QUARTERLY REPORT
Q2 2021

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, The Wilson & The Elm, Washington DC

QUARTERLY REPORT | Q2 2021

Board of Directors' Report on the State of Corporate Affairs

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AlonyHetz Properties & Investments Ltd

Carr, 100 congress, Austin, Texas

Board of Directors' Report on the State of Corporate Affairs

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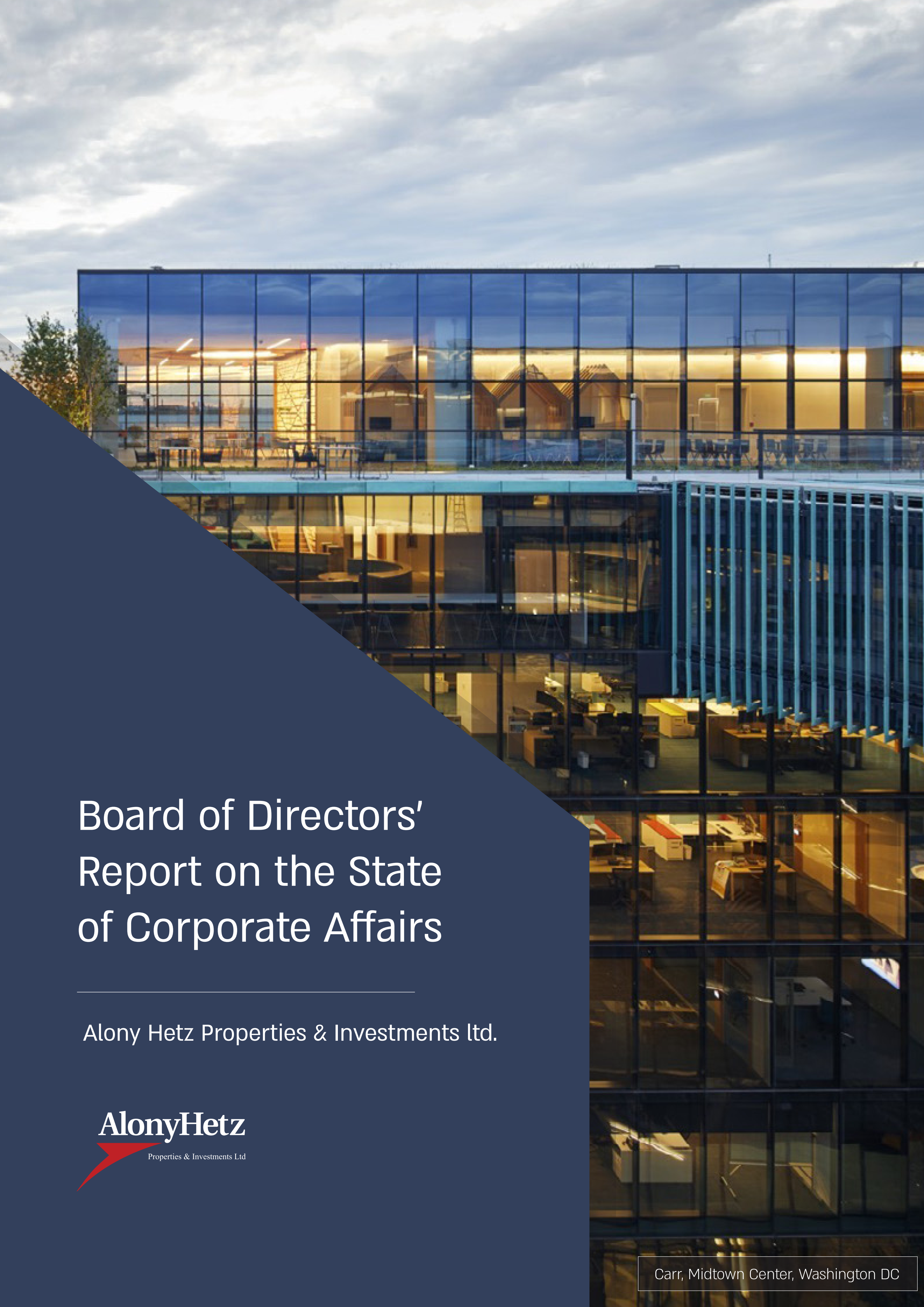


Carr, Midtown Center, Washington DC

Ramat Gan, August 17, 2021

Board of Directors' Report for the Six-Month Period ended June 30, 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 six- and three-month periods ended June 30, 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 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 fields of photovoltaic energy and wind energy, as well as in the development and initiation of electric power producing facilities in Israel, Poland and in the United States.

1.1 The Group's main income-generating property investments as of June 30, 2021:

Activity in Israel

Holdings at a rate of 56.7% in Amot Investments Ltd. (hereinafter: "**Amot**"), a publicly traded income-generating property company whose securities are listed on the Tel Aviv Stock Exchange Ltd. For additional information, see Section 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[1] rights in three property companies in the Boston metropolitan area (hereinafter: "**AH Boston**"). 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 97.0%[2] 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.

[1] 50% control.

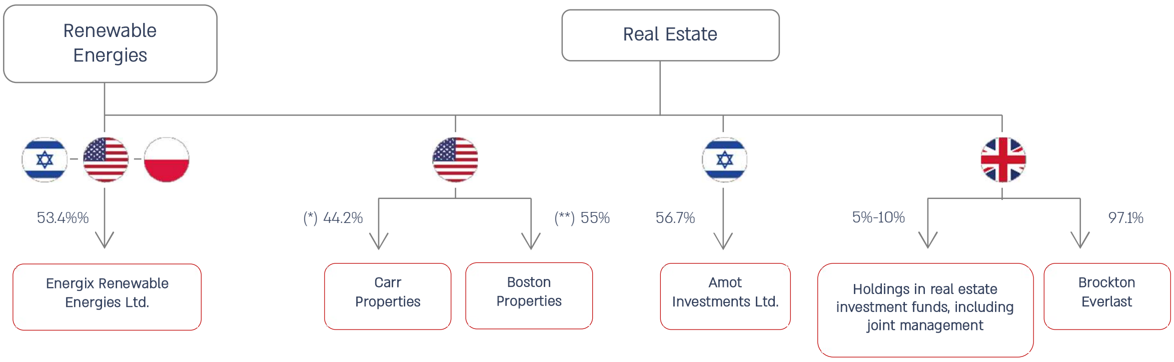
[2] As of the date of publication of the report – 97.1%.

- Holdings in two British real estate funds from the Brockton Group: 5% in Brockton Capital Fund II and 10% in Brockton Capital Fund III LP.

1.2 The Group's renewable energy investments as of June 30, 2021:

Holdings of 53.4% in Energix - Renewable Energy Ltd. (hereinafter – "**Energix**"), a public company whose securities are listed for trade on the Tel Aviv Stock Exchange Ltd. 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 close to the date of publication of the report:



* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.
** Joint holdings with Oxford Properties in 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 2.1 billion and sold assets amounting to NIS 1.6 billion. In addition, during the first half of the year, the Group companies invested a total of NIS 1 billion in development and construction projects[3].

The Company Expanded Solo

- Investment in BE's capital in the amount of GBP 122 million (NIS 552 million) and provision of a bridge loan to BE whose balance as of the date of publication of the report is GBP 30 million (NIS 134 million), mainly for BE's acquisition of properties in the Cambridge Science Park.
- 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 total gross consideration in the amount of NIS 415 million.
- Renewed signing of credit facility agreements with a bank and an institutional entity in Israel in the amount of NIS 400 million on terms similar to the previous agreements.

AMOT

- Acquisition of half of the rights in a logistics center near Kibbutz Hafetz Haim in March 2021 according to a value of NIS 71 million (Amot's share).
- Acquisition of 60% of the rights in the land in the Beit Shemesh industrial zone in June 2021 for a consideration of NIS 53 million. On the plot with an area of 40.5 dunams, Amot and its partner intend to plan and build a two-story logistics center, with a total gross area of approx. 45 thousand sq.m.
- Leasing of the Amot Givatayim building in its entirety (the former Pelephone building, which is currently undergoing a significant upgrading) to a high-tech company, with a total area of approx. 17,500 sq.m. for 10 years (in stages) with an option for another 5 years.
- 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.

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

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 May 2021 according to a building value of USD 315 million, and signing of a memorandum of understanding for the addition of a partner to the company holding the property at a rate of 49%.
- Renewed signing of credit facility agreements with a bank consortium in the amount of USD 800 million (replacing the existing facility in the amount of USD 650 million) at Libor interest plus an annual margin of 1.5%, in effect until July 2026.

BROCKTON EVERLAST

- Acquisition of properties in the Cambridge Science Park for a consideration of approx. GBP 192 million (not including transaction costs), which include:

  A. Land with an area of approx. 50 dunams with seven buildings, of which two are designated for demolition in the coming year for the construction of new buildings with an area of approx. 130 thousand sq.ft. (subject to approval of the city building plan). The remaining five buildings with a total rental area of 176 thousand sq.ft. are fully leased to companies from the Life Science industry.

  B. Additional land with an area of approx. 34 dunams (with buildings designated for demolition) is designated for development on a substantial scale in the medium and long term.
- Receipt of a loan of GBP 90 million to finance the purchase of properties at the Cambridge Science Park as stated for a period of 5 years, bearing SONIA interest plus an annual margin of 2.1%.

ENERGIXGROUP CREATING YOUR GREEN ENERGY

- Subsequent to the balance sheet date, acquisition of the full ownership in an American company engaged in the field of solar energy and storage, which has accumulated PV and storage projects with a capacity of approx. 1.8 GWp and 1,680 MW/h, respectively, for a consideration of approx. USD 33 million.
- Acquisition of a 150 MWp photovoltaic project in the United States in the advanced development stage for a consideration of approx. USD 7.3 million.
- Engagement in electricity price-fixing transactions in Poland for the years 2022-2024 in view of the rising electricity prices in Poland.
- 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 a total of approx. USD 56 million in the project company.
- Engagement in a financing transaction for the construction of 2 wind farms in Poland with a capacity of up to PLN 550 million (NIS 475 million).

