103,981	94,281	34,667	128,948
Dividends declared and paid Company shareholders	-	-	-	-	-	(50,103)	(50,103)	-	(50,103)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(94,133)	(94,133)
Exercise of employee options	28	964	-	(98)	-	-	894	-	894
Issue of capital in consolidated companies	-	-	-	86,069	-	-	86,069	138,138	224,207
Allocation of benefit in respect of options to employees and others	-	-	-	802	-	-	802	4,901	5,703
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(260)	(260)
Balance as of March 31, 2020	190,844	2,469,563	(307,713)	106,874	(589)	4,009,509	6,468,488	3,254,603	9,723,091

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Year ended December 31, 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 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
Application 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 Condensed Consolidated Financial Statements.

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

		For the Three Month Period ended March 31		For the Year Ending December 31
		2021	2020	2020
	Note	NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Cash flows - Operating activities				
Net profit for the period		156,886	155,128	465,485
Revenues not entailing cash flows (Appendix A)		(77,389)	(57,430)	240,159
		79,497	97,698	705,644
Changes in working capital (Appendix B)		(22,283)	(21,108)	48,681
Net cash from current activity		57,214	76,590	754,325
Cash Flow - Investment Activity				
- Investment in investment property funds		-	(11,941)	(12,024)
Proceeds from the repayment of investments in investment property funds		-	22,409	10,468
Proceeds from the realization of investment in associates, net of tax	9	21,709	520,569	1,359,305
Investment in fixed assets and investment property (including investment property in development)	5	(805,951)	(602,500)	(1,139,492)
Investment in electric power production facilities	6	(228,796)	(108,955)	(627,883)
Investment in associates		(14,432)	-	(179,588)
Increase in pledged deposit and restricted cash		-	(271)	(35,658)
Decrease in pledged deposit and restricted cash		654	106,826	172,981
Proceeds from realization of securities presented at fair value against profit and loss		23,845	-	-
Loan granted		(13,247)	-	-
Repayments of loans provided to associates, net		1,248	1,317	6,312
Repayment of investment in associate		-	-	3,250
Decrease (increase) in deposits and tradable securities, net		65,683	(57,427)	(48,966)
Cash deriving from (used for) forward transactions and options intended for hedging		22,872	(5,650)	25,070
Others		-	95	330
Net cash used in investment activities		(926,415)	(135,528)	(465,895)
Cash flows – financing activity				
Proceeds from the issue of debentures and options to debentures by the Group, net	11	588,620	1,056,326	2,299,631
Repayment of debentures		(455,801)	(347,178)	(874,411)
Receipt of long-term loans less recruitment costs (payment of recruitment costs)		10,000	257,149	427,769
Repayment of long-term loans		(10,345)	(250,527)	(664,092)
Proceeds from the issue of shares and options		-	894	3,687
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies		9,183	227,173	616,352
Purchase of shares and options from non-controlling interests in subsidiaries, net		-	-	(22,290)
Increase (decrease) in short-term credit and used long-term credit frameworks from banks		216,466	1,022,140	(165,270)
Dividends paid to Company shareholders		-	-	(200,446)
Dividends paid to non-controlling interests in consolidated companies	12	(44,069)	(94,133)	(256,507)
Others		-	(260)	-
Net cash deriving from financing activities		314,054	1,871,584	1,164,423
Increase (decrease) in cash and cash equivalents		(555,147)	1,812,646	1,452,853
Balance of cash and cash equivalents at the beginning of the period		2,214,781	771,749	771,749
Effect of changes in exchange rates on foreign currency cash balances		(1,511)	2,459	(9,821)
Balance of cash and cash equivalents at the end of the period		1,658,123	2,586,854	2,214,781

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

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

	For the Three Month Period ended March 31		For the Year Ending December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Adjustments required to present cash flows from operating activities			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its sale	41,554	86,244	187,782
Net profits from changes in holding rate and realization of investments in investees	(4,944)	(124,245)	(200,953)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(67,128)	(105,399)	(83,993)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(17,491)	14,353	18,342
Company share in results of associates, less dividends and capital reductions received	(77,319)	(10,180)	131,507
Net loss (profit) from tradable securities	(4,349)	17,250	146
Deferred taxes, net	26,664	43,167	81,935
Depreciation and amortization	18,671	16,114	82,598
Allocation of benefit in respect of share-based payment	6,320	5,703	22,537
Others, net	633	(437)	258
	(77,389)	(57,430)	240,159
b. Changes in asset and liability items (changes in working capital):			
Increase in customers and in accounts receivable and debit balances	(6,106)	(17,045)	(5,906)
Increase in current tax assets, net	(2,110)	(2,077)	(6,028)
Increase (decrease) in accounts payable and credit balances	12,210	(20,076)	7,052
Increase (decrease) in current tax liabilities, net	(26,277)	18,090	53,563
	(22,283)	(21,108)	48,681
c. Non-Cash Activity			
Dividends declared for Company shareholders	86,430	50,103	-
Dividends declared for non-controlling interests in a consolidated company	9,057	-	-
Income receivable for sale of tradable securities	1,275	-	-
Exercise of employee options against receivables	1,460	1,025	1,205
Investment in power production systems against supplier and creditor credit	-	21,787	30,399
Investment in electricity-generating systems against other liabilities	-	-	-
Increase in right-of-use asset against right-of-use liabilities	74,901	214	57,691
Investment in real estate and fixed assets against other accounts payable	7,098	10,844	11,210

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

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

	For the Three Month Period ended March 31		For the Year Ending December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
d. Additional information			
Interest paid (*)	155,096	172,519	398,748
Interest received	939	3,928	17,022
Taxes paid (**) (***)	53,465	11,431	63,109
Taxes received	-	277	2,586
Dividends and receipts for reductions of capital received	7,491	27,657	283,888

(*) Interest paid in the first quarter of 2020 includes early repayment fee, see Note 12c. (1) To the annual consolidated financial statements.

(**) The taxes paid in the first quarter of 2021 include the payment of taxes in the amount of NIS 20 million stemming from the sale of shares of an associate classified in investing activities.

(***) The taxes paid in the first quarter of 2021 include taxes paid in respect of an assessment agreement in consolidated companies (for further details, see Note 20d to the Company's Consolidated Annual Statements).

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

Note 1 - General

The Group focuses on long-term investments in cash-generating real estate companies in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy, in Israel and around the world. See Note 14.

These Condensed Consolidated Financial Statements (hereinafter – "**the Interim Financial Statements**") were prepared as of March 31, 2021 and for the three month period ended on that date. These Statements should be read within the context of the Company's Consolidated Annual Financial Statements as of December 31, 2020 and for the year ended on that date and with their accompanying Notes (hereinafter – "the **Annual Financial Statements**").

Note 2 – Significant Accounting Policies

a. Preparation basis for the financial statements:

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

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

In the preparation of these Interim Financial Statements the Group has implemented accounting policies, presentation principles and calculation methods identical to those implemented in the preparation of its financial statements as of December 31, 2020 and for the year ended on that date.

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

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

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

Note 2 – Significant Accounting Policies

c. Exchange rates and linkage bases:

- Balances in or linked to foreign currency are included in the financial statements according to the representative rates of exchange published by the Bank of Israel and in effect as of the end of the reporting period.

- Balances linked to the Consumer Price Index (CPI) are presented according to the most recent known CPI at the end of the reporting period (the CPI for the month preceding the month of the financial statements date) or in accordance with the CPI in lieu of the last month of the reporting period (the CPI for the month of the financial statements date), according to the terms of the transaction.

- The following is information on exchange rates and the CPI:

	As of March 31 / For the Month of March		As of December 31 / For the Month of December	For the Three Month Period ended March 31		For the Year Ending December 31
	2021	2020	2020	2021	2020	2020
				%	%	%
Consumer Price Index						
(2000 base)						
In Israel (actual CPI)	133.696	133.429	132.634	0.80	(0.10)	(0.69)
In Israel (known CPI)	132.899	132.899	132.766	0.10	(0.50)	(0.60)
Exchange Rate vs. the NIS						
Swiss franc	3.539	3.685	3.650	(3.04)	3.08	2.10
US dollar	3.334	3.565	3.215	3.70	3.15	(6.97)
Pound sterling	4.587	4.399	4.392	4.44	(3.53)	(3.68)
PLN	0.842	0.859	0.854	(1.42)	(13.66)	(6.17)

d. Seasonal factors:

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

Note 3 – The Corona Crisis

Further to Note 1b to the annual financial statements, the last closure in Israel was imposed at the end of December 2020 and it lasted for about two months, while during February 2021, it was possible to return gradually to activity subject to strict conditions under the “purple badge”. During the first quarter of the year, Amot granted relief in the amount of NIS 19 million to tenants from the commercial sector.
In markets in which the Company operates around the world (Greater London, Washington DC and Boston) various restrictions still apply and most employees continue to work from home. The recovery rate in these markets is a derivative of the vaccination operations and the rate of those vaccinated in the entire population, and in these countries the rate of those vaccinated with at least one vaccine is 45% -52%[1].

Note 4 – Amot (consolidated company)

A. The Company's holdings in Amot:

The rate of the Company’s holdings in Amot immediately prior to the publication of this report was 56.74%.

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

Purchase of logistics complex

On March 3, 2021, 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%). As of the reporting date, the transaction has not yet been completed and therefore it has not yet been reflected in the Group's financial statements.

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

A. The Company's holdings in BE:

During the reporting period and subsequent to the balance sheet date, the Company invested approx. GBP 86 million (approx. NIS 389 million) in BE’s capital. As of the date of publication of the report, the Company holds approx. 96.96% of BE’s equity.

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

During the reporting period, BE acquired two complexes in the “Cambridge Science Park”, which is located in the northern part of the city of Cambridge in the UK:

1.) 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 207 million) (not including transaction costs) (in this subsection: "**the Complex**"). The complex is fully leased until May 2031 to companies from the Life Science industry and has the potential for future betterment for the establishment of a modern science park, while significantly increasing building rights.

2.) A leasehold right for a period of 90 years in a complex 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) (in this subsection: “the **Acquisition Consideration**” and" the **Complex**", respectively).

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[1] Source: Our World in Data

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

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. The value attributed to Area A from the total consideration for the purchase 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 there are plans for a new building for the Life Science industry to 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 and the expected annual NOI that the project will yield at the end of construction (during 2024) will reach approx. GBP 4.5 million.

The expected NOI in 2021 from the two complexes is in the amount of GBP 4.4 million.

For the acquisition of the complexes, the Company invested a total of approx. GBP 68 million (approx. NIS 307 million) in BE's capital and provided BE with bridging loans in the amount of approx. GBP 91 million (approx. NIS 414 million).

Subsequent to the balance sheet date, BE repaid GBP 7 million (approx. NIS 32 million) of the balance of the bridging loans. BE is expected to repay the bridging loan balance over the next few weeks, upon taking bank credit in the amount of GBP 90 million against a lien on the acquired complexes.

That stated in this Section (b) regarding the expected NOI, the feasibility of projects being initiated, expected construction costs and the expected completion of construction, is forward-looking information.

C. Subsequent to the balance sheet date, in April 2021, BE granted a loan for the financing of construction in the amount of GBP 18 million for a period of one year, for the financing of completion of a project for the construction of a luxury apartment building in central London managed by the Brockton I Fund. The loan bears annual interest of 20%. For this purpose, subsequent to the balance sheet date, the Company invested the amount of GBP 18 million (NIS 82 million) in BE's capital.

D. Fair value adjustments of investment property:

In the reporting period, BE recorded a negative revaluation in respect of the amortization of acquisition expenses for properties acquired in the first quarter of the year in the amount of GBP 9 million (NIS 42 million).

Note 6 – Energix (consolidated company)

A. Company holdings in Energix:

Immediately prior to the publication of this report, the Company's rate of holdings is approx. 53.5%.

Note 6 – Energix (consolidated company)

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

United States:

1. **Projects in development – Virginia 2 Projects (140 MWp):**

Further to that stated in Note 8c to the annual consolidated financial statements, Energix is in the midst of construction work on the Virginia 2 projects – a backlog of 6 photovoltaic projects with a combined capacity of approx. 140 MWp, of which Energix has completed the construction of facilities with a total capacity of approx. 39 MWp.
For information regarding agreements for ensuring electricity prices and revenues from green certificates for the Virginia 2 projects, see Note 8c to the annual consolidated financial statements.

Regarding the signing of an agreement with an American financial institution for the financing of the project, see Note 10b.3 below.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 223 million in respect of these projects.

2. **Projects in advanced development**

150 MWp Photovoltaic facility with a capacity of 150 MWp in Virginia, USA (Virginia Project 5): On March 31, 2021, Energix acquired 100% of the rights in the 150 MWp photovoltaic project in Virginia for an amount of approx. USD 7.3 million (of which approx. USD 2.8 million was paid and the balance will be transferred at the beginning of construction). The project is in advanced stages of development, including an interest in the land, a binding connection survey to the electricity grid and a building permit.

For further details regarding Energix's operations in the United States and the operating conditions in the framework of the United States venture, see Note 8c to the annual consolidated financial statements.