1.6 Summary of key data – the Group

	Unit	H1/2021	H1/2020	Q2/2021	Q2/2020	2020	% Change [4]
Main financial results – Consolidated Statement							
Revenues from rental fees and management of investment property, net	NIS thousands	463,463	444,704	243,957	204,319	891,632	4.2
Fair value adjustments of investment property	NIS thousands	431,349	(189,437)	472,903	(103,193)	(187,782)	
Group share in the profits (losses) of associates, net	NIS thousands	59,831	2,716	(14,518)	(22,730)	99,670	
Net profit for the period	NIS thousands	576,054	171,842	419,168	16,714	465,485	
Net profit attributable to Company shareholders	NIS thousands	418,765	107,696	312,519	3,715	302,998	
Comprehensive income (loss) for the period, attributable to Company shareholders	NIS thousands	483,444	6,808	263,830	(87,473)	56,119	
FFO attributable to Company shareholders[5]	NIS thousands	223,097	250,112	112,302	117,682	495,433	(10.8)
Total balance sheet	NIS thousands	27,964,027	25,824,271			26,500,374	5.5
Equity (including non-controlling interests)	NIS thousands	10,375,924	9,814,341			9,912,830	4.7
Financial debt (bank credit and bonds)[6]	NIS thousands	14,297,105	13,296,458			13,394,404	6.7
Net financial debt[7]	NIS thousands	12,334,920	11,915,440			11,179,623	10.3
Ratio of net financial debt to total balance sheet[8]	%	47.4	48.7			46.0	
Main financial results – Expanded Solo[9]							
Total balance sheet	NIS thousands	11,273,205	10,767,170			10,791,514	4.5
Equity attributable to Company shareholders	NIS thousands	6,768,141	6,433,960			6,401,866	5.7
Financial debt (bank credit and bonds)[6]	NIS thousands	3,800,956	3,733,421			3,680,979	3.3
Net financial debt[7]	NIS thousands	3,348,664	3,425,556			3,078,047	8.8
Net financial debt ratio to balance sheet total[8]	%	30.9	32.8			30.2	
Per share data							
Earnings per share – basic	NIS	2.42	0.62	1.80	0.02	1.75	
Comprehensive income (loss) per share – basic	NIS	2.79	0.04	1.52	(0.51)	0.32	
FFO per share[5]	NIS	1.29	1.45	0.65	0.68	2.87	(11.0)
Current dividend per share	NIS	0.60	0.58	0.30	0.29	1.16	3.4
NAV per share	NIS	38.97	37.24			37.04	5.2
NNAV per share [10]	NIS	46.80	43.76			44.16	6.0
Price per share at end of period	NIS	45.40	34.33			44.90	1.1

[4] Balance sheet data of June 30, 2021 compared to December 31, 2020 Result data from 1-6/2021 compared to 1-6/2020

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

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

[7] Financial debt presented net of cash balances. The Company's net financial debt (expanded solo) as of June 30, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 55 million.

[8] Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of June 30, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 55 million.

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

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

1.7 Summary of Key Data – Investees

	Unit	H1/2021	H1/2020	Q2/2021	Q2/2020	2020	% Change [11]
Investment in Israel – Amot Investments Ltd. (56.7% rate of holdings)[12]							
Number of income-generating properties	Unit	105	104			104	
Value of investment property (not including property in development)	NIS thousands	12,978,168	12,725,565			12,718,390	2.0
Weighted capitalization rate deriving from investment property	%	6.49	6.50			6.52	
Occupancy rate at end of period	%	96.9	97.6			97.2	
Value of investment property in development	NIS thousands	1,371,660	918,708			1,222,883	12.2
Ratio of net financial debt to total balance sheet	%	42	44			43	
[13]NOI	NIS thousands	369,732	368,603	192,546	167,793	734,204	0.3
FFO[14] per share	NIS	0.66	0.673	0.352	0.30	1.32	(1.9)
Ordinary dividend per share	NIS	0.50	0.48	0.25	0.24	0.98	4.2
NAV per share	NIS	15.65	15.50			15.42	1.5
NNAV per share	NIS	19.06	18.99			18.73	1.8
Price per share at end of period	NIS	21.38	15.69			17.99	18.8
Investment in the United States – Carr Properties Corporation (rate of holdings – 44.2%)[15]							
Number of income-generating properties	Unit	14	14			13	
Value of investment property (without property in development)	USD thousands	2,722,534	2,961,140			2,894,350	(5.9)
Occupancy rate at end of period	%	89.0	93.8			90.53	
Rental rate at end of period	%	90.7	95.5			92.55	
Number of properties in development	Unit	3	3			3	
Value of property in development[16]	USD thousands	1,138,847	813,218			995,297	14.4
Ratio of net financial debt to total balance sheet	%	43.7	42.3			44.9	
NOI	USD thousands	66,867	74,555	33,287	36,437	155,096	(10.3)
FFO	USD thousands	33,610	44,045	16,466	21,575	92,386	(23.7)
NAV per share	USD	1.34	1.34			1.32	1.3
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings – 97.0%)							
Number of properties	Unit	[17]7	5			5	
Value of investment property	GBP thousands	892,150	651,900			665,250	34.1
Occupancy rate at end of period	%	91.8	94			95.1	
Ratio of financial debt to total balance sheet	%	44.3	51.3			50.7	
NOI	GBP thousands	14,416	12,762	7,483	6,406	25,868	13.0
FFO	GBP thousands	4,948	3,370	2,529	1,813	7,909	46.8
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53.4%)							
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	318	220.5			222.8	42.7
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	1,685,405	1,427,450			1,635,328	3.1
Revenues from sale of electricity and green certificates	NIS thousands	124,169	131,465	66,022	61,725	261,803	(5.5)
FFO from projects[18]	NIS millions	83.9	88.6	52.23	40.9	181	(5.3)
Price per share at end of period	NIS	12.51	12.94			14.66	(14.7)

[11] Balance sheet data of June 30, 2021 compared to 2020 Result data from 1-6/2021 compared to 1-6/2020

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

[13] Net operating income.

[14] Funds from operations.

[15] The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.

[16] The data as of June 30, 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.

[17] Seven property complexes including ten buildings.

[18] 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[19]

During the first half of 2021, the economy in Israel gradually opened up from the Corona restrictions until in early June 2021, they were completely removed and the economy continued the process of recovery from the crisis. The situation is similar in the markets in which the Group operates in the United Kingdom and the United States. Prior to the publication of the report, another wave of morbidity erupted from the Delta strain of Corona virus in Israel and around the world, accompanied by an increase in the number of people infected despite the increase in the immunization rate in Israel and around the world. Therefore, it is not known whether new restrictions will be imposed by governments in Israel and around the world. Regarding the relief to tenants in commerce that was granted by Amot due to the closure in January-February 2021, see Section 2.3.5.

According to the Bank of Israel's forecast, the economy will continue the process of recovering from the crisis and by the end of 2022, activity will become close to the trend line from the pre-crisis period. According to the forecast, the GDP is expected to grow at a rate of 5.5% and 6.0% in 2021 and 2022, respectively. The broad unemployment rate has declined throughout the forecast period, reaching 5.5% at the end of 2022. The inflation rate is expected to be 1.2% in 2021. According to the forecast, the monetary interest rate is expected to be 0.1% in a year.

During the first half of the year, there was a continued recovery in the global economy and global trade in some countries, as a result of an increase in the rate of immunization and the effectiveness of the vaccines. The improvement in activity also led to an upward update of the International Monetary Fund forecast in April. The Bank of Israel estimates that the GDP in developed countries will grow by 3.5% and 3.8% in 2021 and 2022, respectively – higher than its previous estimate.

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 2.4 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.

The Company's estimates of the possible consequences of future developments in the economic environment in which the Group operates constitute forward-looking information, as defined in the Securities Law, 1968, which is based, among other things, on the Company's assessments as of the date of publication of this report with respect to factors that are not under its control. The Company's assessments are based on information available to the Company, on publications and research on these subjects and on the guidelines of the relevant authorities in the various countries in which the Group operates. It should be clarified that there is no certainty that the above assessments will be realized, in whole or in part, due to factors beyond the Company's control.

[19] From the macroeconomic forecast of the Bank of Israel's Research Division from July 2021.

2.2 Statement of Financial Position

Statement of Financial Position Item	30.6.2021 NIS millions	31.12.2020 NIS millions	Notes and Explanations
Cash and cash equivalents	1,962	2,215	For Statement of Cash Flows – see Section 2.6 below.
Investment property	17,714	16,250	The item includes investment property and investment property in development. Most of the increase stems from BE's acquisition of properties in Cambridge, UK in the amount of NIS 643 million and from a property revaluation in the reporting period in the amount of NIS 431 million.
Investments in associates and securities measured at fair value through profit or loss	4,681	4,688	The following are the main changes: • An increase in investments due to the devaluation of the NIS against foreign currencies in which the Company operates (mainly against the USD) in the amount of NIS 54 million. • An increase in investments in respect of the Company's share in the profits of investees in the amount of NIS 60 million. • Investments in investees in the reporting period in the amount of NIS 53 million. • On the other hand, there was a decrease in investments due to the realization of the balance of the investment in PSP in the period for a consideration of NIS 216 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	3,017	2,664	Most of the increase is due to investments made by the Group in photovoltaic projects in development (mainly in the United States). For details on electricity-generating facilities, see Note 6 to the financial statements.
Other assets	590	683	
Total assets	27,964	26,500	
Loans and bonds	14,293	13,606	The following are the main changes: • Raising of bonds net of repayments in the amount of approx. NIS 400 million. • Receipt of loans (net of the repayment of loans and credit facilities) in the amount of NIS 332 million. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	3,295	2,981	
Total liabilities	17,588	16,587	
Equity attributable to shareholders	6,768	6,402	For details regarding the main changes in equity attributable to shareholders – see Section 2.7.2 below.
Non-controlling interests	3,608	3,511	
Total equity	10,376	9,913	
Total liabilities and equity	27,964	26,500	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of June 30, 2021:

	Currency	Number of Shares	Balance in the Company's Books (expanded solo)	Value	Value Measurement Basis
			NIS thousands	NIS thousands	
Amot	NIS	233,718,872	3,641,802	4,996,909	Stock market value - tradable
Energix	NIS	260,352,283	815,180	3,257,007	Stock market value - tradable
Carr	USD	-	3,080,700	3,080,700	Equity method
AH Boston	USD	-	860,143	860,143	Equity method
Brockton Everlast	GBP	-	2,194,996	2,194,996	Equity method
Brockton Funds	GBP	-	128,399	128,399	Equity method
Other (mainly cash in the amount of NIS 397 million and a short-term bridge loan to Brockton Everlast in the amount of NIS 55 million)			465,417	465,417	
Total			11,186,637	14,983,571	

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, as follows:

	January to June 2021	Subsequent to the Balance Sheet Date	Total
	In NIS millions		
Brockton Everlast	488	64	552
Brockton Everlast - bridge loan	55	79	134
AH Boston	14	16	30
	557	159	716

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

During the reporting period, 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.

2.3.4 Property revaluations

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

Geographic Region	Currency	Investee's Share In millions			Company's Share In NIS millions
		Revaluation of Income-Generating Properties	Revaluation of Properties in Development and Construction	Total	**Total**
Israel (Amot)	NIS	96	31	127	71
USA (Carr and AH Boston)	USD	(22)	46	24	45
UK (BE) (*)	GBP	15	52	67	296
Company's share before the effect of tax					**412**
Tax effect					(95)
Company's share after tax					**317**

(*) For details regarding BE's property revaluations in the reporting period, see Section 2.3.7.3 below.

2.3.5 Investment in property 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 granted relief in connection with rent and management payments in respect of the periods when the shopping centers were closed (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) in respect of the reporting period amounts to NIS 20 million.

Amot Givatayim (formerly the Pelephone building)

Near the date of publication of the report, Amot signed an agreement with a high-tech company (hereinafter: "the tenant") regarding the lease of the entire Amot Givatayim building (formerly the Pelephone building), with a total area of approx. 17,500 sq.m. The transaction was signed for a period of 10 years with an option for 5 more years. At present, the building is undergoing a significant upgrade in the amount of approx. NIS 100 million (including adjustments for the tenant), which includes replacing/upgrading all the building's electromechanical systems, including elevators, air conditioning, parking, and upgrading the building's windows to smart glass that prevents a loss of cooling energy and improves the acoustics, installation of advanced systems that include, among other things, cladding the facades with solar panels for electricity generation, and more in order to adapt the building to the requirements of the American Green Building Council and to meet a groundbreaking "zero energy" property goal. The building will be delivered to the tenant in two phases. In the first phase during 2022, areas of 12,500 sq.m. will be delivered, and in the second phase, the rest of the building area amounting to 5,000 sq.m. will be delivered after 5 years. During the first 5 years Amot will work to lease the above area until it is delivered to the tenant.

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

In March 2021, Amot acquired half of the rights in a logistics center near Kibbutz Hafetz Haim according to a value of NIS 71 million (Amot's share). 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%). The transaction was completed during June 2021.

Acquisition of land in the Beit Shemesh area

In June 2021, Amot acquired 60% of the rights in land in the Beit Shemesh industrial zone for a consideration of NIS 53 million. On the plot with an area of 40.5 dunams, Amot and its partner in the project intend to plan and build a two-story logistics center, with a total gross area of approx. 45 thousand sq.m.

The information regarding the expected NOI and the feasibility of the development project is forward-looking information and there is no certainty that the project will actually be implemented.

Operating activities:

The Amot NOI in the first half of 2021 amounted to NIS 370 million, compared to NIS 369 million in the corresponding half last year.

The increase compared to the corresponding period last year is due to revenues in respect of areas whose construction has ended, and to a decrease in the amount of relief to tenants of the shopping centers compared to the corresponding period last year. On the other hand, there was a decrease in revenues from property that has been classified as property in development due to a significant upgrade.

2.3.5.3 **Fair value of investment property:**

For the fair value adjustment of Amot's investment property in the reporting period, see Section 2.3.4 above - "Property revaluations".

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**:

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) In May 2021, Carr acquired the full rights and debt in the 100 Congress office building located on the main business street in 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 a rental rate of 92% as of June 30, 2021. In 2021, the property is expected to generate NOI in the amount of USD 18 million. The property has a loan of USD 140 million.

In August 2021, Carr signed a non-binding memorandum of understanding for the addition of a partner at a rate of 49% to a designated company that holds a property with a building value of USD 315 million (a value identical to its value in Carr's books as of June 30, 2021). The transaction is expected to be completed in September 2021.

2.3.6.3 **Fair value of investment property:**

For the fair value adjustment of Carr's investment property in the reporting period, see Section 2.3.4 above - "Property revaluations".

2.3.6.4 **Renewed signing of a credit facility:**

In July 2021, subsequent to the balance sheet date, Carr renewed the signing of a credit facility agreement in the amount of USD 800 million (replacing the existing facility of USD 650 million) with a bank consortium. The new credit facility is for a period of four years with an extension option for another year and bears interest derived from Carr's LTV rate (currently an interest rate of Libor + 1.5% -1.6%).

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:**

During the reporting period and subsequent to the balance sheet date, BE acquired properties in the "Cambridge Science Park" (hereinafter – "the Science Park") for a total amount of GBP 192 million (not including transaction costs) as detailed below:

- Land with an area of approx. 50 dunams with seven buildings, of which two are designated for demolition in the coming year for the construction of new buildings with an area of approx. 130 thousand sq.ft. (subject to approval of the city building plan). The remaining five buildings with a total rental area of 176 thousand sq.ft. are fully leased to companies from the Life Science industry and are expected to generate annual NOI of approx. GBP 6 million.

- Additional land with an area of approx. 34 dunams (with buildings designated for demolition, which currently generate annual NOI in the amount of approx. GBP 1 million per year) is designated for development on a substantial scale in the medium and long term.

  According to the existing planning policy in the Science Park area, all the aforesaid properties have the potential for a significant increase in building rights. Therefore, and in view of the expected demand for business activity in the area, BE is working to promote a plan for the establishment of office and laboratory complexes for the Life Science industry on a large scale, which will be built over the coming years.

  BE is expected to take total bank credit at a rate of 60% of the total purchase consideration against the encumbrance of the acquired properties. For details regarding a loan taken by BE during the reporting period, see Note 10(4) to the financial statements.
  That stated in this section regarding the expected NOI, the realization of the building rights potential and the feasibility of projects in development is forward-looking information.

2.3.7.3 **Fair value of investment property:**

The following is information regarding the composition of the fair value adjustment of investment property during the reporting period:

	H1/2021
	GBP millions
Profit resulting from the progress in planning and licensing procedures for the development plan **(*)**	57
Profit from an increase in the property value, including as a result of the increase in rent as part of the rent review mechanisms	19
Amortization of the acquisition expenses for two complexes at the Cambridge Science Park	(9)
Total fair value adjustments of investment property	**67**

(*) The revaluation profits from development include a profit from the revaluation of the Devonshire Quarter project according to an appraiser's opinion based, among other things, on the significant progress made in the licensing proceedings with the London planning committees for the project for the construction of a modern office tower (among other things according to the Net-Zero Carbon standard) in a new rental area of 460 thousand sq.ft., an increase in the forecast for rents expected to be received in the future and due to the decline in the discount rate derived from recent Trophy Towers transactions carried out in London, in the first half of 2021 BE recorded an increase of GBP 46 million in the value of the property.
See the Devonshire Quarter Building Appraisal Report dated June 30, 2021 attached to this quarterly report.

2.3.7.4 **Examining the addition of a financial investor to BE**

In order to achieve BE's long-term business goals, the Company and BE began to examine options for adding financial investors to BE to increase BE's capital base.

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 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 142 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 appraised project is forward-looking information.

2.3.8.3 **Fair value of investment property:**

Positive revaluations were recorded in the reporting period in respect of the three buildings in Boston held by the Company jointly with Oxford in the amount of approx. USD 28 million, of which approx. USD 22 million is in respect of a development plan for the 745 Atlantic building, as detailed in Section 2.3.8.2 above (the Group's share in the revaluations before tax is USD 15.5 million, which is approx. NIS 50 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, 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, during the reporting period, 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 and Energix continues to work to obtain all permits and approvals required in order to reach financial closure. For additional information, see Note 6(b)(7) to the financial statements.

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

As of the date of publication of the report, Energix has completed the construction of 11 systems of the 17 that are expected to be established in these procedures, with a total capacity of 74 MWp, and Energix is in the midst of construction work on the other projects.

(2) United States

Establishment of the Virginia 2 Projects (140 MWp):

Energix has completed the construction of 4 of the 6 additional projects in Virginia, and completion of the remaining 2 projects is expected by the end of 2021. In May 2021, the project company engaged in a set of agreements with an American financial institution as the tax partner in 5 of the 6 projects. In this context, the tax partner will invest a total of approx. USD 56 million in the project company. Energix intends to independently realize the tax benefits connected with the 6th project. For additional information, see Note 6(b)(1) 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 with a capacity of approx. 150 MWp in Virginia, which is in advanced development stages, for the amount of approx. USD 7.3 million (of which approx. USD 2.8 million has been paid and the balance will be transferred at the start 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.

Acquisition of a project backlog of PV and storage projects in development with a capacity of approx. 1.8 GWp and approx. 1,680 MWh

On August 12, 2021, Energix (through a wholly owned American subsidiary) signed a binding agreement to acquire full ownership rights in the American company NCRE, an entrepreneurial company in the field of solar energy and energy storage in the United States ("NCRE"), for a total consideration of USD 33 million. NCRE has, among other things, a backlog of approx. 17 photovoltaic projects in the development stages with a capacity of approx. 1.8 GWp, as well as energy storage projects in the development stages with a capacity of approx. 1,680 MWh.

Energix estimates that at least half of the acquired project backlog (i.e. approx. 1 GWp) will reach construction during the years 2023-2025, with an estimated investment of approx. USD 1 billion.

(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), in the reporting period, 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)(4)(b) to the financial statements.

Establishment of two wind farms with a total capacity of approx. 126 MW

Energix is in the midst of construction work on 2 wind farms in Poland with a total capacity of approx. 126 MW. In June 2021, Energix engaged in a transaction for financing of the construction of the projects in the amount of up to PLN 550 million (approx. NIS 475 million). For further details, see Note 6(b)(4)(a) to the financial statements.

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

In and subsequent to the reporting period, electricity prices in Poland continue to be high (spot prices and prices of future transactions on the electricity exchange) following a noticeable increase in recent months. In this context, Energix continued to enter into price-fixing transactions for the years 2021-2024 at increasing prices over the years. As of the date of publication of the report, Energix has price-fixing transactions for electricity in the amount of 80%-85% of the generation expected for the years 2021-2024. The prices fixed in these 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	117	234
Carr[20]	90	91
BE	-	52
Energix	21	47
AH Boston	11	29
PSP	4	4
	243	**457**

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.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of June 30, 2021, the Group has cash balances of NIS 2 billion (of which the Company's expanded solo balance – NIS 0.4 billion) and unutilized lines of credit in the amount of NIS 1.6 billion (of which the Company's expanded solo lines of credit – NIS 0.5 billion).

2.4.2 Unpledged assets

As of June 30, 2021, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash) is NIS 10.8 billion (a market value of NIS 14.6 billion). As of June 30 2021, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 13.7 billion.

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

2.4.3 Financial debt

As of June 30, 2021, the Group's net financial debt amounted to NIS 12.3 billion, which constitutes 47.4% of the Group's total assets, compared with a net financial debt of NIS 11.2 billion, which constituted 46% of the Group's assets, on December 31, 2020.

As of June 30, 2021, the Company's (expanded solo) net financial debt amounted to NIS 3.3 billion, constituting 30.9% of the Company's assets (expanded solo), compared to a net financial debt of NIS 3.1 billion, constituting 30.2% of the Company's assets (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 close to the date of publication of the report amounts to 23.4%.