Poland:

3. **2 wind farms in commercial operation:**
Revenues from the wind farm – Further to that stated in Note 7(e) to the annual consolidated financial statements, as of the date of approval of the report, Energix has transactions for fixing the price of electricity and green certificates as follows:

A. **Price fixing transactions for electricity:**

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2021	86%	236
2022	86%	250
2023	84%	250
2024	84%	288

(*) Expected volume of electricity generation in Energix's 2 wind farms in commercial operation as of the date of the report.

Note 6 – Energix (consolidated company)

(**) Average price in PLN per 1 MWh, before adjustments to the actual production profile.

B. Price fixing transactions for green certificates:

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2021	79%	143
2022	70%	142
2023	42%	146

(*) 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.

4. **Wind farm in development:**
   a. Further to Note 8d to the annual consolidated financial statements, Energix is in the midst of construction work on the 2 wind farms, Banie Stage 3 (82 MWp) and Sepopol (44 MWp), which won a wind tender for a guaranteed rate.
   As of the reporting date, Energix has recognized properties in development in the amount of NIS 117 million, against development costs, advance payments to equipment suppliers and contingent debts in the amount of approx. NIS 20 million.

   b. **Engagement in electricity price fixing transactions"**
   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 2022-2024. This is in connection with the part of the expected capacity that is not subject to the tender tariff.
   The following is the fixed production capacity 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	80%	270
2024	34%	293

(*) Average price in PLN per 1 MWh, before adjustments to the actual production profile.

5. **Banie Project Stage 4:**
Further to Note 8d to the annual consolidated financial statements in relation to a wind farm with a capacity of approx. 56 MW (held through a designated corporation), shortly before the date of approval of the report, Energix acquired the non-controlling interest in the designated company holding the wind farm project for the amount of EUR 3.7 million (approx. NIS 14.5 million). Accordingly, as of the date of approval of the report, Energix, through subsidiaries, holds 100% of the wind farms and ownership rights in the project. As stated, the wind farm is nearing construction (Banie Stage 4) after winning a wind tender for a guaranteed rate for 15 years (Energix's share - 68%).

Note 6 – Energix (consolidated company)

As part of Energix's preparations for the start of construction work on the project, and for this purpose in March 2021, Energix (through the designated corporation) entered into an agreement with Vestas to purchase, construct and operate the turbines to be built as part of the wind farm.
As of the reporting date, Energix has recognized the property in the amount of approx. NIS 57 million, against development costs and advance payments to equipment suppliers.

Israel:

6. **Projects in development and nearing construction –**

The winning projects as part of the third and fourth competitive procedures (up to 139 MWp): As of the date of approval of the report, Energix is in the midst of the construction work and completion of the assessments for the construction of the projects subject to these quotas, of which the construction of facilities with a total capacity of approx. 20 MWp has been completed.

As of the reporting date, Energix has recognized property in development in the amount of NIS 183 million in respect of these projects.

For further details regarding Energix's photovoltaic activity in Israel, see Note 8a to the annual consolidated financial statements.

7. **Wind energy projects in Israel**

ARAN Project:

Further to Note 8b to the annual consolidated financial statements, as of the date of approval of the report 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 conditions required for approval of a tariff and promotion of financial closure.

Regarding the memorandum of understanding which was signed close to the date of approval of the financial statement, see Note 10b.2 below.

Close to the date of approval of the report, Druze associations and residents filed a claim in the Magistrate's Court demanding that Energix not enter the areas they claim they own and which constitute part of the project. Energix, based on its rights to the land designated for the project's construction, rejects the plaintiff's claim. As of the reporting date, a letter of defense has not yet been submitted.

As of the reporting date, Energix has recognized the property in the amount of approx. NIS 45 million, against development costs and contingent debts in the amount of approx. NIS 11 million.

Note 7 – Carr Properties (hereinafter – "Carr") (an associate)

A. The Company's Holdings in Carr:

As of March 31, 2021 and as of the date of publication of the report, the Group's holdings in Carr Properties Holdings LP is 50.77%. The Group's effective holdings in Carr as of March 31, 2021 is 44.2%.

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

Until the date of publication of the report, the Company has received the amount of USD 27.7 million (NIS 89.2 million) from Carr in respect of 2021. Of that amount, NIS 87.2 million was received in 2020.

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

1) Further to Note 6(g) to the annual consolidated financial statements, regarding Carr's sale of 49% of the Midtown Center, in April 2021 the sale transaction was completed according to a value of USD 980 million (the same value as the value in Carr's books as of March 31, 2021). The consideration for the sale that Carr received (after deducting the existing loan) amounted to USD 223 million.

2) Close to the publication of this report, Carr acquired the full rights and debt in the 100 Congress office building located on the main business street of the city of Austin, Texas ("the Property") for USD 315 million. The property has a total rental area of 412 thousand sq.ft. and an occupancy rate of 94%. In 2021, the property is expected to yield NOI in the amount of USD 18 million. The property has a loan of USD 140 million.

The above information regarding the NOI forecast is forward-looking information within the meaning of the Securities Law, 1968. Such information is based on future data and estimates of Carr's management and there is no certainty that they will be fully or partially realized, due in part to factors beyond Carr's or the Company's control.

3) 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 value in Carr's financial statements as of March 31, 2021).

D. Fair value adjustments of investment property

In the reporting period, Carr recorded a net positive revaluation of USD 4 million in its financial statements, consisting of positive revaluations of USD 14 million in respect of projects in development, which were partially offset by negative revaluations of USD 10 million in respect of income-generating properties (the Group's share in the positive revaluation before tax is approx. USD 2 million, NIS 6 million). The adjustment of the value of Carr's income-generating properties is mainly due to a change in assumptions regarding the provision of incentives to tenants.

Note 7 – Carr Properties (hereinafter – "Carr") (an associate) (continued)

E. The following is concise information on Carr:

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	USD thousands		
Revenues (not including real estate revaluations)	57,763	60,591	247,596
Fair value adjustments of investment property (*)	4,300	(14,754)	(2,039)
Net profit from continuing operations	18,582	5,354	80,535
Other comprehensive income (loss)	5,635	(2,199)	(186)
Total comprehensive income (including share of non-controlling interests in profit)	24,217	3,155	80,349
Company share in Carr's net income in USD thousands	8,658	2,803	37,694
Company share in Carr's comprehensive income in USD thousands	10,959	1,757	37,763
Company share in Carr's net income in NIS thousands	28,302	9,811	129,118
Company share in Carr's comprehensive income in USD thousands	35,827	6,150	129,120

(*) 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 March 31		As of December 31
	2021	2020	2020
	USD thousands	USD thousands	USD thousands
Investment property	2,983,050	2,869,113	2,796,120
Property in development and land intended for development	493,055	494,070	646,316
Investment in investees	348,910	245,736	318,983
Other non-current assets	179,827	172,212	179,037
Other current assets	63,521	71,444	87,976
Total assets	4,068,363	3,852,575	4,028,432
Current liabilities	211,982	241,576	226,565
Non-current liabilities	1,851,491	1,691,189	1,818,074
Total liabilities	2,063,473	1,932,765	2,044,639
Equity attributable to shareholders	1,861,789	1,777,630	1,840,754
Non-controlling interests	143,101	142,180	143,039
Equity (including non-controlling interests)	2,004,890	1,919,810	1,983,793
Total liabilities and equity	4,068,363	3,852,575	4,028,432
Company share in net assets - in USD thousands	945,144	902,421	934,470
Book value of investment – in NIS thousands	3,151,111	3,217,130	3,004,321

Note 8 – The Company's holdings in Boston (associated companies):

A. The Company's holdings in Boston:

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through fully owned corporations) in three companies that (each) hold an office building in the Boston CBD and in East Cambridge (hereinafter, together – "**the Boston Partnerships**"). The Company's partner in the Boston corporations is the Oxford Properties Group (hereinafter – "**Oxford**"), which provides asset management services under agreed terms identical to market terms. The balance of the investment in the above three companies, in the financial statements as of March 31, 2021, is USD 260 million (NIS 867 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, hereinafter: "**the Building**"), which accounts for 76% of the total rental space in that building, decided to leave the building.

The Company and Oxford have decided to take action to promote an entrepreneurial project to transform the building from an office building to a laboratory building for the Life Sciences. The Company and Oxford estimate that they will receive approval for the change in the designation of the building from offices to laboratories at the beginning of 2022 and begin construction work in the second quarter of that year. The project's cost of is estimated at approx. USD 130 million and the expected completion date for the conversion is in the second quarter of 2023.

In view of the above, positive revaluations were recorded in the reporting period in the amount of approx. USD 22 million in respect of the 745 Atlantic building, which is held by the Company in partnership with Oxford in Boston (the Group's share before tax – USD 12 million, which is approx. NIS 39 million).

For further information, see Note 6i to the annual financial statements.

That stated in this Section a above regarding the feasibility and the date of receipt of approval for the change of designated use, the dates for the start and completion of construction and the cost of the project is forward-looking information.

Note 9 – PSP Swiss Property Ltd. (hereinafter – "PSP") (Investment measured at fair value through profit or loss held for sale):

Further to Note 6(h) to the Company's 2020 financial statements regarding the Company's decision to realize the balance of its investment in PSP, in the first quarter of 2021, the Company sold an additional 100 thousand PSP shares for a consideration of CHF 11.5 million (approx. NIS 42 million). As a result of the sale, the Company listed a pre-tax profit of NIS 5 million (an after tax profit of NIS 3.7 million).

As of March 31, 2021, the Group held 431 thousand PSP shares, constituting 0.9% of PSP's capital stock. At that time, the Company classified the balance of its investment in PSP from "investment in an associate held for sale" to "investment measured at fair value through profit or loss held for sale". As a result of the change in classification, in the first quarter of 2021, the Company listed a pre-tax profit of NIS 19 million (an after tax profit of NIS 14.7 million).
The balance of the Company's investment in PSP as of March 31, 2021, which is presented at the stock exchange value as of that date (CHF 115.2 per share), amounted to approx. CHF 49.7 million (NIS 175.8 million).
The balance of the investment in PSP as of March 31, 2020 and December 31, 2020 was presented as an investment in an associate held for sale (as of December 31, 2020 – at CHF 103.3 per share). In this regard, see also Notes 2(g) and 6(h) to the Company's 2020 financial statements.

Note 9 – PSP Swiss Property Ltd. (hereinafter – "PSP") (Investment measured at fair value through profit or loss held for sale):

Subsequent to the balance sheet date, the Company received a dividend from PSP in the amount of CHF 1.2 million (NIS 4.3 million). The Company also sold the remaining PSP shares it held for the amount of CHF 49.2 million (approx. NIS 174.4 million), so that after the sale, the Company did not have any remaining PSP shares.

Note 10 – Loans from Banking Corporations and Financial Institutions:

A. The Company –

1. Further to that stated in Note 12b(1) to the 2020 Annual Financial Statements, a facility agreement was re-signed between the Company and an Israeli bank (hereinafter – "**the Bank**") in January 2021 for the provision of a credit facility in the amount of NIS 150 million with a utilization period of one year from date of signing the agreement ("the **Utilization Period**") to be repaid by the end of two years from the end of the utilization period ("**the New Facility Agreement**"). The rest of the facility conditions remained the same as the expired facility. The facility agreement replaces and cancels the facility agreement with the bank that expired in January 2021. The new facility agreement, as was its predecessor, is not guaranteed by liens.
   As of March 31, 2021, the Company has utilized NIS 48 million of the above facility.

B. Energix (consolidated company) –

2. **Financing for the ARAN project –** Close to the date of approval of the financial statement, the project company signed a memorandum of understanding that does not require financing for the construction of the project in the amount of up to NIS 650 million.
3. **Financing for the Virginia 2 project –** Close to the date of approval of the report, Energix signed a set of agreements to engage with an American financial institution as the tax partner for 5 of the 6 projects with a capacity of 115 MWp. Depending on the engagement, the tax partner will invest a total of approx. USD 55 million in the project company. The investment of the tax partner will be made against the acquisition of rights, as is customary in transactions of this type, the main purpose of which is the federal tax benefit (ITC) in respect of the projects. The final investment amount will be determined, among other things, depending on the actual construction cost of the projects.

C. Libor interest

In July 2017, the Financial Conduct Authority in the UK (FCA) announced that it would cease to require Libor panel member banks to quote interest rates from the end of 2021 (with the exception of the USD Libor interest rate, which will continue to be published until June 2023). Accordingly, the financial system is expected to stop publishing the Libor interest rates and to stop using them. Due to this, various regulatory bodies have announced alternatives to Libor interest rates based on interest rates that reflect risk-free interest, in contrast to Libor interest rates, which also weight the banks' credit risk. Therefore, the transition to risk-free interest rate anchors may require an increase in the risk margin. Currently, anchors have been formed only for one-day periods (overnight) and it is not yet clear whether the new anchors will include a wide range of financing periods (as do the Libor interest rates), how interest rates will be adjusted or calculated for longer than one day, and how interest rates will be converted in relation to existing transactions of various types based on the Libor.

Note 10 – Loans from Banking Corporations and Financial Institutions:

In the US, a committee of the Federal Reserve Bank and the Central Bank of New York has published the SOFR (Secure Overnight Financing Rate) that will replace USD-Libor, and in the UK, the Central Bank publishes the SONIA (Sterling Overnight Index Average) interest rate to replace the GBP-Libor.
A consolidated company and an associate of the Company entered into loans, credit facilities, SWAP transactions and interest rate options based on the USD-Libor and GBP-Libor. At this stage the Company cannot assess the effect of the transition from the Libor interest rate to the SOFR or SONIA interest rate on the price of money of the Group companies.

Note 11 – Bond raising:

A. The Company –

Further to Note 11f to the annual consolidated financial statements, 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. Subsequent to the reporting date, in April 2021, the Company issued NIS 265 million PV of bonds (Series L) by way of a series expansion, through a shelf offer report for a gross consideration of NIS 271 million.

B. Amot –

Further to Note 11m to the annual consolidated financial statements, in February 2021, Amot issued bonds to the public (Series H) by way of an initial public offering, amounting to NIS 450 million PV for a net consideration of NIS 446 million. The bonds (Series H) include an effective CPI-linked 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 12 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position

A. Dividend distributed and dividend declared

The Company – In March 2021, the Company's Board of Directors made a decision regarding the dividend distribution policy for 2021, according to which the Company will distribute a total dividend of NIS 1.22 per share in 2021, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters – NIS 30 per share, and at the end of the third and fourth quarters – NIS 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, the Company announced a dividend for the first quarter of 2021 in the amount of NIS 0.30 per share (NIS 52 million), which was paid in April 2021.

In addition, on the same date, 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).

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

Following this policy, in May 2021 the Company declared a dividend distribution for the second quarter of 2021 in the amount of NIS 0.30 per share (NIS 52 million), which will be paid during June 2021.

Amot (consolidated company) – In March 2021, Amot's Board of Directors stated that in 2021 Amot intends to distribute an annual dividend of NIS 1 per share, to be paid in 4 equal quarterly payments, subject to a specific decision of the Amot Board of Directors at the end of each quarter.

According to this policy, in March 2021, Amot announced that it would distribute a dividend for the first quarter of 2021 in the amount of NIS 0.25 per share (NIS 102.5 million, the Company's share – approx. NIS 58 million), to be paid in November 2021.
Following Amot's above policy, in May 2021 Amot declared that it would distribute a dividend for the second quarter of 2021 in the amount of NIS 0.25 per share (NIS 102.5 million, the Company's share – approx. 58 million), which will be paid during May 2021.

Energix (consolidated company) – In March 2021, the Energix Board of Directors stated its intention to distribute an annual dividend in the amount of NIS 0.18 per share, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters – NIS 0.04 per share, and at the end of the third and fourth quarters – NIS 0.05 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).
According to this policy, in March 2021, Energix announced that it would distribute a dividend for the first quarter of 2021 in the amount of NIS 0.04 per share (approx. NIS 19.5 million, the Company's share – approx. NIS 10million), which was paid in April 2021.

Following this above Energix policy, in May 2021, Energix declared that it would distribute a dividend for the second quarter of 2021 in the amount of NIS 0.04 per share (approx. NIS 19.5 million, the Company's share – approx. NIS 10 million), to be paid during June 2021.

B. Remuneration of employees and officers

In March 2021, the Company's Board of Directors decided to grant a yearly batch of 365,010 non-tradable option warrants to three Company officers, 5 directors (including a director who is the daughter of the Company CEO), the Chairman of the Company's Board of Directors and 6 employees. The total economic value of the above options granted amounts to NIS 3,399 thousand. For further details see Note 16e to the annual financial statements.

The fair value of the option warrants granted has been estimated using the Black and Scholes model. The parameters used in the implementation of the model are as follows:

Share price (in NIS)	43.23
Exercise price (in NIS)	44.96
Weighted expected volatility	34.09%
Life span of option warrants (in years)	2.88
Risk-free interest rate	0.27%

C. Sales of PSP shares – Regarding the balance of PSP shares subsequent to the balance sheet date, see Note 9.

Note 13 – Transactions with Related Parties

A. Further to Note 18(f) to the Annual Financial Statements, the Company's Board of Directors, at its meeting on May 18, 2021, decided (following the approval of the Audit Committee at its meeting on May 13, 2021) to extend, for 3 years (until May 2024), the facility agreement for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of up to USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties. The transaction was approved by the Energix Board of Directors (following the approval of the Energix Audit Committee).

B. Regarding the Board of Directors' decision of March 2021 regarding the granting of non-tradable option warrants to officers and directors, see Note 12b (Remuneration of employees and officers) above.

Note 14 – Financial Instruments

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

The following table details the book value and fair value of financial assets and liabilities presented in the Financial Statements not at their fair value. Except as detailed in the following table, the Group believes that the book value of financial assets and liabilities presented at amortized cost in the financial statements is nearly identical to their fair value:

	As of March 31, 2021		As of March 31, 2020		As of December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities						
Long-term loans (including maturities)	996,068	1,106,625	992,822	1,014,648	980,091	1,086,759
Bonds (including maturities)	11,318,346	12,044,241	10,565,539	10,511,853	11,192,946	11,729,510
	12,314,414	13,150,866	11,558,361	11,526,501	12,173,037	12,816,269

- 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.

Note 14 – Financial Instruments (continued):

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

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

	As of March 31, 2021			
	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	-	19,747	-	19,747
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	12,086	-	12,086
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	80,249	-	80,249
Financial derivatives (CAP options)	-	1,324	-	1,324
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	5,644	5,644
Financial assets measured at fair value through profit and loss:				
Investment in investee held for sale	175,827	-	-	175,827
Tradable securities	27,605	-	-	27,605
Real estate investment funds (1)	-	-	167,310	167,310
	203,432	113,406	172,954	489,792
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(49,723)	-	(49,723)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2,661)	-	(2,661)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(177)	(177)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(3,683)	-	(3,683)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(1,942)	-	(1,942)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(70,410)	-	(70,410)
	-	(128,419)	(177)	(128,596)

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

	For the Three Month Period ended March 31, 2021
	NIS thousands
Balance as of January 1, 2021	156,856
Amounts recorded to profit and loss in the period	7,141
Amounts recorded to other comprehensive income in the period	8,780
Balance as of March 31, 2021	172,777

Note 14 – Financial Instruments (continued):

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

	As of March 31, 2020			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (contract for swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	17,435	-	17,435
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	55,042	-	55,042
Financial derivatives (CAP options)	-	617	-	617
Financial derivatives (contract for swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	22,248	-	22,248
Financial assets measured at fair value through profit and loss:				
Tradable securities	100,410	-	-	100,410
Real estate investment funds (1)	-	-	159,625	159,625
	100,410	95,342	159,625	355,377
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2,387)	-	(2,387)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(23,762)	(23,762)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(7,628)	-	(7,628)
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(28,054)	-	(28,054)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(57,469)	-	(57,469)
	-	(95,538)	(23,762)	(119,300)

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

	For the Three Month Period ended March 31, 2020
	NIS thousands
Balance as of January 1, 2020	153,961
Investments	11,941
Realizations	(22,409)
Amounts recorded to profit and loss in the period	(5,942)
Amounts recorded to other comprehensive income in the period	(1,688)
Balance as of March 31, 2020	135,863

Note 14 – Financial Instruments (continued):

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

	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)

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

	For the Year ended December 31, 2020
	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

Note 14 – Financial Instruments (continued):

C. Changes in investments in associates

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	In NIS millions		
Investment in PSP	(24)	(357)	(1,181)
Investment in Carr	147	81	(132)
Investment in Boston	89	34	(66)

- Investment in PSP – the decrease in the balance of the investment in the reporting period is due mainly to the sale of shares during the period (a decrease of NIS 42 million). On the other hand, an increase in the amount of approx. NIS 19 million was recorded in respect of the classification of the investment from "investment in an associate held for sale" to "investment measured at fair value through profit or loss held for sale” – see Note 9 above.

- Investment in Carr – The increase in the balance of the investment in the reporting period was due to an increase in the USD exchange rate (an increase of NIS 112 million) and as a result of accumulated equity earnings in respect of the Group’s share in Carr’s profits (an increase of NIS 28 million).

- Investment in Boston – The increase in the investment balance in the reporting period was due to the accumulation of NIS 50 million in equity earnings resulting from an increase in the USD exchange rate (an increase of NIS 30 million) and due to an investment in the amount of NIS 14 million. On the other hand, there was a decrease due to the receipt of a dividend and/or a return on capital in the amount of NIS 5 million.

Note 15 – Operating Segments

The Group has two areas of activity: (1) principal areas of activity – long-term investments in cash-generating real estate companies in Israel and in other western countries, which includes its investments in Amot, Carr, and BE;
and (2) additional area of activity – investment in renewable energy, which consists of its investment in Energix.

Segment results are measured based on the Company’s share in the operating results of each investment as included in the reports reviewed regularly by the chief decision maker and by management.

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Three Month Period ended March 31, 2021							
	Income-Generating Property Segment				Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in profits of investees, net	57,854	28,302	(33,148)	49,929	9,355	(18)	(37,925)	74,349
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	17,516	-	(25)	-	17,491
Revenues from decrease in holdings in investees	-	37	-	4,907	-	-	-	4,944
Other revenues, net (*)	2,250	-	-	-	1,320	-	232,566	236,136
	60,104	28,339	(33,148)	72,352	10,675	(43)	194,641	332,920
Administrative and general	-	-	-	-	-	8,266	23,590	31,856
Financing expenses, net	-	-	-	-	-	17,784	48,645	66,429
Other expenses, net (*)	-	-	-	-	-	-	45,476	45,476
	-	-	-	-	-	26,050	117,711	143,761
Profit before tax	60,104	28,339	(33,148)	72,352	10,675	(26,093)	76,930	189,159
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	186,493	202,884	(7,502)		58,205			
Revaluation profits (losses) (in the investee's books), before tax	-	14,057	(41,554)		-			
Net profit (in the investee's books)	101,742	60,745	(34,415)		17,569			
Company share in net profits	57,854	28,302	(33,148)		9,355			

For additional information regarding Carr's concise financial information, see Note 7 above.

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

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

(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 5.7 million.

Note 15 – Operating Segments (continued):

Segment assets and liabilities:

	As of March 31, 2021							
	Income-Generating Property Segment				Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	3,586,671	3,151,113	1,725,714	867,307	824,194	13,221	(5,624,326)	4,543,894
Investment in securities measured at fair value through profit and loss	-	-	-	343,137	-	460	-	343,597
Other assets	-	-	419,564	-	10,414	128,888	21,661,315	22,220,181
	3,586,671	3,151,113	2,145,278	1,210,444	834,608	142,569	16,036,989	27,107,672
Liabilities	-	-	-	-	-	4,538,888	12,499,959	17,038,847

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Three Month Period ended March 31, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	49,044	9,811	12,631	(43,000)	11,143	16,213	-	(30,396)	25,446
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	(9,055)	-	(98)	-	(9,153)
Revenues from decrease in holdings in investees	-	-	124,245	-	-	-	-	-	124,245
Other revenues, net (*)	2,250	-	-	-	-	1,218	-	220,995	224,463
	51,294	9,811	136,876	(43,000)	2,088	17,431	(98)	190,599	365,001
Administrative and general	-	-	-	-	-	-	8,442	22,467	30,909
Financing expenses, net	-	-	-	-	-	-	35,101	26,852	61,953
Other expenses, net (*)	-	-	-	-	-	-	-	47,091	47,091
	-	-	-	-	-	-	43,543	96,410	139,953
Profit before tax	51,294	9,811	136,876	(43,000)	2,088	17,431	(43,641)	94,189	225,048
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	150,364	156,858	273,454	(11,724)		70,113			
Revaluation profits (in the investee's books), before tax	(43,087)	(51,648)	(849)	(43,158)		-			
Net profit (in the investee's books)	89,216	18,742	173,173	(12,366)		28,128			
Company share in net profits	49,044	9,811	12,631	(43,000)		16,213			

For additional information regarding Carr's concise financial information, see Note 7 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 32 million.