<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 10(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.
- 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 (approx. NIS 269 million, net). See details in Note 11(1) to the financial statements.
- Further to Note 12.b (3) to the 2020 annual financial statements, subsequent to the date of the report in August 2021, an amendment was signed to the credit facility agreement in the amount of NIS 250 million and an extension until May 31, 2024.

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 June 30, 2021, see Section 2 of Appendix A below.

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

<u>Amot</u>:

(1) 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 2(11) to the financial statements.

(2) In August 2021, Amot's credit facility from an institutional body in Israel in the total amount of NIS 200 million was extended until May 31, 2024.

<u>Energix</u>:

For details regarding Energix's financing transactions in the reporting period, see Notes 10(5) to 10(8) to the financial statements.

BE:

(1) In order to finance the acquisition of properties in the Cambridge Science Park as detailed in Note 2.3.7 above, in June 2021, BE took a non-recourse bank loan in the amount of GBP 90 million for a 5-year period, bearing SONIA interest plus an annual margin of 2.1%. The loan principal will be repaid at the end of 5 years. To guarantee the loan, BE pledged the properties purchased in favor of the bank with a senior lien. Regarding interest hedging transactions for the loan taken by BE, see Note 10(4) to the financial statements.

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 June 30, 2021 amounted to a total of NIS 12 million in the Company's consolidated financial statements and NIS 32 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 2.4.1 and 2.4.2 above). In this light, the Company's Board of Directors believes that the existence of a working capital deficit stemming from the 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 576 million. The share of Company shareholders in the profit amounted to NIS 419 million, compared to a profit of NIS 108 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 643 million. The share of Company shareholders in the income amounted to NIS 483 million, compared to a profit of NIS 7 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/or from property revaluations, 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 differentials 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):

	H1/2021 NIS thousands	H1/2020 NIS thousands	2020 NIS thousands
Company shareholders' share in net income for the period	418,765	107,696	302,998
Adjustments to profit and loss:			
Fair value adjustments of investment property	(431,349)	189,437	187,782
Company share in property revaluations and other non-FFO items in investees	20,587	117,079	125,297
Profit from decrease in rate of holding and from realization of investees	(17,500)	(150,728)	(200,953)
Profit from securities	(16,712)	22,663	19,094
Others (mainly depreciation and amortizations)	45,552	36,698	89,381
Accumulated linkage differentials and exchange rate differentials	50,599	(17,399)	(30,403)
Deferred taxes and current taxes from the realization of securities and real estate, net	142,490	30,865	134,834
Share of non-controlling interests in the above adjustments to FFO	10,665	(86,199)	(132,597)
FFO	**223,097**	**250,112**	**495,433**
The sources of the FFO are as follows:			
Revenues			
Investment property NOI	419,895	409,071	817,010
NOI from the sale of electricity, less development costs	101,020	107,032	215,609
Carr's share in FFO	48,501	69,420	139,903
AH Boston's share in FFO	20,912	22,881	43,244
Amot's, Energix's and BE's associates' share in FFO	8,614	5,066	10,324
PSP's share in FFO	2,390	22,428	31,495
Dividend income from investments and others (mainly Brockton Funds)	-	2,550	5,142
Total revenues	**601,332**	**638,447**	**1,262,727**
Expenses			
Real financing, net	(143,490)	(150,510)	(300,932)
Administrative and general	(64,249)	(54,126)	(111,462)
Current taxes	(23,872)	(33,354)	(59,816)
Share of non-controlling interests attributable to current operations	(146,624)	(150,345)	(295,084)
Total expenses	**(378,235)**	**(388,335)**	**(767,294)**
FFO	**223,097**	**250,112**	**495,433**
FFO per share (NIS)	**1.29**	**1.45**	**2.87**

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

	H1/2021	H1/2020	Q2/2021	Q2/2020	2020
			NIS thousands		
Revenues and profits					
Revenues from rental fees and management of investment property	463,463	444,704	243,957	204,319	891,632
Fair value adjustments of investment property	431,349	(189,437)	472,903	(103,193)	(187,782)
Group share in the profits (losses) of associates, net	59,831	2,716	(14,518)	(22,730)	99,670
Dividend revenues from investments in securities measured at fair value through profit or loss	4,278	-	4,278	-	-
Net profits (losses) from investments in securities measured at fair value through profit or loss	12,434	(20,711)	(5,057)	(11,558)	(15,250)
Profit from decrease in rate of holding and from realization of investees	17,500	150,728	12,556	26,483	200,953
Revenues from sale of electricity and green certificates	124,169	131,465	66,022	61,725	261,803
Other revenues (expenses), net	(371)	594	(408)	12	(553)
	1,112,653	**520,059**	**779,733**	**155,058**	**1,250,473**
Costs and Expenses					
Cost of investment property rental and operation	42,844	35,633	24,321	16,339	74,622
Development, maintenance and operation costs of electricity-generating facilities	17,326	20,450	9,044	8,836	37,565
Depreciation and amortizations	40,228	35,056	21,557	18,873	82,598
Administrative and general	75,750	59,748	43,894	28,839	125,024
Financing expenses, net	194,089	133,111	127,660	71,158	270,529
	370,237	**283,998**	**226,476**	**144,045**	**590,338**
Profit before taxes on income	**742,416**	**236,061**	553,257	11,013	**660,135**
Income tax expenses (income)	166,362	64,219	134,089	(5,701)	194,650
Net profit for the period	**576,054**	**171,842**	**419,168**	**16,714**	**465,485**
Distribution of net income for the period:					
Share of Company shareholders	418,765	107,696	312,519	3,715	302,998
Share of non-controlling interests	157,289	64,146	106,649	12,999	162,487
	576,054	**171,842**	**419,168**	**16,714**	**465,485**

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

Revenues from rental fees and management of investment property, net – amounted to 463 million NIS in the reporting period, compared to 445 million NIS in the corresponding period last year, a 4.2% increase. The increase is due to a change in Amot's revenues (approx. NIS 9 million) following a reduction in the relief granted to the shopping center tenants in the reporting period compared to the corresponding period last year due to the Corona crisis, as well as an increase of approx. NIS 10 million in revenues from new properties acquired by Brockton Everlast during 2020 and throughout the reporting period.

Fair value adjustment of investment property – In the reporting period, positive property revaluations were recorded in the amount of NIS 304 million, in respect of Brockton Everlast's properties and positive property revaluations in the amount of NIS 127 million in respect of Amot's properties, as follows:

A. Brockton Everlast – The Group recorded positive revaluations in the amount of NIS 346 million in respect of Brockton Everlast's properties, mainly due to progress in the development plan and expansion of the project area for a building located in the City of London (Devonshire Quarter) and for a complex in the Cambridge Science Park. On the other hand, it recorded a negative fair value adjustment in the amount of NIS 42 million in respect of the amortization of acquisition expenses for properties acquired by Brockton Everlast in the first quarter of the year. For more information on this topic, see Section 2.3.7.3 above.
B. Amot – In the reporting period, a fair value adjustment of Amot's assets was recorded in the amount of approx. NIS 127 million, mainly due to the increase of 1.4% in the CPI during the period.

In the corresponding period last year, negative revaluations were recorded that were mainly due to losses recorded in the amount of NIS 148 million due to the impact of the Corona crisis on commercial properties and due to the decline in the CPI in the corresponding period last year by a rate of 0.7%. In addition, the loss included a negative value adjustment in the amount of NIS 40 million in respect of Brockton Everlast's assets due to the impact of the Corona crisis on a commercial property and due to the acquisition costs of a property acquired in the corresponding period last year.

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 profits – In the reporting period, the Company did not record a profit in respect of PSP due to the realization of the investment in the reporting period.
- Group share in Carr's profits – A profit of NIS 4 million was recorded in the reporting period, compared to a profit of NIS 39 million in the corresponding period last year. The decrease in Carr's profits was due to the sale of 49% of the Midtown Center in the second quarter of the year, which resulted in the classification of a loss of USD 16.2 million (the Company's share – NIS 24 million), which was previously recorded directly in capital (and which resulted from interest rate fixing transactions) in profit or loss. The classification of the capital reserve in the statement of income does not affect Carr's equity.
- Group share in AH Boston's profits – A profit of NIS 68 million was recorded in the reporting period, compared to a loss of NIS 34 million recorded in the corresponding period last year. The increase in AH Boston's profits stems from positive revaluations recorded in the reporting period in respect of the Boston properties, mainly in respect of the increase in value of the 745 Atlantic building due to a plan for a change in the designation of the property from an office building to a laboratory building (see more information in Section 2.3.8 above). In contrast, in the reporting period last year, negative property revaluations were recorded in AH BOSTON due to the impact of the Corona crisis.

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" at the end of the first quarter of the year. 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 rate of holdings and from the realization of investees – The profit in the reporting period is due to a capital gain recorded as a result of the sale of a consolidated partnership by Energix (approx. NIS 12 million) and a profit of NIS 5 million as a result of the sale of 100 thousand PSP shares during the first quarter of 2021. The profit in the corresponding period last year, in the amount of NIS 151 million, stemmed from the sale of 1.9 million PSP shares during the first half of 2020.

Revenues from the sale of electricity and Green Certificates – The NIS 7 million decrease in revenues in the reporting period compared to the corresponding period last year stems from a decrease in revenues from Poland in the amount of approx. NIS 20 million, mainly due to a decrease in the capacity generated in Poland compared to the corresponding period last year, due to weak wind conditions in the current half compared to good wind conditions in the corresponding half last year. This decrease was partially offset by an increase in the capacity generated in Israel in the amount of approx. NIS 5 million, mainly due to high solar radiation data during the reporting period, and by revenues from new photovoltaic projects in the United States that were not yet connected in the corresponding half last year in the amount of approx. NIS 8 million.

Financing expenses – There was a NIS 61 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 93 million in financing expenses resulting from the effect of the CPI, which rose by a rate of 1.4%, compared to a decline at a rate of 0.7% in the corresponding period last year. On the other hand, there was a decrease in financing expenses in the amount of NIS 22 million due to the adjustment of the stock market value of short-term tradable securities (a profit of NIS 5 million in the current half compared with a loss of NIS 17 million in the corresponding quarter last year).

Tax expenses – There was a NIS 102 million increase in tax expenses in the reporting period compared to the reporting period last year. The increase in tax expenses in the reporting period compared to the corresponding period last year is mainly due to the tax expenses recorded in respect of the property revaluation profits recorded by the Company's investees in the reporting period.