Note 15 – Operating Segments (continued):

Segment assets and liabilities:

	As of March 31, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,289,755	3,217,133	1,024,292	1,315,995	878,511	701,114	18,144	(4,768,187)	5,676,757
Investment in securities measured at fair value through profit and loss	-	-	-	-	178,446	-	536	-	178,982
Other assets	-	-	-	-	-	-	1,103,901	20,128,902	21,232,803
	3,289,755	3,217,133	1,024,292	1,315,995	1,056,957	701,114	1,122,581	15,360,715	27,088,542
Liabilities	-	-	-	-	-	-	5,259,339	12,106,112	17,365,451

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Year ended December 31, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in profits of investees, net	160,596	129,118	12,631	(34,508)	(3,802)	43,222	(601)	(206,986)	99,670
Net profits (losses) 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 7 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 15 – Operating Segments (continued):

Segment assets and liabilities:

Segment assets and liabilities:

	As of December 31, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees (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 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended March 31, 2021							
	Income-Generating Property			Energy			Others and Unassigned Expenses	Total
	Israel	United States	The UK	Israel	Poland	United States		
	NIS thousands							
Revenues and profits								
Income from rental and management fees of investment property	185,455	-	34,051	-	-	-	-	219,506
Fair value adjustments of investment property	-	-	(41,554)	-	-	-	-	(41,554)
Group share in profits (losses) of associates, net	3,022	78,230	(7,015)	112	-	-	-	74,349
Revenues from sale of electricity and green certificates	-	-	-	22,883	32,503	2,761	-	58,147
Other	(1,829)	37	192	57	-	-	24,015	22,472
	186,648	78,267	(14,326)	23,052	32,503	2,761	24,015	332,920
Costs and Expenses								
Cost of investment property rental and operation	15,728	-	2,795	-	-	-	-	18,523
Electric power production facility development, maintenance and operation costs	-	-	-	3,059	4,437	786	-	8,282
Depreciation and amortization	580	-	124	8,026	7,058	2,158	725	18,671
	16,308	-	2,919	11,085	11,495	2,944	725	45,476
Administrative and general expenses							31,856	31,856
Profit before financing	170,340	78,267	(17,245)	11,967	21,008	(183)	(8,566)	255,588

Note 15 – Operating Segments (continued):

Geographic information:

	As of March 31, 2021							
	Income-Generating Property			Energy				
	Israel	USA (*)	The UK	Israel	Poland	United States	Others	Total
	NIS thousands							
Main assets								
Investment property (including property in development and property intended for sale)	13,418,790	-	3,709,569	-	-	-		17,128,359
Investments in associates	438,162	4,018,420	65,202	9,039	-	-	13,071	4,543,894
Active electric power production facilities	-	-	-	703,609	570,558	352,588	-	1,626,755
Electricity-Generating Facilities in Development	-	-	-	265,818	173,681	503,979	-	943,478
Right-of-use asset	-	-	-	122,815	72,549	48,914	-	244,278
Securities measured at fair value through profit and loss (***)	-	-	167,310	-	-	-	176,287	343,597
	13,856,952	4,018,420	3,942,081	1,101,281	816,788	905,481	189,358	24,830,361

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,151,113 thousand and for an investment in Boston in the amount of NIS 867,307 thousand.

(***) The investment in securities measured at fair value through profit and loss is presented above despite its inclusion in the financial assets category.

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended March 31, 2020							
	Income-Generating Property				Energy		Others and Unassigned Expenses	Total
	Israel	United States	Switzerland	The UK	Israel	Poland		
	NIS thousands							
Revenues and profits								
Income from rental and management fees of investment property	208,952	-	-	31,433	-	-	-	240,385
Fair value adjustments of investment property	(43,087)	-	-	(43,157)	-	-	-	(86,244)
Group share in profits (losses) of associates, net	2,723	20,954	12,631	(10,990)	128	-	-	25,446
Revenues from sale of electricity and green certificates	-	-	-	-	19,060	50,680	-	69,740
Other	(8,301)	-	124,245	(743)	130	441	(98)	115,674
	160,287	20,954	136,876	(23,457)	19,318	51,121	(98)	365,001
Costs and Expenses								
Cost of investment property rental and operation	16,300	-	-	2,994	-	-	-	19,294
Electric power production facility development, maintenance and operation costs	-	-	-	-	3,238	8,376	-	11,614
Depreciation and amortization	567	-	-	92	7,673	7,310	541	16,183
	16,867	-	-	3,086	10,911	15,686	541	47,091
Administrative and general expenses							30,909	30,909
Profit before financing	143,420	20,954	136,876	(26,543)	8,407	35,435	(31,548)	287,001

Note 15 – Operating Segments (continued):

Geographic information:

	As of March 31, 2020								
	Income-Generating Property				Energy			Others	Total
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	United States		
	NIS thousands								
Main assets									
Investment property (including property in development and property intended for sale)	13,036,910	-	-	2,822,292	-	-	-		15,859,202
Investments in associates	478,933	4,095,643	1,024,292	49,476	10,295	-	-	18,118	5,676,757
Active electric power production facilities	-	-	-	-	683,702	605,708	-	-	1,289,410
Electricity-Generating Facilities in Development	-	-	-	-	134,641	29,058	571,514	-	735,213
Right-of-use asset	-	-	-	-	91,110	52,625	13,895	-	157,630
Securities measured at fair value through profit and loss (***)	18,822	-	-	159,624	-	-	-	536	178,982
	13,534,665	4,095,643	1,024,292	3,031,392	919,748	687,391	585,409	18,654	23,897,194

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,217,133 thousand and for an investment in Boston in the amount of NIS 878,511 thousand.

(**) The entire balance is for the investment in PSP.

(***) The investment in securities measured at fair value through profit and loss is presented above despite its inclusion in the financial assets category.

Note 15 – Operating Segments (continued):

Geographic information:

	For the Period ended December 31, 2020								
	Income-Generating Property				Energy				
	Israel	United States	Switzerland	The UK	Israel	Poland	United States	Others and Unassigned Expenses	Total
	NIS thousands								
Revenues and profits									
Income from rental and management fees 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
Electric power production facility development, maintenance and operation costs	-	-	-	-	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 15 – Operating Segments (continued):

Geographic information:

	As of December 31, 2020								
	Income-Generating Property				Energy				
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	United States	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
Active electric power production 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.

Separate Financial Information(Unaudited)

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, 901K Street, Washington

Deloitte.

To
The Shareholders of Aloni Hetz Properties & Investments Ltd.
Amot Atrium Tower, 2 Jabotinsky St.
Ramat-gan

Dear Sir/Madam,

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

Introduction

We have reviewed the separate interim financial information that was prepared in accordance with regulation 38-D of the Securities Regulations (Periodic and Immediate reports), 1970 of **Alony Hetz Properties & Investments Ltd.** ("the Company") as of March 31, 2021 and for the three months period then ended. The board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

We did not review the separate interim financial information included in the financial information of associates, that the investment in them is amounted to approximately 5,019 Million NIS as of March 31, 2021 and the share of the company in their results for the three months period then ended, is amounted to approximately 70 Million NIS. The financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

Tel Aviv, May 18, 2021

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

	As of March 31		As of December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	15,706	957,956	596,119
Deposits and tradable securities	27,145	81,053	39,537
Current tax assets, net	3,795	539	3,903
Related party receivables	428,690	59,808	4,681
Other receivables	51,168	30,239	100,018
	526,504	1,129,595	744,258
Investment in investee held for sale (*)	175,827	1,024,292	200,311
Total current assets	702,331	2,153,887	944,569
Non-Current Assets			
Long-term investments in securities:			
Securities designated at fair value through profit and loss:	167,770	178,982	186,335
Investments in Investees	7,634,232	7,377,804	7,372,212
Loans and capital notes to investees	2,418,484	2,026,627	2,097,386
Fixed assets, net	3,740	3,188	3,904
Other assets	28,033	17,435	63,430
Total non-current assets	10,252,259	9,604,036	9,723,267
Total assets	10,954,590	11,757,923	10,667,836

(*) See Note 2h below

	As of March 31		As of December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Liabilities and equity			
Current liabilities			
Short term credit and current maturities of long term loans	318,820	450,960	791
Current maturities of bonds	420,881	346,965	346,750
Current tax liabilities	6,502	10,867	26,546
Related party payables	25,070	148,877	13,859
Other payables	134,409	127,458	94,800
Total current liabilities	905,682	1,085,127	482,746
Non-Current Liabilities			
Bonds and bond options	3,176,460	3,483,123	3,461,797
Long-term loans and credit facilities from banking corporations	410	369,871	593
Deferred tax liabilities	295,807	322,962	311,356
Other liabilities	44,436	28,352	9,478
Total non-current liabilities	3,517,113	4,204,308	3,783,224
Equity	6,531,795	6,468,488	6,401,866
Total liabilities and equity	10,954,590	11,757,923	10,667,836

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

May 18, 2021

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

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Revenues and profits			
Group share in the profits of investees, net	116,409	(17,234)	283,982
Net gain (loss) with respect to investments in long-term securities	17,491	(9,644)	(15,250)
Net profits from changes in holding rate and realization of investments in investees	4,907	124,245	201,035
Management fee revenues from investees	3,570	4,237	15,090
Other revenues, net	-	-	62
	142,377	101,604	484,919
Costs and Expenses			
Administrative and general	7,868	7,761	29,975
Administrative and general for investees	382	389	1,552
Financing expenses (income) in respect of investees	5,028	(80,211)	5,854
Financing income	(10,974)	(6,103)	(726)
Financing expenses	28,792	41,822	97,312
	31,096	(36,342)	133,967
Profit before taxes on income	111,281	137,946	350,952
Taxes on Income	5,035	33,965	47,954
Net profit for the period	106,246	103,981	302,998
Net earnings per share (in NIS):			
Basic	0.61	0.60	1.75
Fully Diluted	0.61	0.59	1.74
Weighted average of capital stock issued for calculation of earnings per share (thousands of shares)			
Basic	172,859	172,751	172,784
Fully diluted	173,165	173,829	173,060

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

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Net profit for the period	106,246	103,981	302,998
Other comprehensive loss			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	(13,197)	20,435	28,276
Net change in fair value of instruments used for cash flow hedging			
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings and loss of significant influence in the associate.	(91,784)	(72,976)	89,051
Loss from exchange rate differentials in respect of cash flow hedging	352	348	(533)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding and loss of significant influence in associate	3,088	(3,058)	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding and loss of significant influence in the associate	1,532	3,011	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	(3,557)	(6,118)	(13,250)
Company share in other comprehensive income (losses) of associates, net of tax	216,934	48,658	(341,722)
	113,368	(9,700)	(246,879)
	219,614	94,281	56,119

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Cash flows - Operating activities			
Net profit for the period	106,246	103,981	302,998
Income (expenses) not entailing cash flows (Appendix A)	(148,378)	(17,398)	126,847
	(42,132)	86,583	429,845
Changes in working capital (Appendix B)	(10,580)	109,382	181,631
Net cash provided by operating activities	(52,712)	195,965	611,476
Cash flow - Investing activities			
Investment in investment property funds	-	-	(23,965)
Proceeds from the repayment of investments in investment property funds	-	10,467	22,409
Investment in consolidated companies	-	(34,515)	(401,312)
Proceeds from the sale of shares of associate	21,709	520,568	1,359,305
Provision of loans and capital notes to investees	(722,476)	(131,762)	(193,935)
Decrease (increase) in deposits and tradable securities, net	15,078	(57,427)	942
Proceeds from the realization of long-term securities	23,845	-	-
Investment in investees, net	-	-	(244,573)
Repayment of investment in investees	-	-	3,250
Cash provided by forward transactions designated for hedging	19,963	1,139	22,177
Others, net	(8)	(379)	(1,542)
Net cash provided by (used in) investing activities	(641,889)	308,091	542,756
Cash flows – Financing activities			
Proceeds from the issue of bonds	140,731	-	-
Repayment of long-term loans	(195)	(214)	(363,666)
Proceeds from issues of stocks and options	-	894	3,687
Repayment of bonds	(346,320)	(347,178)	(347,178)
Change in short-term credit and long-term credit facility from banks	318,000	448,995	(1,109)
Dividends paid to Company shareholders	-	-	(200,446)
Net cash provided by (used in) financing activities	112,216	102,497	(908,712)
Increase (decrease) in cash and cash equivalents	(582,385)	606,553	245,520
Effect of changes in exchange rates on foreign currency cash balances	1,972	427	(377)
Balance of cash and cash equivalents at the beginning of the period	596,119	350,976	350,976
Balance of cash and cash equivalents at the end of the period	15,706	957,956	596,119

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

	For the Three Month Period ended March 31		For the Year ended December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Adjustments required to present cash flows from operating activities			
a. Income not entailing cash flows:			
Adjustment differences in respect of long-term liabilities and cash balances	(70,119)	(86,631)	(52,638)
Company share in profits of associates, less dividends and reductions of capital received	(57,995)	133,401	350,053
Profits relating to investments in long-term securities and assets intended for sale	(17,491)	14,353	18,342
Profit from change in holding rate and from realization of investments in investee, net	(4,907)	(124,245)	(201,035)
Net loss (profit) from tradable securities	(3,962)	17,250	398
Deferred taxes, net	4,926	27,511	7,679
Others, net	1,170	963	4,048
	(148,378)	(17,398)	126,847
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in accounts receivable and debit balances	(22,632)	(47,815)	155,065
Decrease (increase) in current tax assets, net	108	2,547	(817)
Decrease in other accounts payable	11,988	150,748	13,432
Increase (decrease) in current tax liabilities, net	(44)	3,902	13,951
	(10,580)	109,382	181,631
c. Non-cash activity			
Dividend receivable from investees	10,414	-	157,345
Sale of investment in tradable securities against receivables	1,275	-	-
Dividend declared	86,430	50,103	-
c. Additional information			
Interest paid	96,573	103,300	130,307
Interest received	93	144	593
Taxes paid	20,044	8	5,485
Dividends and receipts for capital reductions received	58,433	115,687	634,004

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

1. General:
   A. General:

      The Company's separate financial information has been prepared in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.
      This separate interim financial information should be viewed in the context of the Company's separate financial information as of December 31, 2020 and for the year ended on that date, and the additional data attached thereto, and together with the condensed consolidated interim financial statements as of March 31, 2021.

   B. Definitions
      The Company – Alony-Hetz Properties and Investments Ltd.
      Investee – as defined in Note 1 to the Company's Consolidated Financial Statements as of December 31, 2020.