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

	H1/2021	H1/2020	Q2/2021	Q2/2020	2020
	NIS thousands				
Net income for the period:	**576,054**	**171,842**	**419,168**	**16,714**	**465,485**
Profit (loss) from investment in Carr (1) (2)	45,290	(29,720)	(5,842)	(51,178)	(135,706)
Profit (loss) from investment in PSP	(2,147)	6,298	-	3,452	10,919
Profit (loss) from investment in Boston properties (1)	3,395	(5,011)	(9,611)	(13,538)	(34,748)
Profit (loss) from investment in BE (1) (3)	14,875	(45,018)	(15,403)	(24,261)	(30,408)
Classification of profit from realization of investment in long-term securities and designated for sale to the statement of income	(1,628)	(16,843)	-	(7,887)	(36,335)
Profit (loss) from other investments	3,980	(29,442)	(12,740)	7,216	(40,354)
Tax Effect	3,298	4,931	(11,416)	(2,429)	1,999
Other comprehensive income (loss) for the period	**67,063**	**(114,805)**	**(55,012)**	**(88,625)**	**(264,634)**
Total comprehensive income (loss) for the period	**643,117**	**57,037**	**364,156**	**(71,911)**	**200,851**
Distribution of comprehensive income (loss) for the period:					
Share of Company shareholders	483,444	6,808	263,830	(87,473)	56,119
Share of non-controlling interests	159,673	50,229	100,326	15,562	144,732
	643,117	**57,037**	**364,156**	**(71,911)**	**200,851**

(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 of the NIS by a rate of 1.4% and 2.87% against the USD and the GBP, respectively. In the reporting period last year, there was a devaluation or an (appreciation) of the NIS by a rate of 0.29% and (6.71%) against the USD and the GBP, respectively.

(2) The net profit in the reporting period includes an increase in capital in the amount of NIS 33 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr (approx. NIS 9 million) and from the classification of a loss that was included in Carr's capital in respect of interest rate fixing transactions from capital reserves to profit or loss as a result of the sale of 49% of the Midtown Center (approx. NIS 24 million).

In the reporting period last year – A loss of NIS 6 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr.

(3) The net profit in the reporting period includes a profit in the amount of NIS 2 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 4.5 million).

2.6 Cash Flows

	H1/2021	H1/2020	2020
		NIS millions	
Total cash provided by operating activities	**309**	**315**	**754**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(903)	(801)	(1,139)
Investment in electricity-generating facilities	(435)	(442)	(628)
Investment in AH Boston properties	(14)	(8)	(28)
Proceeds from the sale of PSP (net of tax)	196	722	1,359
Proceeds from repayment of hedging transactions	55	1	25
Provision of loans	(95)	-	-
Investment in Carr	-	(151)	(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	-	108	137
Other	86	5	(39)
Total cash used in investing activities	**(1,110)**	**(556)**	**(466)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	459	272	428
Proceeds from the issue of bonds and bond options	856	1,477	2,300
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(585)	(1,142)	(1,705)
Capital raised by the Company	25	1	4
Capital raised by Amot (net of the Company's investment in Amot in the issue)	38	7	18
Capital raised by Energix (net of the Company's investment in Energix in the issue)	5	470	598
Acquisition of Amot and Energix shares from non-controlling interests	-	-	(22)
Payment of dividends to Company shareholders and to Amot non-controlling interests	(245)	(235)	(457)
Other	(9)	(1)	-
Total cash provided by financing activities	**544**	**849**	**1,164**
Total increase (decrease) in cash balances in the period	**(257)**	**608**	**1,452**
Other influences	**4**	**1**	**(9)**
Cash and cash equivalents at end of period	**1,962**	**1,381**	**2,215**

2.7 Equity

2.7.1 Equity per share

	As of June 30 2021	As of December 31 2020
	NIS millions	
Equity	10,376	9,913
Less non-controlling interests	(3,608)	(3,511)
Equity attributable to Company shareholders	**6,768**	**6,402**
NAV per share	**38.97**	**37.04**
NNAV per share	**46.80**	**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 366 million. The main changes are as follows:

- Net profit attributable to the Company shareholders in the amount of NIS 419 million – see additional details in Section 2.5.2 above.
- Other comprehensive income attributable to the Company shareholders in the amount of NIS 65 million – see additional details in Section 2.5.3 above.
- A reduction in capital following dividends declared and paid to the amount of NIS 139 million.
- An increase due to the raising of capital (in connection with the exercise of employee option warrants) in the amount of NIS 25 million.
- A decrease in capital reserves due to the loss created in the capital offering of consolidated companies and others in the amount of NIS 4 million.

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

Below is the composition of the surplus of assets over liabilities on the basis of the Company's Statements (expanded solo) by currency, as of June 30, 2021 (in NIS millions)[21]:

Currency	**Boston**	**Liabilities**	**Assets, net**	**%**
USD	3,982	(2,600)	1,382	20%
GBP	2,664	(1,648)	1,016	15%
Other (mainly PLN and CAD)	82	(25)	57	1%
Excess assets over liabilities in foreign currency	**6,728**	**(4,273)**	**2,455**	**36%**
Excess assets over liabilities in NIS	4,545	(232)	4,313	64%
Equity as of June 30, 2021	**11,273**	**(4,505)**	**6,768**	**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 the Company's senior 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 June 30, 2021, see Section 2.7.3 above and Appendix B.

[21] 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).

In its August 10, 2021 meeting, the Audit Committee discussed the Internal Auditor's report on the subject of the Group companies' coping with the Corona crisis.

5. Special Disclosure for Bondholders

5.1 The following are data as of June 30, 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 June 30, 2021	415,821	1,056,355	1,315,153	200,932	803,319	**3,791,580**
Linked par value as of June 30, 2021	435,429	1,056,355	1,315,153	200,932	803,319	**3,811,187**
Value in the financial statements as of June 30, 2021 (at amortized cost)	450,199	1,081,314	1,330,960	198,240	806,311	**3,867,024**
Stock market value as of June 30, 2021	468,256	1,165,054	1,381,831	211,762	830,471	**4,057,374**
Accrued Interest as of June 30, 2021	6,671	13,557	2,523	1,796	6,506	**31,053**

Regarding the expansion of bonds (Series L) in the reporting period, see Note 11(1) 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 June 30, 2021
Net financial debt to value of holdings22	%	Less than 80	30.2
Minimum equity (Series H, I, J, K and L)[23]	NIS billions	More than 2.1	6.8

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

[22] 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.
[23] In 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 June 30	As of December 31
	2021	2020
	NIS thousands	
Current assets		
Cash and cash equivalents	397,266	602,932
Tradable securities	-	39,537
Investment in investee held for sale	-	200,311
Loan to a consolidated company	55,026	-
Other accounts receivable	53,955	105,791
Total current assets	506,247	948,571
Non-current assets		
Securities measured at fair value through profit and loss:	128,759	186,335
Investments in Investees	10,605,586	9,589,274
Services	32,613	67,334
Total non-current assets	10,766,958	9,842,943
Total assets	**11,273,205**	**10,791,514**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	452,001	347,541
Other accounts payable	86,014	123,069
Total current liabilities	538,015	470,610
Non-current liabilities		
Bonds	3,416,841	3,461,797
Loans from banking corporations and others	200	593
Deferred taxes	539,328	446,365
Others	10,680	10,283
Total non-current liabilities	3,967,049	3,919,038
Equity	6,768,141	6,401,866
Total liabilities and equity	**11,273,205**	**10,791,514**

Financial Data, Expanded Solo

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

	H1/2021	H1/2020	Q2/2021	Q2/2020	2020
	NIS thousands				
Revenues					
Group share in the profits of associates, net	564,787	61,020	452,513	5,178	306,656
Profit from decrease in rate of holding and from realization of investees	5,137	150,729	193	26,484	200,953
Net profits (losses) with respect to investments in long-term securities and securities held for sale	13,882	(20,711)	(3,609)	(11,558)	(15,250)
Dividend income from investments in available-for-sale tradable securities	4,278	-	4,278	-	-
Other revenues, net	7,260	6,994	3,690	3,527	14,134
	595,344	198,032	457,065	23,631	506,493
Expenses					
Administrative and general	21,914	15,595	13,648	7,152	32,757
Financing expenses, net	45,567	63,444	27,783	28,442	96,659
	67,481	79,039	41,431	35,594	129,416
Profit (loss) before taxes on income	**527,863**	**118,993**	**415,634**	**(11,963)**	**377,077**
Income tax expenses (income)	109,098	11,297	103,115	(15,678)	74,079
Net profit for the period	**418,765**	**107,696**	**312,519**	**3,715**	**302,998**

2. The Company's liabilities (expanded solo) maturing after June 30, 2021:

	Bonds	Bank Loans	Total	%
	NIS thousands			
Current maturities	448,684	1,817	450,501	12
Second year	448,684	200	448,884	12
Third year	524,605	-	524,605	14
Fourth year	524,605	-	524,605	14
Fifth year	524,605	-	524,605	14
Sixth year onward	1,328,004	-	1,328,004	34
Total repayments	**3,799,187**	**2,017**	**3,801,204**	**100**
Others			**42,037**	
Asset balance in connection with foreign currency forward transactions			**(42,285)**	
Total financial debt (taking foreign currency forward transactions into account)			**3,800,956**	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 273 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of USD 80 million.