   C. Accounting policy:

      The separate financial information has been prepared in accordance with the accounting policy detailed in Note (c) to the Company's Separate Financial Information as of December 31, 2020 and for the year ended on that date.

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

   A. For information regarding the Corona crisis – see Note 3 to the Condensed Consolidated Financial Statements published with this financial information.
   B. For information regarding the investment in Amot – see Note 4 to the Condensed Consolidated Financial Statements published with this financial information.
   C. For information regarding the investment in Brockton Everlast and bridging loans provided thereto – see Note 5 to the Condensed Consolidated Financial Statements published with this financial information.
   D. For information regarding the investment in Energix – see Note 6 to the Condensed Consolidated Financial Statements published with this financial information.
   E. For information regarding the investment in PSP (investment in a company held for sale) – see Note 9 to the Condensed Consolidated Financial Statements published with this financial information.
   F. For information regarding renewed signing of a credit facility agreement between the Company and the Bank of Israel – see Note 10.a.1. to the Condensed Consolidated Financial Statements published with this financial information.
   G. For information regarding the issuance of bonds (Series L) by way of a series expansion – see Note 11 to the Condensed Consolidated Financial Statements published with this financial information.
   H. For information regarding the dividend policy and dividends declared – see Note 12a to the Condensed Consolidated Financial Statements published with this financial information.
   I. For information regarding the remuneration of employees and officers – see Note 12b to the Condensed Consolidated Financial Statements published with this financial information.
   J. For information regarding transactions with related parties – see Note 13 to the Condensed Consolidated Financial Statements published with this financial information.

Report on the Effectiveness of Internal Control of Financial Reporting and Disclosure

Alony Hetz Properties & Investments ltd.

Amot, ToHa, Tel-Aviv

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

For the First Quarter of 2021

Management, under the supervision of the Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**"), is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;

2. Moti Barzilay, VP of Business Development;

3. Oren Frenkel, Chief Financial Officer;

4. Hanan Feldmus, Legal Counsel and Company Secretary;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which have been designed by the CEO and the senior executive in finance or under their supervision, or by those who actually perform these functions, under the supervision of the Corporation's Board of Directors, which are intended to provide reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in its reports according to the provisions of the law has been collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Internal control includes, among other things, controls and procedures designed to ensure that information the Corporation is required to disclose has been accumulated and passed on to the Corporation's management, including the CEO and the senior executive in finance or whoever actually performs these functions, in order to allow decisions to be made in a timely manner, taking the disclosure requirements into consideration.

Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute certainty that misrepresentation or omission of information in the statements will be avoided or discovered.

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the Periodic Report for the period ended December 31, 2020 (hereinafter: "**the Latest Annual Report on Internal Controls**"), the Board of Directors and management assessed the Corporation's internal control. Based on that assessment, the Corporation's Board of Directors and management came to the conclusion that as of December 31, 2020, the internal control is effective.

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

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

Executive statements:

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for the first quarter of 2021 (hereinafter: "**the Reports**");
2. In my opinion, the Reports do not contain any untrue statement of a material fact nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, will not be misleading with respect to the reporting period;
3. To the best of my knowledge, the financial statements and the other financial information included in the Reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;
4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Board of Directors' Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;
    a. All significant deficiencies and weaknesses in the determination or operation of internal controls over financial reporting and disclosure that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law, and –
    b. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, by myself or with others in the Corporation:
    a. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –
    b. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the financial statements in accordance with the law, including generally accepted accounting principles;

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

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

May 18, 2021

Signature
Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 38C(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement | Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the interim financial statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for the first quarter of 2021 (hereinafter: "**the Reports**" or "**the Interim Reports**");
2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports do not include any misrepresentation of a material fact, nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;
3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;
4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Board of Directors' Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

   a. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure, as it relates to the interim financial statements and the other financial information included in the interim financial statements, that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law; and –

   b. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, by myself or with others in the Corporation:

   a. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

   b. Have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to provide reasonable assurance of the reliability of financial reporting and preparation of the financial statements in accordance with the law, including generally accepted accounting principles;

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

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

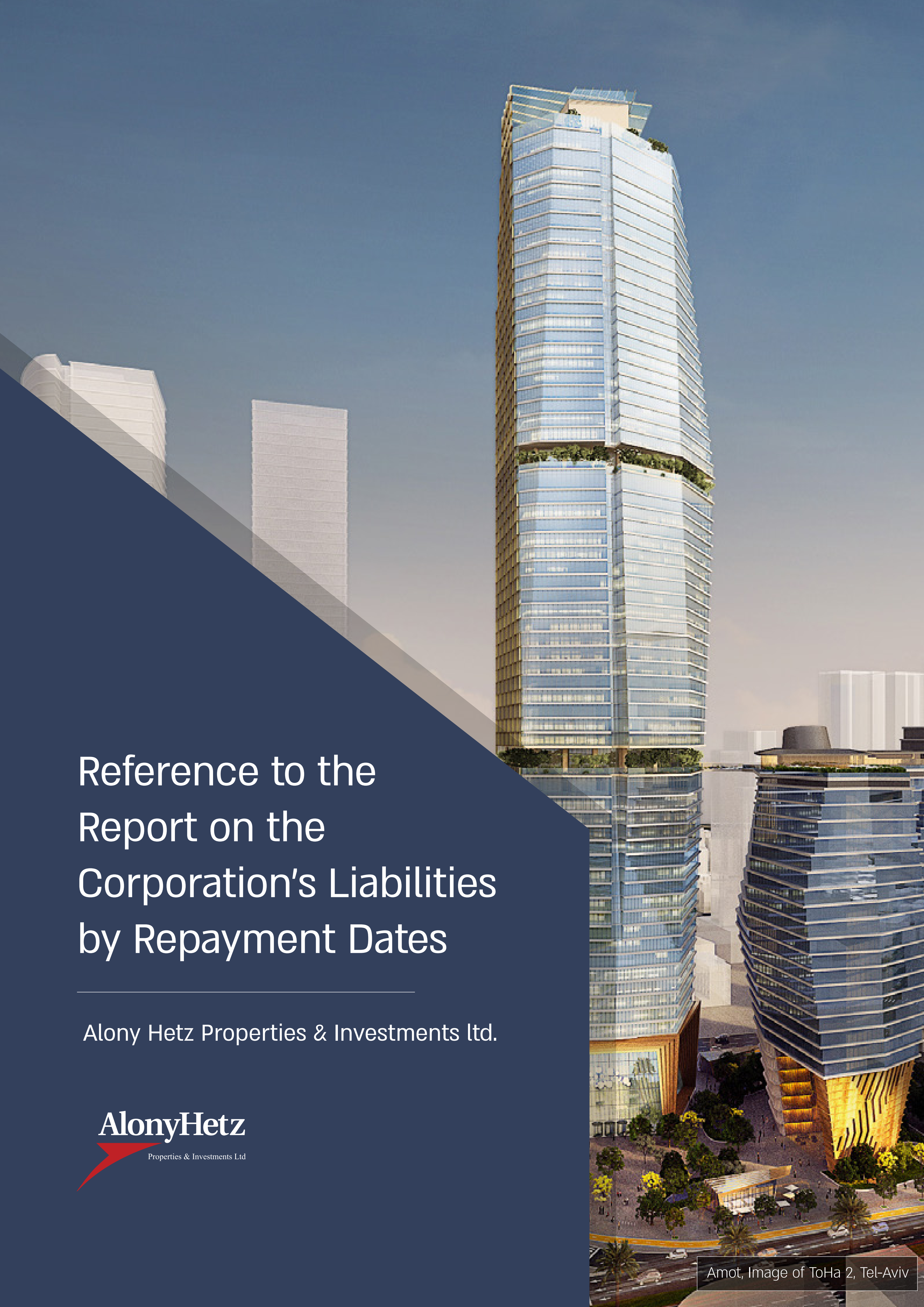
May 18, 2021

Signature
Oren Frenkel, Chief Financial Officer

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 March 31, 2021

Regarding the Report on the Status of Liabilities by Repayment Dates, as of March 31, 2021, see the immediate report dated May 19, 2021.

CARR, Image of One Congress, Washington

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

CARR PROPERTIES HOLDINGS LP

Condensed Consolidated Financial Statements as of March 31, 2021
(Unaudited)

CARR PROPERTIES HOLDINGS LP

Table of Contents

Report of Independent Auditors

To the Management of Carr Properties Holdings LP

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings LP and its subsidiaries, which comprise the condensed consolidated balance sheet as of March 31, 2021, and the related condensed consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the three-month periods ended March 31, 2021 and 2020.

Management's Responsibility for the Condensed Consolidated Interim Financial Information

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

Auditors' Responsibility

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

Conclusion

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

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Carr Properties Holdings LP and its subsidiaries as of December 31, 2020, and the related consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 5, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2020, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Arlington, Virginia
May 7, 2021

PricewaterhouseCoopers LLP, 1000 Wilson Boulevard, Suite 2400, Arlington, Virginia 22209
T: (703) 847-1900, www.pwc.com/us

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

	Notes	March 31, 2021	December 31, 2020
ASSETS		(Unaudited)	
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,683,979 and $2,512,155)	4,11	$ 2,983,050	$ 2,796,120
Properties in development (cost of $439,908 and $577,019)	4,11	493,055	646,316
Investments in associates	5	348,910	318,983
Goodwill	8	9,326	9,326
Straight line rent receivable		111,985	110,632
Deferred leasing costs and other, net		58,516	59,079
		4,004,842	3,940,456
Current assets			
Investment property held for sale		—	18,750
Trade receivables, net		1,334	13,039
Prepaid expense and other assets		10,995	9,906
Restricted cash	10	10,500	12,153
Cash and cash equivalents	2,10	40,692	34,128
		63,521	87,976
Total assets		$ 4,068,363	$ 4,028,432
EQUITY			
Equity attributable to common shareholders	17	$ 1,606,196	$ 1,606,196
Equity reserve from increase in CPP		10,020	9,756
Equity reserve for cash flow hedges	11	(33,831)	(38,054)
Retained earnings		279,335	262,864
Equity attributable to non-redeemable non-controlling interests	17	143,170	143,031
Total equity		2,004,890	1,983,793
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 443,665	$ 431,130
Notes payable, net of current portion and deferred financing fees	9,10	1,253,549	1,230,917
Lease liabilities, net of current portion	7,10	128,613	128,746
Redeemable non-controlling interests, net of current portion	17	3,053	2,997
Derivative liabilities, net of current portion	10	2,418	7,030
Security deposits		3,984	4,056
Other liabilities		16,209	13,198
		1,851,491	1,818,074
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	2,525	2,505
Derivative liabilities, current	10	—	39
Current portion of lease liabilities	7,10	327	335
Redeemable non-controlling interests, current	17	149,183	147,373
Rent received in advance		12,160	14,736
Trade and other payables	2	47,787	59,649
Liabilities of investment property held for sale		—	1,928
		211,982	226,565
Total liabilities		2,063,473	2,044,639
Total equity and liabilities		$ 4,068,363	$ 4,028,432

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	May 7, 2021	

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

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

		Three Months Ended March 31,	
	Notes	2021	2020
Revenues			
Rental revenue		$ 45,129	$ 47,152
Recoveries from tenants		10,502	10,063
Parking income		1,431	3,117
Property management fees and other	14	701	259
Total revenues		57,763	60,591
Operating expenses			
Property operating expenses			
Direct payroll and benefits		2,444	2,064
Repairs and maintenance		2,769	2,312
Cleaning		1,163	1,559
Utilities		1,894	1,911
Real estate and other taxes		11,009	9,802
Other expenses	13	4,457	4,356
Property operating expenses		23,736	22,004
Non-property general and administrative expenses	12	5,484	4,676
Total operating expenses		29,220	26,680
Other operating income (expense)			
Net loss from fair value adjustment of investment properties	4	(1,074)	(34,100)
Income from investments in associates	5	5,347	19,325
Total other operating income (loss) and expense		4,273	(14,775)
Operating income		32,816	19,136
Other income (expense)			
Loss on extinguishment of debt	9	—	(1,023)
Other income		122	74
Revaluation of redeemable non-controlling interests		(1,866)	826
Interest expense	9	(12,424)	(13,513)
Pre-tax income		18,648	5,500
Income and franchise tax expense		66	146
Net income		$ 18,582	$ 5,354
Attribution of net income			
Common shareholders		$ 17,054	$ 5,519
Non-redeemable non-controlling interests		1,528	(165)
		$ 18,582	$ 5,354
Other comprehensive income (loss)			
Items that may be subsequently reclassified to income or loss:			
Unrealized gain (loss) on cash flow hedges	11	$ 4,651	$ (3,183)
Less: Reclassification adjustments for losses included in net income	9	984	984
Other comprehensive income (loss)		5,635	(2,199)
Total comprehensive income		$ 24,217	$ 3,155
Attribution of comprehensive income			
Common shareholders		$ 21,277	$ 2,537
Non-redeemable non-controlling interests		2,940	618
		$ 24,217	$ 3,155

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

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

	Notes	Common Shares Issued and Outstanding		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, 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, net of offering costs		—	—	—	—	—	—	62	62
Change in equity reserve from increase in CPP		—	—	2	—	—	2	(2)	—
Net Income		—	—	—	—	5,519	5,519	(165)	5,354
Unrealized loss on cash flow hedges	11	—	—	—	(2,982)	—	(2,982)	(201)	(3,183)
Amortization of terminated cash flow hedge		—	—	—	922	—	922	62	984
Distributions	17	—	—	—	—	(13,270)	(13,270)	(890)	(14,160)
Balance as of March 31, 2020		1,328,639	$ 1,519,563	$ 9,734	$ (40,251)	$ 288,584	$ 1,777,630	$ 142,180	$ 1,919,810

	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, 2020		$1,393,348	$ 1,606,196	$ 9,756	$ (38,054)	$ 262,864	$ 1,840,762	$ 143,031	$ 1,983,793
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	141	141
Non-controlling interest partner distribution to 2025 Clarendon	5	—	—	—	—	—	—	(2,639)	(2,639)
Change in equity reserve from increase in CPP		—	—	264	—	—	264	(264)	—
Net income		—	—	—	—	17,054	17,054	1,528	18,582
Unrealized gain on cash flow hedges	11	—	—	—	3,301	—	3,301	1,350	4,651
Amortization of terminated cash flow hedge		—	—	—	922	—	922	62	984
Distributions	17	—	—	—	—	(583)	(583)	(39)	(622)
Balance as of March 31, 2021		$1,393,348	$ 1,606,196	$ 10,020	$ (33,831)	$ 279,335	$ 1,861,720	$ 143,170	$ 2,004,890

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

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

	Notes	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities			
Net (loss) income		$ 18,582	$ 5,354
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Net (gain) loss from fair value adjustment of investment properties	4	1,074	34,100
Loss (income) from investments in associates	5	(5,347)	(19,325)
Loss on extinguishment of debt	9	—	1,023
Income and franchise tax expense		66	146
Interest expense, net excluding amortization of deferred financing fees		12,027	13,347
Amortization of deferred financing fees		431	200
Amortization of equipment leases		100	132
Amortization of deferred leasing costs and lease incentives		1,474	2,631
Amortization of note payable premium		(34)	(34)
Provision for bad debt recovery		(66)	(193)
LTIP Compensation		1,401	396
Revaluation of redeemable non-controlling interests		1,866	(826)
Changes in assets and liabilities			
Trade receivables		11,771	1,117
Straight line rent receivable		(1,353)	1,245
Prepaid expense and other assets		(1,089)	676
Trade and other payables		(9,795)	(5,957)
Rent received in advance		(2,576)	(692)
Cash (used in) generated by operations		**28,532**	**33,340**
Cash paid for interest		(11,288)	(14,213)
Net cash (used in) provided by operating activities		**17,244**	**19,127**
Cash flows from investing activities			
Proceeds from sale of investment property held for sale	6	18,496	155,281
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	4	—	(101,796)
Contributions to investment in associates	5	(24,580)	(12,350)
Return of investments in associates	5	—	1,578
Additions to deferred leasing costs		(1,806)	(1,140)
Additions to tenant improvements		(2,091)	(4,657)
Additions to construction in progress, including capitalized interest		(25,123)	(34,887)
Other capital improvements on income generating properties		(5,323)	(5,307)
(Increase) decrease in restricted cash		335	3,570
Net cash provided by (used in) investing activities		**(40,092)**	**292**
Cash flows from financing activities			
Distribution to 2025 Clarendon non-controlling interest partner	5	(2,639)	—
Principal portion of lease payments	8	(140)	(153)
Borrowings under credit facility	9	31,000	41,000
Repayments under credit facility	9	(19,000)	(133,500)
Borrowings on notes payable	9	21,319	167,604
Repayments of notes payable	9	(647)	(61,461)
Payment of deferred financing fees		—	(2,032)
Distributions to common shareholders and non-redeemable non-controlling interests	17	(622)	(14,160)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		141	62
Net cash (used in) provided by financing activities		**29,412**	**(2,640)**

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

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

	Notes	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net (decrease) increase in cash and cash equivalents		**6,564**	**16,779**
Cash and cash equivalents, beginning of the period		**34,128**	**20,723**
Cash and cash equivalents, end of the period		**$ 40,692**	**$ 37,502**
Supplemental disclosures of cash flow information:			
Capitalized interest		$ 2,380	$ 2,864
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		10,241	15,479
Lease liabilities arising from obtaining right-of-use assets		13	—
Non-cash interest expense	9	984	984
Debt and other liabilities assumed in acquisition of 75-101 Federal	5	—	140,820

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

1. Organization and Description of Business

Carr Properties Holdings LP (collectively, the "Partnership", "Holdings", "our", or “CPH”) was formed as a Delaware limited partnership. The Partnership’s corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. The Partnership owns a 100% interest in Carr Properties Corporation (“CPC”), which has a consolidated subsidiary, Carr Properties Partnership (“CPP”). Through CPP, the Partnership engages in owning, operating and developing commercial office real estate properties in primarily the Greater Washington, D.C. area (defined as the District of Columbia, northern Virginia, and suburban Maryland) as well as Boston, Massachusetts. Currently, the Partnership has 13 operating properties, two 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 (the “MFA”) dated May 2, 2013, as amended 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 March 31, 2021, were 50.77%, 40.16%, and 9.04%, respectively. The remaining interests in Holdings are held by six additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and as such, do not include all the disclosures that would be included in annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto contained in the Company’s audited annual consolidated financial statements for the year ended December 31, 2020. Any changes to accounting policies and methods of computation during the three months ended March 31, 2021, are specifically disclosed. Management believes the disclosures are adequate to ensure the information presented is not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair statement of the consolidated financial statements for the interim periods, have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

(a) 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.

(b) Principles of Consolidation

General

The condensed consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities over which the Partnership has the power to govern the entities’ financial and operating policies, generally accompanying an ownership of 50% or more of the voting rights. Control exists when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated in the financial statements from the date on which control is transferred to the Partnership and are de-consolidated from the date that control ceases. All intercompany balances and transactions, primarily management fees, have been eliminated in the consolidation process.

Investments in Associates

Associates are entities over which the Partnership has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights but does not unilaterally control the most significant activities of the entities. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost, with the carrying amount increased or decreased based on the Partnership's share of profits, losses, contributions and distributions. The Partnership also uses the equity method to account for investments in associates when its ownership interest is less than 20% if it can exert significant influence. Significant influence is derived when the Partnership is the general partner or managing member, participates in the policy making processes, including preparation of the budgets and initiation of contracts, or is involved in certain decisions in the investee.

The real estate investments owned by associates are carried at fair value as determined by management of the associates, based on independent third-party appraisals, and reflect the estimated price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. The Partnership's ownership interests in the real estate investments owned by the associates also reflect the Partnership's ownership interests in the associates' other assets and liabilities, including associates' debt. The Partnership's share of profits or losses is recognized in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), and the Partnership records its share of losses until the carrying amount of its investment is reduced to zero. No further losses are recorded by the Partnership unless it has an obligation, legal or constructive, or has made payments, to satisfy the associates' liabilities.

Joint Arrangements

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

Non-Controlling Interests

The Partnership's condensed consolidated financial statements include the accounts of the Partnership and its subsidiaries. The equity interests of the preferred shareholders and other limited partners in Carr Properties Partnership and its subsidiaries are reflected as non-redeemable non-controlling interests. Certain redeemable non-controlling interests retain redemption rights and are classified within current and non-current liabilities depending on contractual provisions of the redemption features. Redeemable non-controlling interests are recorded at contractual redemption amounts based on the Net Asset Value of CPP at each respective period end.

(c) Leases

The Partnership has material ground leases under its Columbia Center and 1701 Duke Street properties. In addition, the Partnership leases air rights at its 2001 Penn property. The Partnership also enters into various equipment and copier leases in the normal course of operations. At inception of a contract, the Partnership assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Partnership has the right to direct the use of the asset. The Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Partnership allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and air rights in which it is the lessee, the Partnership has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Partnership recognizes a Right-of-Use Asset ("ROUA") and a lease liability at the lease commencement date. The ROUA is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROUA is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. In accordance with IAS 40, the ROUA for ground and air rights leases qualify as investment property and as such are measured at fair value. The estimated useful lives of ROUA for equipment leases are determined on the same basis as those of property and equipment. In addition, the ROUA is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership's incremental borrowing rate. Generally, the Partnership uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Partnership is reasonably certain to exercise, lease payments in an optional renewal period if the Partnership is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Partnership is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method and is recorded in "Interest expense" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

(d) 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 condensed consolidated balance sheet.

(e) Investment Properties

In accordance with IAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Partnership, is classified as investment property. Investment properties are properties held to earn rental income and are accounted for using the fair value model. Investment property also includes property that is being constructed or developed for future use.

Investment property is measured initially at its cost. Subsequently, investment property is measured at fair value, at each balance sheet date. Gains and losses from changes in fair value are recorded in "Change in unrealized gain (loss) on valuation" and "Realized loss on sale of investment properties" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), in the period in which they arise. The Partnership determines the fair value of its investment property in accordance with IFRS 13 - *Fair Value Measurement* ("IFRS 13"). The fair value of an investment property reflects the estimated price that an underlying property would realize in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects any expected cash outflows in respect to investment property. Some of those outflows are recognized as a liability, including lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements. Accordingly, investment properties have been adjusted for any recognized liabilities.

Certain investment properties being constructed, developed or redeveloped are also measured at fair value. Subsequent expenditures related to properties in development are added to the property's carrying amount when it is probable that future economic benefits associated with the item will flow to the Partnership. Fair value measurement of an investment property in development is only applied if the fair value is considered to be reliably measurable. If the Partnership determines that the fair value of an investment property in development is not reliably determinable when construction is incomplete, it measures that property in development at cost until either its fair value becomes reliably determinable or construction is completed. It may sometimes be difficult to determine reliably the fair value of an investment property in development. In order to evaluate whether the fair value of an investment property in development can be determined reliably, management considers the following factors, among others:

- Provisions of the construction contract;
- Stage of completion;
- Whether the project or property is standard (typical for the market) or non-standard;
- Level of reliability of cash inflows after completion;
- Development risk specific to the property;
- Past experience with similar construction; and
- Status of construction permits.

The Partnership will reclassify portions of an investment property that are placed into service from “Properties in development” to “Income generating properties” when those portions are deemed to be substantially complete, including tenant improvements, and upon commencement of revenue recognition. The Partnership considers a property in development as substantially complete after major construction has ended and the property is available for tenant occupancy. For properties that are built in phases, the Partnership ceases capitalization on the portion of a property that is considered substantially complete but no later than one year from completion of major construction activity if not occupied.

The fair value of certain properties in development has been prepared giving consideration to costs incurred to date and to key development risk factors, including entitlement risk, construction risk, leasing/sales risk, operations risk, credit risk, capital market risk, pricing risk, event risk and valuation risk. The fair value of properties in development includes the timely recognition of estimated entrepreneurial profit after such consideration.

(f) 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 condensed consolidated financial statements.

(g) 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 Condensed Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(h) Fair Value Measurements

The Partnership measures the fair value of its assets and liabilities in accordance with IFRS 13 - *Fair Value Measurement*. This standard requires assets and liabilities to be categorized into a hierarchy based on the lowest level input that is significant to the fair value measurement of the asset or liability. Disclosure of fair value measurements is according to the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Partnership recognizes transfers into and transfers out of the fair value hierarchy levels as of the date of the event or changes in circumstances that causes the transfer. There were no transfers in and out of level 1, 2, or 3 for the three months ended March 31, 2021.

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 Condensed Consolidated Balance Sheets. The Partnership does not enter into hedging derivative transactions for trading or other speculative purposes. The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatility. The fair values of interest rate swaps are determined by using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Partnership assesses the effectiveness of qualifying cash flow hedges both at inception and on an on-going basis. The Partnership defers the effective portion of changes in fair value of the designated cash flow hedges to Other Comprehensive Income (Loss) and reclassifies such deferrals to interest expense as interest expense is recognized on the hedged forecasted transactions. The Partnership recognizes the ineffective portion of the change in fair value of interest rate derivatives directly in interest expense. Fair value changes for derivatives that are not in qualifying hedge transactions are reported as a component of interest expense.

The Partnership determines the fair value of its derivatives taking into consideration the nonperformance risk of its counterparties and itself. In adjusting the fair value of its derivative contracts for the effect of counterparty nonperformance risk, the Partnership has considered the impact of its net position with a given counterparty, as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. The Partnership minimizes its credit risk on these transactions by dealing with major, credit-worthy financial institutions which have an A or better credit rating by the Standard & Poor's Ratings Group. As part of its on-going control procedures, the Partnership monitors the credit ratings of counterparties and the exposure of the Partnership to any single entity, thus reducing credit risk concentration.

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

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.

(i) 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 March 31, 2021 are as follows:

Years Ending December 31,	Amount
Remainder of 2021	126,373
2022	166,357
2023	168,785
2024	151,190
2025	139,156
2026 Onward	748,112
	1,499,973

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.

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.

(j) 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.

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 adoption of these amendments on January 1, 2021 did not have a material impact on the Partnership's financial position or results from operations.

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.