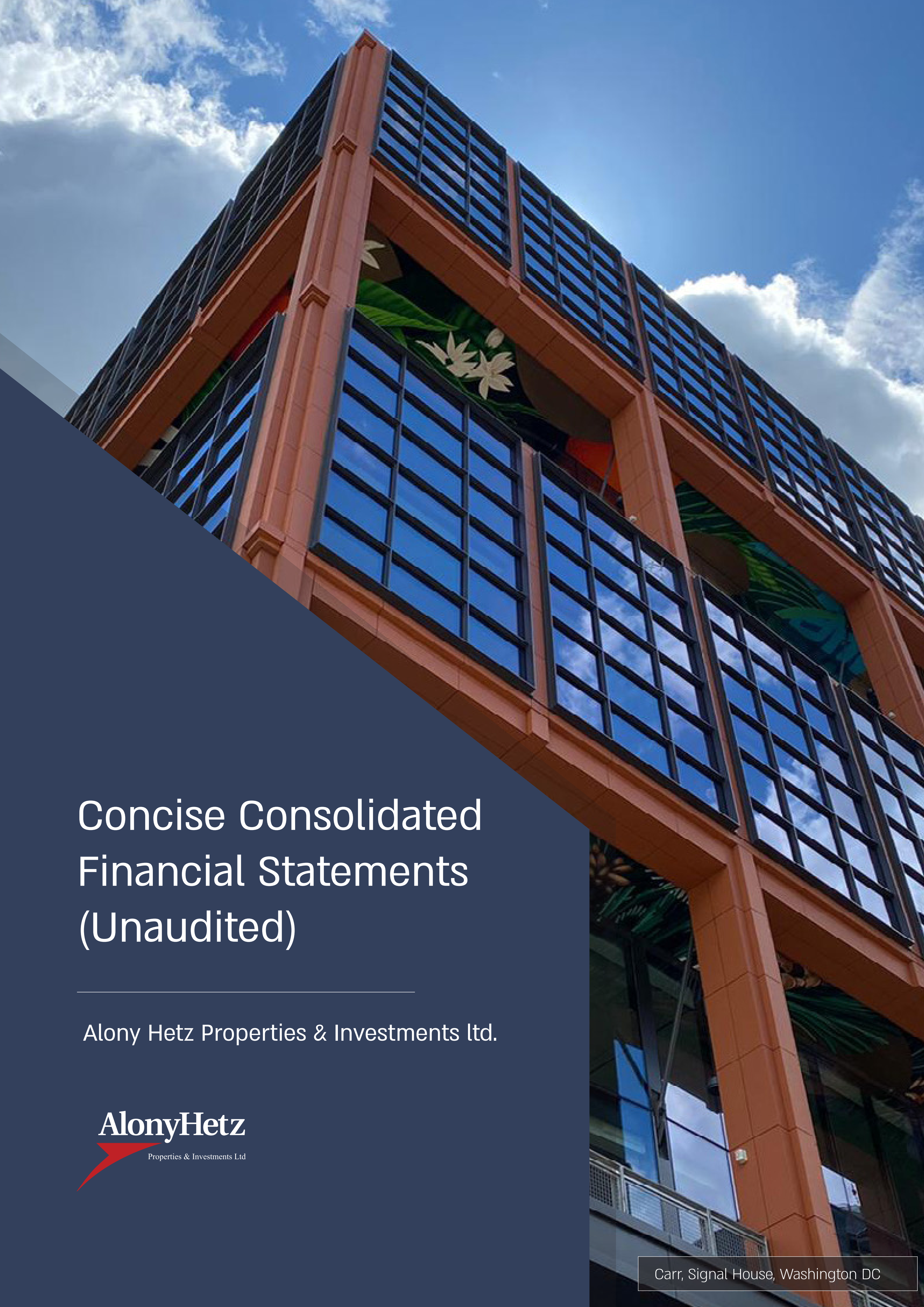
Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of June 30, 2021 NIS thousands	In Unlinked NIS	In CPI-Linked NIS	In USD	In GBP	Other	Total	Adjustments - Non-Monetary Items	Total
Current assets								
Cash and cash equivalents	103,423	-	8,557	285,143	143	397,266	-	397,266
Loan to a consolidated company	-	-	-	55,026	-	55,026	-	55,026
Other accounts receivable	48,803	-	-	-	30	48,833	5,122	53,955
Total current assets	152,226	-	8,557	340,169	173	501,125	5,122	506,247
Non-Current Assets								
Securities measured at fair value through profit and loss:	360	-	-	128,399	-	128,759	-	128,759
Investments in associates	-	-	-	-	-	-	10,605,586	10,605,586
Services	29,007	-	-	-	-	29,007	3,606	32,613
Total non-current assets	29,367	-	-	128,399	-	157,766	10,609,192	10,766,958
Total assets	**181,593**	**-**	**8,557**	**468,568**	**173**	**658,891**	**10,614,314**	**11,273,205**
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	233,485	217,714	802	-	-	452,001	-	452,001
Other payables	47,743	8,087	4	-	33	55,867	30,147	86,014
Total current liabilities	281,228	225,801	806	-	33	507,868	30,147	538,015
Non-current liabilities						-		
Bonds	3,184,357	232,484	-	-	-	3,416,841	-	3,416,841
Loans from banking corporations and others	-	-	200	-	-	200	-	200
Deferred tax liabilities	-	-	-	-	-	-	539,328	539,328
Others	9,700	-	815	-	-	10,515	165	10,680
Total non-current liabilities	3,194,057	232,484	1,015	-	-	3,427,556	539,493	3,967,049
Total liabilities	**3,475,285**	**458,285**	**1,821**	**-**	**33**	**3,935,424**	**569,640**	**4,505,064**
Excess assets over liabilities (liabilities over assets)	**(3,293,692)**	**(458,285)**	**6,736**	**468,568**	**140**	**(3,276,533)**	**10,044,674**	**6,768,141**
Financial derivatives	**3,788,968**	**-**	**(2,262,293)**	**(1,526,675)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**495,276**	**(458,285)**	**(2,255,557)**	**(1,058,107)**	**140**	**(3,276,533)**	**10,044,674**	**6,768,141**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**(73,317)**	**4,349,656**	**3,637,418**	**2,073,733**	**57,184**	**10,044,674**	**(10,044,674)**	**-**
Excess assets over liabilities (liabilities over assets)	**421,959**	**3,891,371**	**1,381,861**	**1,015,626**	**57,324**	**6,768,141**	**-**	**6,768,141**

Appendix C – Rating Reports[24]

- 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 a current rating report by Maalot, the Israeli Securities Rating Company Ltd., see the immediate report dated June 10, 2021 (Ref: 2021-01-099090).

[24] 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.

Carr, Signal House, Washington DC

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 June 30, 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 14% of the total consolidated assets as of June 30, 2021, and whose revenues included in consolidation constitute approximately 11% and 9% of the total consolidated revenues for the periods of six and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,116 million NIS as of June 30, 2021 and the share of the results of which for the periods on six and three months ended that date, amounted to a gain of approximately 11 million NIS and loss of 28 million NIS, respectively. 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, August 17, 2021

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

	Note	As of June 30		As of December 31
		2021	2020	2020
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Assets				
Current assets				
Cash and cash equivalents		1,962,185	1,381,045	2,214,781
Deposits, tradable securities and restricted cash		-	59,311	90,340
Trade receivables		54,636	60,348	60,565
Current tax assets, net		6,763	20,059	11,462
Other receivables		302,169	347,967	258,811
		2,325,753	1,868,730	2,635,959
Investment in investee held for sale (*)	9	-	658,527	200,311
Total current assets		2,325,753	2,527,257	2,836,270
Non-Current Assets				
Investment property	5	16,415,852	14,945,359	15,100,135
Investment property in development	4	1,298,199	847,912	1,149,644
Long-term investments:				
Securities measured at fair value through profit or loss		165,117	163,206	186,335
Investments in associates	8 ,7	4,516,131	4,625,651	4,301,655
Deferred tax assets		19,160	10,561	10,646
Electricity-generating facilities:				
Connected electricity-generating facilities	6	1,685,405	1,427,450	1,635,328
Right-of-use asset		245,799	156,362	198,657
Electricity-generating facilities in development		1,039,281	825,537	781,818
Restricted deposits		46,652	41,025	47,768
Fixed assets, net		103,588	92,448	94,257
Other assets		103,090	161,503	157,861
Total non-current assets		25,638,274	23,297,014	23,664,104
Total assets		27,964,027	25,824,271	26,500,374

(*) See Note 9 below.

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 June 30		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		586,823	148,143	148,333
Current maturities of bonds		1,010,841	983,855	876,816
Current maturities of lease liabilities		8,677	5,040	4,722
Current tax liabilities, net		108,592	58,648	118,333
Other payables		622,731	543,800	628,087
Total current liabilities		2,337,664	1,739,486	1,776,291
Non-Current Liabilities				
Bonds	11	10,553,360	10,000,703	10,334,792
Loans from banking corporations and financial institutions	10	2,141,562	2,195,493	2,245,626
Lease liability		251,371	134,346	179,557
Deferred tax liabilities		1,951,894	1,750,335	1,809,154
Provisions		16,483	16,484	16,483
Other liabilities		335,769	173,083	225,641
Total non-current liabilities		15,250,439	14,270,444	14,811,253
Equity				
Equity attributable to Company shareholders		6,768,141	6,433,960	6,401,866
Non-controlling interests		3,607,783	3,380,381	3,510,964
Total equity		10,375,924	9,814,341	9,912,830
Total liabilities and equity		27,964,027	25,824,271	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

August 17, 2021

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

	Note	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
		2021	2020	2021	2020	2020
		NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		(Unaudited)		
Revenues and profits						
Revenues from rental fees and management of investment property		463,463	444,704	243,957	204,319	891,632
Fair value adjustment of investment property		431,349	(189,437)	472,903	(103,193)	(187,782)
Group share in the profits (losses) of associates, net		59,831	2,716	(14,518)	(22,730)	99,670
Dividend revenues from investments in securities measured at fair value through profit or loss	9	4,278	-	4,278	-	-
Net profits (losses) from investments in securities measured at fair value through profit or loss		12,434	(20,711)	(5,057)	(11,558)	(15,250)
Profit from decrease in rate of holding and from realization of investees		17,500	150,728	12,556	26,483	200,953
Revenues from sale of electricity and green certificates		124,169	131,465	66,022	61,725	261,803
Other revenues (expenses), net		(371)	594	(408)	12	(553)
		1,112,653	520,059	779,733	155,058	1,250,473
Costs and Expenses						
Cost of investment property rental and operation		42,844	35,633	24,321	16,339	74,622
Development, maintenance and operation costs of electricity-generating facilities		17,326	20,450	9,044	8,836	37,565
Depreciation and amortizations		40,228	35,056	21,557	18,873	82,598
Administrative and general		75,750	59,748	43,894	28,839	125,024
Financing income		(17,827)	(7,344)	(13,346)	(1,839)	(9,270)
Financing expenses		211,916	140,455	141,006	72,997	279,799
		370,237	283,998	226,476	144,045	590,338
Profit before taxes on income		742,416	236,061	553,257	11,013	660,135
Income tax expenses		166,362	64,219	134,089	(5,701)	194,650
Net profit for the period		576,054	171,842	419,168	16,714	465,485
Company shareholders		418,765	107,696	312,519	3,715	302,998
Non-controlling interests		157,289	64,146	106,649	12,999	162,487
		576,054	171,842	419,168	16,714	465,485
Net income attributable to Company shareholders (in NIS):						
Basic		2.42	0.62	1.80	0.02	1.75
Fully diluted		2.41	0.62	1.80	0.01	1.74
Weighted average of share capital used in calculation of earnings per share (thousands of shares)						
Basic		173,193	172,768	173,522	172,786	172,784
Fully diluted		173,425	173,159	173,686	172,963	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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	576,054	171,842	419,168	16,714	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	93,550	(87,051)	(112,294)	(150,831)	(375,228)
Realization of capital reserve from translation differences to profit or loss, following decrease in holding and loss of significant influence in associate, net of tax	3,088	(4,860)	-	(1,802)	(17,678)
Realization of Company share in other comprehensive income of associate in profit or loss, following a decrease in the rate of holding and loss of significant influence in the associate, net of tax	1,532	5,462	-	2,451	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 or loss following decrease in holding and loss of significant influence in associate, net of tax	(3,557)	(10,735)	-	(4,617)	(13,250)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(41,557)	(6,315)	57,793	71,184	122,483
Profit (loss) from exchange rate differentials and changes in fair value of instruments used for cash flow hedging, net of tax	(11,290)	(6,528)	(19,510)	(3,130)	11,112
Company share in other comprehensive income (losses) of associates, net of tax	25,297	(4,778)	18,999	(1,880)	(1,050)
Other comprehensive income (loss) for the period, net of tax	67,063	(114,805)	(55,012)	(88,625)	(264,634)
Total comprehensive income for period	643,117	57,037	364,156	(71,911)	200,851
Distribution of comprehensive earnings (loss) for the period					
Company shareholders	483,444	6,808	263,830	(87,473)	56,119
Non-controlling interests	159,673	50,229	100,326	15,562	144,732
	643,117	57,037	364,156	(71,911)	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 Six-Month Period ended June 30, 2021 (Unaudited) (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from 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	-	-	37,850	26,829	-	418,765	483,444	159,673	643,117
Dividend paid to Company shareholders	-	-	-	-	-	(138,528)	(138,528)	-	(138,528)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(106,736)	(106,736)
Exercise of employee options	822	27,224	-	(2,872)	-	-	25,174	-	25,174
Transaction with non-controlling interests and exit from consolidation				(5,259)			(5,259)	(9,349)	(14,608)
Issue of capital in consolidated companies	-	-	-	(248)	-	-	(248)	42,314	42,066
Allocation of benefit in respect of options to employees and others	-	-	-	1,692	-	-	1,692	10,917	12,609
Balance as of June 30, 2021	191,754	2,499,806	(526,515)	265,265	(589)	4,338,420	6,768,141	3,607,783	10,375,924