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

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. Investment Properties

Income Generating Properties

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

Balance, December 31, 2020	$	**2,796,120**
Capital expenditures additions and other		8,173
Net loss from fair value adjustment of income generating properties		(10,052)
Reclassification of The Wilson and The Elm from properties in development		188,809
Balance, March 31 2021	**$**	**2,983,050**

Properties in Development

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

Balance, December 31, 2020	$	**646,316**
Capital expenditures additions and other		26,570
Net gain from fair value adjustment of development properties		8,978
Reclassification of The Wilson and The Elm to income generating properties		(188,809)
Balance, March 31, 2021	**$**	**493,055**

The Wilson and The Elm are an 800,000 square foot two-tower office and residential building. The office portion ("the Wilson") is a 363,000 square feet office tower. Substantial completion of the base office building, garage, and Wisconsin Avenue Site Work for The Wilson was achieved on October 7, 2020. Revenue recognition on a portion of the office space commenced in early 2021, as tenants leases commenced following completion of their build outs. The office space was 100% leased as of March 31, 2021. The residential component ("the Elm") is a 441,000 square feet residential tower. Substantial completion of the residential building for The Elm is expected to be completed on May 14, 2021. Revenue recognition on a portion of the residential space commenced in early 2021 as the Partnership began to complete build outs of residential units. The residential space was 3% leased as of March 31, 2021. The Partnership incurred $19.9 million and $37.5 million of capital expenditures for the three months ended March 31, 2021 and 2020, respectively.

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 $7.0 million and $14.6 million of capital expenditures for the three months ended March 31, 2021 and 2020, 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 March 31, 2021, 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 three months ended March 31, 2021 and 2020, respectively.

2021 Dispositions

On January 7, 2021, the Partnership sold 2025 Clarendon at a contractual price of $19.0 million resulting in consideration of $18.5 million net of transaction costs of $0.5 million.

The Partnership signed a binding purchase and sale agreement concurrent to sale on April 23, 2021 to sell a 49% ownership interest in Midtown Center at a valuation of $980.0 million. The purchaser will assume its share of the property's debt, leading to gross proceeds to the Partnership of $223.0 million. The sale subsequently closed on April 23, 2021.

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.

2021 Acquisitions

There were no acquisitions completed for the three months ended March 31, 2021.

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 $1.6 million as of March 31, 2021. The fair value of the Partnership's proportionate interest in the investment property was $252.8 million as of March 31, 2021 and the carrying value of the assumed debt was $140.8 million.

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

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

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

	As of March 31, 2021						For the three months ended March 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ 775	$ —	$ —	$ —	$ 775	$ —	$ (34)
2311 Wilson	60.00 %	4,449	120,700	1,229	78,508	45,412	2,171	750
		$ 5,224	$120,700	$ 1,229	$ 78,508	$ 46,187	$ 2,171	$ 716
Less interest held by non-controlling interests						(18,279)		(380)
Equity attributable to Partnership						$ 27,908		$ 336

	As of December 31, 2020						For the three months ended March 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	$ —	$ (38)
2311 Wilson	60.00 %	3,531	120,553	914	81,331	41,839	2,128	(1,374)
		$ 3,707	$139,054	$ 922	$ 83,251	$ 58,588	$ 2,128	$ (1,412)
Less interest held by non-controlling interests						(19,403)		550
Equity attributable to Partnership						$ 39,185		$ (862)

5. Investments in Associates

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

Balance, December 31, 2020	**$ 318,983**
Contributions	24,580
Share of unrealized gain on valuation of underlying properties	5,374
Share of net loss (excluding unrealized gain on valuation)	(27)
Balance, March 31 2021	**$ 348,910**

One Congress

On September 24, 2018, the Partnership entered into a 50-50 joint venture with National Real Estate Advisors, LLC in the One Congress office development project in downtown Boston, Massachusetts. One Congress is planned as a 43-story, one-million square foot office tower.

In January 2019, the joint venture executed a 15-year lease with State Street Corporation for approximately 510,000 square feet to serve as its new headquarters. Occupancy is anticipated to commence in 2023 upon termination of State Street Corporation's existing lease. One Congress is expected to be ready for its intended use by tenants in 2023. See note 18 - "Credit and Other Risks" for additional details regarding construction impacts.

On July 23, 2019, the Partnership contributed an additional $24.8 million in capital to the joint venture to maintain a 50-50 ownership interest as a result of the contribution of the developable land by the joint venture partner on this date. The Partnership concurrently contributed $58.5 million to acquire an additional 25% ownership interest in the joint venture resulting in 75% ownership subsequent to this transaction.

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact the joint venture’s returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the three months ended March 31, 2021 and 2020, the Partnership contributed $24.6 million and $12.3 million to the venture, respectively. The Partnership has contributed a total of $270.7 million to the venture as of March 31, 2021.

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

Construction Loan

On December 10, 2019, the joint venture entered into a $570.0 million facility on the One Congress project. The loan is interest only and will bear an interest rate of LIBOR plus 2.00% which can be reduced over time as certain milestones are met. The loan has a 5-year term, and matures in 2024 and can be extended one year by the joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million.

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.

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

	As of March 31, 2021						For the three months ended March 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
One Congress	75.00 %	574	499,798	27,818	6,588	465,967	—	7,127
		$ 574	$ 499,798	$ 27,818	$ 6,588	$ 465,967	$ —	$ 7,127
Less: interest held by third-parties						(117,057)		(1,780)
Amounts per financial statements						$ 348,910		$ 5,347

	As of December 31, 2020						For the three months ended March 31, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ (1)
One Liberty	— %	—	—	—	—	—	—	(9)
One Congress	75.00 %	542	441,055	15,531	—	426,066	—	25,773
		$ 542	$ 441,055	$ 15,531	$ —	$ 426,066	$ —	$ 25,763
Less: interest held by third-parties						(107,083)		(6,438)
Amounts per financial statements						$ 318,983		$ 19,325

6. Assets Held for Sale

2021 Assets Held for Sale

There were no assets classified as Held for Sale for the three months ended March 31, 2021.

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 classified 2025 Clarendon as held for sale as of December 31, 2020.

7. 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.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership's incremental borrowing rate. Generally, the Partnership uses its incremental borrowing rate as the discount rate.

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

	March 31, 2021	December 31, 2020
Non-current assets		
Income generating properties, net of ROUA	2,846,950	2,660,020
ROUA, at fair value	136,100	136,100
Income generating properties	2,983,050	2,796,120
Properties in development	493,055	646,316
Total investment properties, at fair value	$ 3,476,105	$ 3,442,436
Current assets - CPC		
Prepaid expense and other assets	10,450	9,263
ROUA, net of accumulated depreciation and non-current portion	545	643
Prepaid expense and other assets	$ 10,995	$ 9,906

At March 31, 2021 and December 31, 2020, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $136.1 million and $136.1 million, respectively. "Prepaid expense and other assets" included ROUA of $0.5 million and $0.6 million, respectively, related to equipment and copier leases.

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

ROUA	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance at December 31, 2020	$ 136,100	$ 643	$ 136,743
Fair value adjustment, valuation	—	—	—
ROUA Additions, net	—	1	1
Accumulated Depreciation	—	(99)	(99)
Balance as of March 31, 2021	$ 136,100	$ 545	$ 136,645

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**	**March 31, 2021**	**December 31, 2020**
Columbia Center	3.79%	2114	$ 119,332	$ 119,396
1701 Duke Street[(1)]	10.32%	2107	4,677	4,656
2001 Penn	4.94%	2087	4,351	4,345
Other equipment leases	Various	Various	580	682
Total lease liabilities			128,940	129,079

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

Property	Discount Rate	Maturity	Carrying Value March 31, 2021	Carrying Value December 31, 2020
Less current portion			327	335
Lease liabilities, net of current portion			$ 128,613	$ 128,744

(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 Condensed Consolidated Balance Sheets as the maturities shown include interest payments on lease liabilities.

Future Lease Maturities	March 31, 2021
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 5,478
One to five years	20,952
More than five years	502,297
Total undiscounted lease liabilities as of March 31, 2021	$ 528,727

Lease liabilities	**March 31, 2021**
Current lease liabilities	$ 327
Non-current lease liabilities	128,613
Total lease liabilities	$ 128,940

Lease expense costs were as follows:

Lease Expense	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 1,249	$ 1,266
Equipment lease depreciation	99	132
Total lease expense	$ 1,348	$ 1,398

Interest expense recognized on leases totaled $1.2 million and $1.3 million for the three months ended March 31, 2021 and 2020, respectively.

Cash Flows	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 140	153
Interest expense on lease liabilities	1,249	1,266
Total cash outflows related to leases	$ 1,389	$ 1,419

8. Goodwill and Intangibles

The carrying value of goodwill was $9.3 million as of March 31, 2021 and December 31, 2020. There were no indicators of impairment noted during either comparative period. No impairment losses were recognized in the three months ended March 31, 2021 and 2020, respectively.

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

9. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of					
Borrower/Facility	**Contractual Rate**	**Maturity**	**March 31, 2021**			**December 31, 2020**		
Credit facility [1]:								
Revolver	LIBOR +1.25% to 2.50%	7/6/22	$	244,500	[8]	$	232,500	
Term Loan A	LIBOR +1.20% to 2.40%	7/6/22		50,000	[8]		50,000	[6][8]
Term Loan B	LIBOR +1.20% to 2.40%	7/6/22		50,000	[8]		50,000	[6][8]
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		141,634	[7]		140,943	[7]
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23		223,093	[2]		200,943	
Midtown Center	3.09%	10/11/29		525,000	[3]		525,000	[3]
1700 New York Avenue	LIBOR +1.50%	4/25/24		64,395	[3,6]		64,680	[3,6]
2001 Pennsylvania	4.10%	8/1/24		65,000	[3]		65,000	[3]
Clarendon Square	4.66%	1/5/27		32,881	[3,4]		33,276	[3,4]
1615 L Street	4.61%	9/1/23		134,250	[3]		134,250	[3]
2311 Wilson	LIBOR +1.35%	3/27/27		75,000	[3]		75,000	[3]
Total Debt				1,705,753			1,671,592	
Less unamortized deferred financing fees				6,014			7,040	
Total Debt, net of unamortized deferred financing fees				1,699,739			1,664,552	
Less current portion, net of unamortized deferred financing fees [5]				2,525			2,505	
Debt obligations, net of current portion			**$**	**1,697,214**		**$**	**1,662,047**	

(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 March 31, 2021, 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, 2020, the premium was 1.60% for the Revolver and 1.50% for the Term A, Term B and Term C loans. As of March 31, 2021, and December 31, 2020, the one-month LIBOR was 0.11% and 0.14%, respectively.
(2) A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of The Wilson and the Elm 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 March 31, 2021, and December 31, 2020 The Wilson and the Elm borrowings had $30.0 million and $30.0 million of guarantees outstanding, respectively.
(3) The fair value of the collateral pledged to these notes was $1,649.9 million and $1,656.1 million as of March 31, 2021 and December 31, 2020, respectively.
(4) The carrying value of the Clarendon Square note payable as of March 31, 2021, and December 31, 2020, included a premium of $0.8 million, and $1.6 million, respectively.
(5) The current portion of unamortized deferred financing fees was $0.1 million and $0.1 million, as of March 31, 2021 and December 31, 2020, respectively.
(6) 1700 New York Avenue, 75-101 Federal, and 2311 Wilson 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 $283.3 million note encumbering 75-101 Federal.
(8) The Partnership exercised a unilateral one year extension, 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 $1.6 million as of March 31, 2021. 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 three months ended March 31, 2021, $1.0 million was accreted in "Interest expense" on the Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss).

On March 27, 2020, the Partnership fully repaid the $60.6 million outstanding balance of the 2311 Wilson construction loan. The Partnership concurrently entered into a $75.0 million permanent loan bearing an interest rate of LIBOR plus 1.35%, maturing in March of 2027 and collateralized by the land and building at 2311 Wilson. The Partnership incurred transaction costs of $0.9 million associated with the financing and recognized a $1.0 million loss on extinguishment of debt, inclusive of unamortized deferred financing fees, as of December 31, 2020 as recorded in the Condensed Consolidated Statement of Operations and Other Comprehensive Income (Loss).

On April 9, 2020, the Partnership entered into a seven-year interest rate swap agreement with a notional value of $75.0 million 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 March 31, 2021 and December 31, 2020, 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

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

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 March 31, 2021, the Partnership had capacity to borrow an additional $66.4 million under the Credit Facility. Subsequent to March 31, 2021, the Partnership paid down $220.0 million of the revolver through May 7, 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 March 31, 2021, the Partnership incurred $223.1 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.