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

Alony-Hetz Properties and Investments Ltd. |
Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended June 30, 2021 (Unaudited) (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributable to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of April 1, 2021	190,932	2,472,582	(458,827)	249,698	(589)	4,077,999	6,531,795	3,537,030	10,068,825
Total comprehensive income for period	-	-	(67,688)	18,999	-	312,519	263,830	100,326	364,156
Dividend paid to Company shareholders	-	-	-	-	-	(52,098)	(52,098)	-	(52,098)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(53,610)	(53,610)
Exercise of employee options	822	27,224	-	(2,872)	-	-	25,174	-	25,174
Transaction with non-controlling interests and exit from consolidation	-	-	-	(5,259)	-	-	(5,259)	(9,349)	(14,608)
Allocation of benefit in respect of employee options	-	-	-	850	-	-	850	4,607	5,457
Issue of capital in consolidated companies	-	-	-	3,849	-	-	3,849	28,779	32,628
Balance as of June 30, 2021	191,754	2,499,806	(526,515)	265,265	(589)	4,338,420	6,768,141	3,607,783	10,375,924

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

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

	Share Capital	Share Premium	Capital Reserve from 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	-	-	(101,572)	684	-	107,696	6,808	50,229	57,037
Dividends declared and paid to Company shareholders	-	-	-	-	-	(100,211)	(100,211)	-	(100,211)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(135,204)	(135,204)
Exercise of employee options	45	1,553	-	(161)	-	-	1,437	-	1,437
Issue of capital in consolidated companies	-	-	-	187,729	-	-	187,729	284,561	472,290
Allocation of benefit in respect of options to employees and others	-	-	-	1,652	-	-	1,652	9,765	11,417
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(260)	(260)
Balance as of June 30, 2020	190,861	2,470,152	(407,259)	217,679	(589)	3,963,116	6,433,960	3,380,381	9,814,341

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

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

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributable to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of April 1, 2020	190,844	2,469,563	(315,500)	114,661	(589)	4,009,509	6,468,488	3,254,603	9,723,091
Total comprehensive loss for the period	-	-	(91,759)	571	-	3,715	(87,473)	15,562	(71,911)
Dividends declared and paid to Company shareholders	-	-	-	-	-	(50,108)	(50,108)	-	(50,108)
Dividends declared and paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(41,071)	(41,071)
Exercise of employee options	17	589	-	(63)	-	-	543	-	543
Issue of capital in consolidated companies	-	-	-	101,660	-	-	101,660	146,423	248,083
Allocation of benefit in respect of employee options	-	-	-	850	-	-	850	4,864	5,714
Balance as of June 30, 2020	190,861	2,470,152	(407,259)	217,679	(589)	3,963,116	6,433,960	3,380,381	9,814,341

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)

	Share Capital	Share Premium	Capital Reserve from 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
Dividend paid to Company shareholders	-	-	-	-	-	(200,446)	(200,446)	-	(200,446)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(256,507)	(256,507)
Exercise of employee options	116	3,983	-	(412)	-	-	3,687	-	3,687
Allocation of benefit in respect of options to employees and officers	-	-	-	3,330	-	-	3,330	20,395	23,725
Issue of capital in consolidated companies	-	-	-	203,873	-	-	203,873	407,522	611,395
Acquisition 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

	Note	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
		2021	2020	2021	2020	2020
	Note	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		(Unaudited)		
Cash flows - Operating activities						
Net profit for the period		576,054	171,842	419,168	16,714	465,485
Net income (expenses) not entailing cash flows (Appendix A)		(314,461)	190,172	(237,072)	247,602	240,159
		261,593	362,014	182,096	264,316	705,644
Changes in working capital (Appendix B)		47,499	(46,734)	69,782	(25,626)	48,681
Net cash provided by operating activities		309,092	315,280	251,878	238,690	754,325
Cash flows - Investing activities						
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	722,296	-	201,727	1,359,305
Investment in fixed assets and investment property (including investment property in development)	5	(903,323)	(800,546)	(97,372)	(198,046)	(1,139,492)
Investment in electricity-generating facilities	6	(435,027)	(442,051)	(206,231)	(333,096)	(627,883)
Investment in associates		(56,200)	(158,988)	(41,768)	(158,988)	(179,588)
Increase in pledged deposit and restricted cash		(322)	(398)	(322)	(127)	(35,658)
Decrease in pledged deposit and restricted cash		654	108,445	-	1,619	172,981
Proceeds from realization of securities presented at fair value against profit or loss	9	198,277	-	174,432	-	-
Provision of loans	5	(95,084)	-	(81,837)		-
Repayment of loans provided to associates, net		2,712	2,631	1,464	1,314	6,312
Repayment of investment in associate		164	-	164	-	3,250
Decrease (increase) in deposits and tradable securities, net		95,054	942	29,371	58,369	(48,966)
Cash provided by forward transactions and options designated for hedging		54,703	947	31,831	6,597	25,070
Proceeds from sale of consolidated partnership (Appendix D)		6,644	-	6,644	-	-
Others		-	-	-	(95)	330
Net cash used in investing activities		(1,110,039)	(556,254)	(183,624)	(420,726)	(465,895)

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

Cash flows – Financing activities						
Proceeds from the Group's issue of bonds and bond options, net	11	856,743	1,476,544	268,123	420,218	2,299,631
Repayment of bonds		(458,109)	(349,329)	(2,308)	(2,151)	(874,411)
Receipt of long-term loans, less capital raising expenses (payment of capital raising expenses)	10	459,241	272,270	449,241	15,121	427,769
Repayment of long-term loans		(26,207)	(627,291)	(15,862)	(376,764)	(664,092)
Proceeds from the issue of shares and options		25,174	1,437	25,174	543	3,687
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies		42,952	477,142	33,769	249,969	616,352
Acquisition of shares and options from non-controlling interests in consolidated companies, net		(9,833)	-	(9,833)	-	(22,290)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks		(100,522)	(165,867)	(316,988)	(1,188,007)	(165,270)
Dividend paid to Company shareholders	12	(138,528)	(100,211)	(138,528)	(100,211)	(200,446)
Dividends paid to non-controlling interests in consolidated companies	12	(106,736)	(135,204)	(62,667)	(41,071)	(256,507)
Others		(380)	(260)	(380)	-	-
Net cash provided by (used in) financing activities		543,795	849,231	229,741	(1,022,353)	1,164,423
Increase (decrease) in cash and cash equivalents		(257,152)	608,257	297,995	(1,204,389)	1,452,853
Cash and cash equivalents at beginning of period		2,214,781	771,749	1,658,123	2,586,854	771,749
Effect of changes in exchange rates on foreign currency cash balances		4,556	1,039	6,067	(1,420)	(9,821)
Cash and cash equivalents at end of period		1,962,185	1,381,045	1,962,185	1,381,045	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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Adjustments required to present cash flows from operating activities					
a. Expenses (income) not entailing cash flows:					
Fair value adjustment of investment property and profit from its realization	(431,349)	189,437	(472,903)	103,193	187,782
Net profits from change in holding rate and from realization of investments in investees	(17,500)	(150,728)	(12,556)	(26,483)	(200,953)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	36,706	(66,415)	103,834	38,984	(83,993)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(19,929)	30,129	(2,438)	15,776	18,342
Company share in results of associates, less dividends and capital reductions received	(75,298)	90,659	2,021	100,839	131,507
Net loss (profit) from tradable securities	(5,358)	17,195	(1,009)	(55)	146
Deferred taxes, net	146,167	35,124	119,503	(8,043)	81,935
Depreciation and amortizations	40,228	34,992	21,557	18,878	82,598
Allocation of benefit in respect of share-based payment	11,816	10,437	5,496	4,734	22,537
Others, net	56	(658)	(577)	(221)	258
	(314,461)	190,172	(237,072)	247,602	240,159
b. Changes in asset and liability items (changes in working capital):					
(Increase) in trade receivables and in other receivables	14,255	(12,202)	20,361	4,843	(5,906)
Decrease (increase) in current tax assets, net	4,868	(14,625)	6,978	(12,548)	(6,028)
Increase (decrease) in other payables	32,240	(30,870)	20,030	(10,794)	7,052
Increase (decrease) in current tax liabilities, net	(3,864)	10,963	22,413	(7,127)	53,563
	47,499	(46,734)	69,782	(25,626)	48,681
c. Non-cash activity					
Proceeds receivable for realization of investment in associate	-	135,789	-	132,789	-
Investment in electricity-generating systems against financial liabilities	-	4,932	-	3,449	-
Exercise of employee options against receivables	319	1,290	319	1,290	1,205
Investment in electricity-generating systems against supplier credit and payables	-	-	-	-	30,399
Increase in right-of-use asset against right-of-use liabilities	49,272	330	3,762	116	57,691
Investment in real estate and fixed assets against right-of-use liability and other payables	76,961	23,357	47,569	23,357	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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
d. Sale of consolidated partnership					
Working capital (including cash and cash equivalents)	1,497	-	1,497	-	-
Pledged deposit and restricted cash	2,015	-	2,015	-	-
Connected electricity generating systems	23,693	-	23,693	-	-
Other payables	(220)	-	(220)	-	-
Long-term loans, including current maturities	(27,148)	-	(27,148)	-	-
Non-controlling interests	(4,395)	-	(4,395)	-	-
Net assets sold	(4,558)	-	(4,558)	-	-
Profit from realization of consolidated company	12,363	-	12,363	-	-
Total consideration	7,805	-	7,805	-	-
Net cash flow					
Total consideration	7,805	-	7,805	-	-
Less cash and cash equivalents previously consolidated	(1,161)	-	(1,161)	-	-
	6,644	-	6,644	-	-
e. Additional information					
Interest paid (*)	179,378	202,138	24,282	29,619	398,748
Interest received	1,815	8,007	876	4,079	17,022
Taxes paid (**) (***)	64,534	30,576	11,069	19,145	63,109
Taxes received	23,964	321	23,964	44	2,586
Dividends and capital reductions received	18,614	125,502	11,123	97,845	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 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 income-generating property companies in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy, in Israel and around the world. See Note 15.