Interest Expense

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

	Three Months Ended March 31,	
Description	**2021**	**2020**
Credit facility	$ 2,076	$ 3,421
Notes payable	11,000	10,334
Distributions to redeemable non-controlling interests	48	1,156
Lease liabilities	1,249	1,266
Amortization expense of deferred financing fees	1,027	769
Gross interest expense	$ 15,400	$ 16,946
Capitalized interest expense		
Capitalized deferred financing fees	(596)	(569)
Capitalized interest	(2,380)	(2,864)
Total capitalized interest expense	(2,976)	(3,433)
Net interest expense	12,424	13,513

Future Maturities of Debt

For periods subsequent to March 31, 2021, scheduled annual maturities of debt outstanding as of March 31, 2021 are as follows:

Years Ending December 31,	**Amount (1)**
Remainder of 2021	1,967
2022(2)	447,184
2024	360,101
2025	127,955
2025	143,410
Thereafter	624,355
	$ 1,704,972

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

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.8 million.
(2) Includes $344.5 million Credit Facility principal maturing in July 2021. The Partnership has a one year extension right that it exercised extending the maturity to July 2022.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the three months ended March 31, 2021 and 2020:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2020	(1,664,552)	(129,081)	(1,793,633)	34,128	(1,759,505)
Cash flows	(32,672)	141	(32,531)	6,564	(25,967)
New leases	—	—	—	—	—
Assumption of debt	—	—	—	—	—
Other changes	(2,515)	—	(2,515)	—	(2,515)
Net Debt, March 31 2021	(1,699,739)	(128,940)	(1,828,679)	40,692	(1,787,987)

10. Financial Instruments

The Partnership's cash, cash equivalents, and restricted cash are subject to market risk due to changes in interest rates that may result in reduced income if interest rates decline. Credit facility and floating rate notes payable are subject to interest rate risk that may result in higher interest expense and adversely impact fair values.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of March 31, 2021, in the accompanying condensed consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 40,692	$ 40,692	Level 1
Restricted cash(1)	10,500	10,500	Level 1
Trade receivables, net	1,334	1,334	Level 3
Liabilities, including current portion			
Credit facility(2)	$ 444,500	$ 444,500	Level 3
Notes payable(2)	1,260,471	1,242,517	Level 3
Redeemable non-controlling interests(3)	152,236	152,236	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $10.4 million, and $0.1 million of deferred termination fees.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.

The fair values of financial instruments as of December 31, 2020, in the accompanying condensed consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 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

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

	Carrying Value	Fair Value	Fair Value Level
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 tenant improvements.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.

The fair value of indebtedness has been determined by giving consideration to one or more of the following criteria, as appropriate: (i) interest rates and/or interest rate spreads for loans of comparable quality and remaining maturity, (ii) the value of the underlying collateral, (iii) the credit risk of the borrower based on key elements of the investment properties' valuation, (iv) market-based loan-to-value, and (v) key terms such as assumability, recourse provisions and guarantees. Following the date of inception, the notes payable have been recorded at amortized costs with the discounts and premiums amortized to interest expense using the effective interest method.

Due to their short-term maturities, the carrying values of financial instruments including cash and equivalents, restricted cash and trade receivables approximate their fair values. Lease liabilities are initially recorded at the lower of either the fair value of the underlying land/air rights or the present value of the minimum lease payments using a discount rate that provides for a constant rate on the balance outstanding.

11. Fair Value Measurements

The following table summarizes the Partnership's interest rate swap agreements as of March 31, 2021:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 279,395
Weighted average interest rate [(1)]	1.38 %
Earliest maturity date	February 5, 2021
Latest maturity date	March 27, 2027

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

The following table summarizes the Partnership's interest rate swap agreements as of December 31, 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 February 5, 2021.
(2) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $4.7 million and $(3.2) million for the three months ended March 31, 2021 and 2020, respectively. There was no material hedge ineffectiveness recognized during the three months ended March 31, 2021 and 2020. During the three months ended March 31, 2021 and 2020, the Partnership reclassified $(0.8) million and $(0.2) 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 March 31, 2021, the Partnership anticipates the reclassification of $2.9 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 March 31, 2021, 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 March 31, 2021, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,983,050
Investments in properties in development	—	—	493,055
Total Assets	$ —	$ —	$ 3,476,105
Liabilities:			
Derivative liabilities, net of current portion	—	2,418	—
Total Liabilities	$ —	$ 2,418	$ —

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 were 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.

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 4 - "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 March 31, 2021. 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 March 31, 2021.

(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 March 31, 2021:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,983,050	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	493,055	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.50% - 7.00% (6.54%) 4.75% - 6.00% (5.14%)
Total	$ 3,476,105			

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 [(1)]	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			

(1) Excludes Signal House developments which were 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.

12. Non-Property General and Administrative Expenses

The Partnership incurs personnel and compensation costs, professional fees, information technology costs and other corporate related costs that are collectively classified as non-property general and administrative expenses.
The following summarizes the various expenses comprising this activity for the respective periods:

	Three Months Ended March 31,	
Description	2021	2020
Personnel and compensation	$ 3,885	$ 2,863
Professional fees	1,023	952
Information technology	180	321
Other corporate	396	540
Total non-property general and administrative	$ 5,484	$ 4,676

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $4.5 million and $4.4 million for the three months ended March 31, 2021 and 2020, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Partnership is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

14. Related Party Transactions

The Partnership manages properties owned by associates and other unconsolidated related parties for which it receives fees for asset management, property management, construction management and development. All fees charged to wholly owned properties are fully eliminated in consolidation. The Partnership's portion of the fees earned from Investment in associates is appropriately eliminated during the consolidation process. Property management fees for the three months ended March 31, 2021 and 2020, totaled $0.6 million and $0.2 million, respectively. Construction management fees totaled $0.1 million and $0.1 million for the three months ended March 31, 2021 and 2020, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $1.1 million and $0.7 million for March 31, 2021 and December 31, 2020, respectively. The Partnership leases the ground under Columbia Center and 1701 Duke properties from related parties. See Note 7 - "Leases" for additional information.

15. Commitments and Contingencies

There are no asserted or unasserted legal claims, other than ordinary routine litigation incidental to its business, to which the Partnership is a party or to which any of the properties is subject to, that the Partnership believes will have a material adverse effect on financial condition, results of operations or cash flows.

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure its performance under its development projects. These bonds provide a guarantee to the counterparty that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of March 31, 2021, the Partnership had $2.0 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 March 31, 2021 and 2020, 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 period ended March 31, 2021 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2020	24,864
LTIP units granted during the period	—
LTIP units exercised	—
LTIP units forfeited	—
LTIP units outstanding, March 31, 2021	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 $1.6 million, of which $0.2 million was capitalized, and $0.4 million, of which less than $0.1 million was capitalized, of LTIP-related expense during the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021 and 2020, there were 0 and 587 LTIP units forfeited, respectively.

Subsequent to March 31, 2021, the Partnership issued 6,681 units on April 1, 2021.

16. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.5 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively. Employee benefit expense for these officers was $0.1 million for both the three months ended March 31, 2021 and 2020. For the three months ended March 31, 2021 and 2020, LTIP expense was $0.9 million and $0.2 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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

17. Equity

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 March 31, 2021, the value of these redeemable non-controlling interests were $149.2 million and $3.1 million, respectively. As of December 31, 2020, the value of these redeemable non-controlling interests were $147.4 million and $3.0 million, respectively.

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within “Equity” on the Condensed Consolidated Balance Sheets. As of March 31, 2021 and 2020, the total value of these non-redeemable non-controlling interests was $143.2 million and $142.2 million, respectively.

The Partnership maintained four additional subsidiary REITs as of March 31, 2021 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. On February 12, 2021, the Partnership declared and paid its first quarter dividends in the amount of $0.7 million, of which $0.1 million was attributable to redeemable non-controlling interests. Additionally, on May 6, 2021, the Partnership declared and paid its second quarter dividends in the amount of $0.7 million, of which $0.1 million was attributable to redeemable non-controlling interests.

18. Credit and Other Risks

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

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

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

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

The Partnership collected approximately 100% of contractual rent from its customers during the three months ended March 31, 2021. 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 three months ended March 31, 2021, the Partnership provided short-term rent relief to certain tenants on a case by case basis. However, these changes did not have a material impact on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) or require further assessment through the date of issuance.

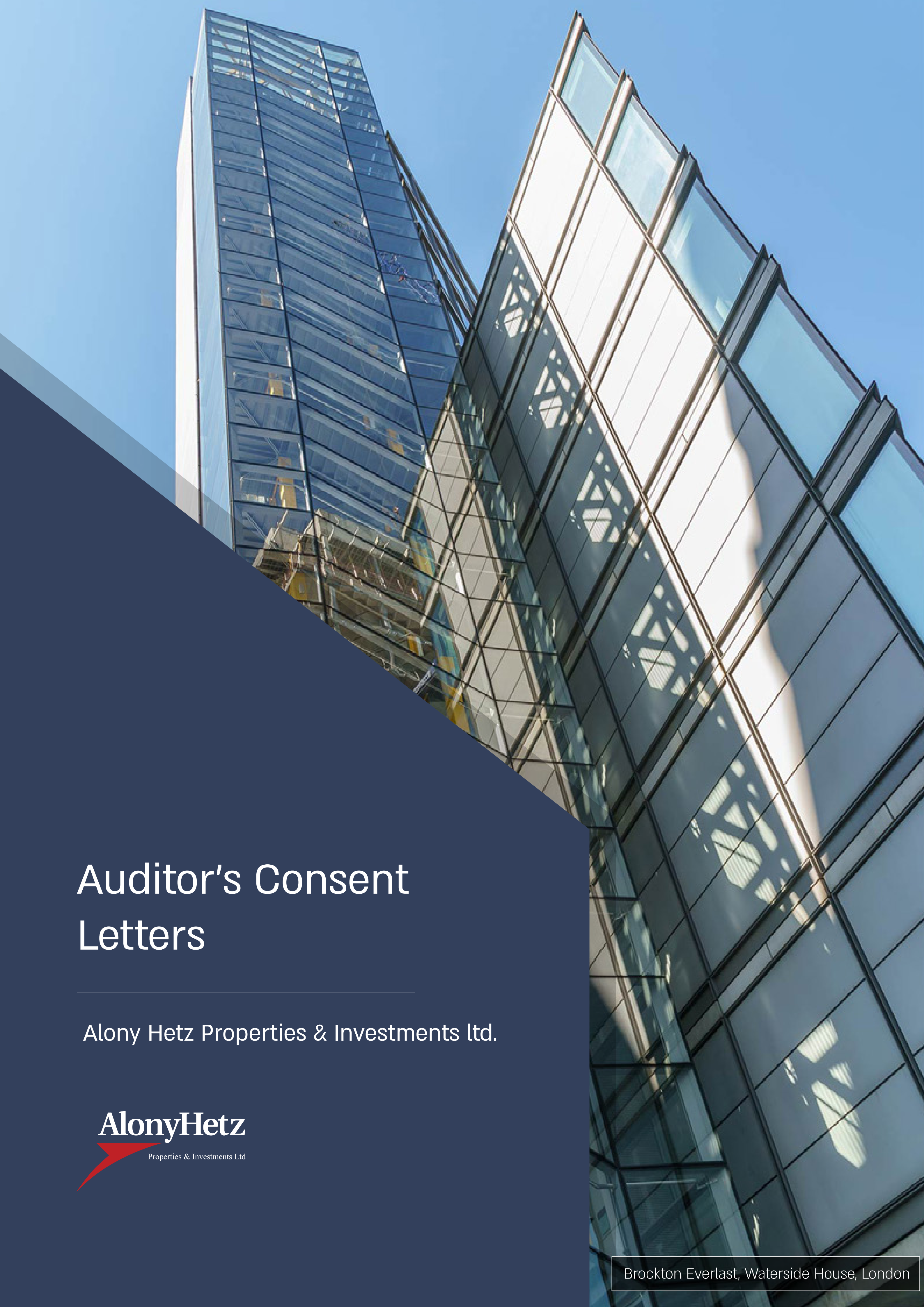
Credit Risk

The Partnership's maximum exposure to credit risk associated with financial assets measured at cost is equivalent to the carrying value of each class of financial assets measured as separately presented in receivables, restricted cash and cash and cash equivalents. Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The Partnership generally manages this risk by signing long-term leases with tenants who have investment grade credit ratings.

19. Subsequent Events

The Partnership evaluated subsequent events through May 7, 2021 the date the condensed consolidated financial statements were available to be issued. The Partnership concluded that no additional subsequent events have occurred that would require additional recognition or disclosure in the condensed consolidated financial statements other than those disclosed in the respective footnotes and herein.

On April 19, 2021, the Partnership executed a binding purchase and sale agreement to acquire 100% of 100 Congress Ave, a Class A office building in the Austin, Texas central business district for $315.0 million. The property is a 411,536 square foot mixed use building that is 94% leased. The Partnership expects to close on the acquisition in May 2021 in accordance with contractual terms.



Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

Brockton Everlast, Waterside House, London

Deloitte.

Date: May 18, 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 2021</u>

We hereby advise you that we agree to the inclusion (including by a way of reference) of our review reports detailed below in connection with the May 2021 shelf prospectus.

(1) Review Report dated May 18, 2021 regarding the Consolidated Financial Statements of the company as of March 31, 2021 and for the three months period ended March 31, 2021.

(2) Review Report dated May 18, 2021 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 38-D of the Securities Regulations (Periodic and Immediate Reports), 1970, as of March 31, 2021 and for the three months period ended March 31, 2021.

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 2021

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 6, 2021 which was published by Alony-Hetz Properties and Investments Ltd:

1) Review Report of Independent Auditors dated May 7, 2021 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of March 31, 2021 and for the three-month periods ended March 31, 2021 and 2020.

PricewaterhouseCoopers LLP

Arlington, Virginia
May 17, 2021