These condensed consolidated financial statements (hereinafter – "the **Interim Financial Statements**") have been prepared as of June 30, 2021 and for the six- and three-month periods ended on that date. These statements should be reviewed 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:

The Group determines the fair value of income-generating property in accordance with the provisions of IAS 40 and IFRS 13. In order to determine the fair value in the annual financial statements, the Group's management relies on valuations of independent external appraisers. In the semi-annual reports, the Group relies on professional external appraisers who review all of the Group's assets. In the first and third quarters, the Group's management is relying both on letters of no change from external appraisers and on valuations of external appraisers.

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.

Note 2 – Significant Accounting Policies (continued):

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

	As of June 30 / for the Month of June		As of December 31 / for the Month of December	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	**2020**	**2020**	**2021**	**2020**	**2021**	**2020**	**2020**
				%	**%**	**%**	**%**	**%**
Consumer Price Index								
(2000 base)								
In Israel (in lieu CPI)	134.759	132.501	132.634	1.60	(0.79)	0.80	(0.70)	(0.69)
In Israel (known CPI)	134.627	132.634	132.766	1.40	(0.69)	1.30	(0.20)	(0.60)
Exchange rate against the NIS								
CHF	3.532	3.643	3.650	(3.23)	1.90	(0.20)	(1.14)	2.10
USD	3.260	3.466	3.215	1.40	0.29	(2.22)	(2.78)	(6.97)
GBP	4.518	4.254	4.392	2.87	(6.71)	(1.50)	(3.30)	(3.68)
PLN	0.855	0.869	0.854	0.12	(4.53)	1.54	(1.13)	(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, electricity 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 third closure in Israel was imposed at the end of December 2020 and lasted for about two months, while during February 2021, it was possible to return gradually to activity subject to restrictions under the "Green Badge" and/or the "Purple Badge", which restricted entry to closed complexes to those who have recovered or have been vaccinated. Also in other markets in which the Company operates around the world (Greater London, Washington DC and Boston) various restrictions still apply and most employees in those markets continue to work from home. The economic 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 ranges between 57% and 69%[1]. During July 2021 and before publication of the report, the morbidity situation in the markets in which the Company operates deteriorated due to the rapid spread of the Delta strain, and there is a risk of re-emergence of the morbidity on a large scale that may lead to the imposition of new restrictions by governments in Israel and in the countries in which the Company operates around the world. During the first quarter of 2021, Amot granted relief, mainly to tenants in commercial centers, in the amount of NIS 20 million.

Note 4 – Amot (consolidated company):

A. The Company's holdings in Amot:

The rate of the Company's holdings in Amot close to the date of publication of this report was 56.7%.

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

1. **Acquisition of a logistics complex**

   On March 3, 2021, Amot acquired half of the rights in a logistics center near Kibbutz Hafetz Haim according to a value of NIS 71 million (Amot's share) (not including transaction costs). 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%). The transaction was completed during June 2021. The property is in a jointly controlled company which is presented in the financial statements according to the equity method. The aforesaid company has a loan in the amount of NIS 30 million (Amot's share).

2. **Acquisition of land in the Beit Shemesh industrial zone**

   In June 2021, Amot acquired 60% of the rights to land in the Beit Shemesh industrial zone for a consideration of NIS 53 million (not including transaction costs). On the plot in an area of 40.5 dunams, Amot and its partner intend to plan and build a two-story logistics center, with a total gross area of approx. 45 thousand sq.m.

[1] Source: Our World in Data

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 122 million (approx. NIS 552 million) in BE's capital, of which approx. GBP 108 million (approx. NIS 488 million) was during the reporting period. As of the date of publication of the report, the Company holds approx. 97.11% of BE's equity.

In addition, the Company granted bridging loans to BE, the balance of which, close to the date of publication of this report, is approx. GBP 30 million (approx. NIS 134 million). The loans are expected to be repaid over the coming months.

B. Transactions during the reporting period and subsequent to the balance sheet date in connection with investment property:

During the reporting period and subsequent to the balance sheet date, BE acquired properties in the "Cambridge Science Park" (hereinafter – "the Science Park") for a total amount of GBP 192 million (not including transaction costs) as detailed below:

1.) In the reporting period, BE acquired two complexes in the Science Park for a total amount of approx. GBP 142 million (approx. NIS 643 million) (not including transaction costs):

- Land with an area of approx. 37 dunams, on which there are five buildings with a total rental area of 176 thousand sq.ft. The buildings are fully leased to companies from the Life Science industry and are expected to generate an annual NOI of approx. GBP 6 million.

- Two buildings located in an area of approx. 13 dunams that are designated for demolition in the coming year for the construction of new buildings with an area of approx. 130 thousand sq.ft. (subject to approval of the city building plan).

2.) Subsequent to the balance sheet date, BE acquired two additional plots of land with an area of approx. 34 dunams for a consideration of approx. GBP 50 million (approx. NIS 228 million) (not including transaction costs). That land is designated for development on a substantial scale in the medium and long term, and on the land are buildings designated for demolition, which currently yield an annual NOI of approx. GBP 1 million.

According to the existing planning policy in the Science Park area, all the aforesaid properties have the potential for a significant increase in building rights. Therefore, and in view of the expected demand for business activity in the area, BE is working to promote a plan for the establishment of office and laboratory complexes for the Life Science industry on a large scale, which will be built over the coming years.

3.) BE is expected to take total bank credit at a rate of 60% of the total purchase consideration against the encumbrance of the acquired properties. For details regarding a loan taken by BE during the reporting period, see Note 10.4 below.

That stated in this Section B regarding the expected NOI, the realization of the building rights potential and the feasibility of projects in development is forward-looking information.

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

C. In April 2021, BE granted a loan of GBP 18 million for a one year period to finance the completion of a project for the construction of a luxury apartment building in central London which is managed by the Brockton I Fund. The loan bears an annual interest rate of 20%.

D. Fair value adjustment of investment property:

In the reporting period, BE recorded a profit in the amount of approx. GBP 67 million in respect of fair value adjustments of investment property:

In the current quarter, BE recorded a profit of approx. GBP 76 million, mainly due to progress in the development plan and expansion of the project area for a building located in the City of London (Devonshire Quarter) and for a complex in the Cambridge Science Park.

In the previous quarter, BE recorded a loss in the amount of approx. GBP 9 million in respect of the amortization of acquisition expenses for properties acquired by BE in the first quarter of the year.

Note 6 – Energix (consolidated company):

A. Company holdings in Energix:

Close to the date of publication of this report, the rate of the Company's holdings is approx. 53.4%.

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, which consists of a backlog of 6 photovoltaic projects with a combined capacity of approx. 140 MWp, of which, subsequent to the balance sheet date, facilities with a total capacity of approx. 90 MWp commenced commercial operations.
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.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 261 million in respect of these projects.

Regarding the signing of an agreement with an American financial institution for the financing of the project, see Note 10.7 below.

2. **Projects in advanced development**

A. **For information regarding the promotion of the Virginia 3 and 4 projects, with a total capacity of approx. 345 MWp**, see Note 8c to the annual consolidated financial statements.

Note 6 – Energix (consolidated company) (continued):

B. **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.

C. **Acquisition of a backlog of PV and storage projects in development with a capacity of approx. 1.8 GWp and 1,680 MWh –** On August 12, 2021, Energix (through a wholly owned American subsidiary) signed a binding agreement to acquire full ownership rights in the American company NCRE, an entrepreneurial company in the field of solar energy and energy storage in the United States ("**NCRE**"), for a total consideration of USD 33 million. NCRE has, among other things, a backlog of approx. 17 photovoltaic projects in the development stages with a capacity of approx. 1.8 GWp, as well as energy storage projects in the development stages with a capacity of approx. 1,680 MWh.
Energix estimates that at least half of the acquired project backlog (i.e. approx. 1 GWp) will reach construction during the years 2023-2025, with an estimated investment of approx. USD 1 billion.

The information regarding the scope of the projects that will reach completion and the total investment for their construction is based on Energix's estimate and constitutes forward-looking information as defined in the Securities Law, 1968.

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 7e to the annual consolidated financial statements, as of the date of approval of the report, Energix has price fixing transactions for 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.
(**) Average price in PLN per 1 MWh, before adjustments to the actual production profile.

Note 6 – Energix (consolidated company) (continued):

B. Price fixing transactions for green certificates:

Year	Fixed Rate from Production Volume (*)	Average Price (**)
2021	83%	143
2022	77%	144
2023	54%	152

(*) 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. **Banie Stage 3 (82 MW) and Sepopol (44 MW)**

(1) **Development work**
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 146 million, against development costs, advance payments to equipment suppliers and contingent debts.

(2) **Project financing-** Regarding the signing of an agreement for the project financing, see Note 10.8 below.

B. **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), during the second quarter, Energix acquired the non-controlling interest partner in the designated company holding the wind farm project. The transaction consideration is in the amount of EUR 3.7 million (approx. NIS 14.5 million) in cash in respect of the partner's share and reimbursement of past costs, in addition to a future amount that is subject to development and future establishment of additional wind turbines. 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 in development (Banie Stage 4) after winning a wind tender for a guaranteed rate for 15 years. 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 65 million, against development costs and advance payments to equipment suppliers.

Note 6 – Energix (consolidated company) (continued):

C. **Engagement in price fixing transactions for electricity:** 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 volume rate (according to the tender price and price fixing transactions) from the total production volume:

Year	Fixed Rate from Production Volume	Average Price (*)
2022	73%	264
2023	75%	290
2024	67%	305

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

5. **Expansion of backlog of projects in development:**
As part of the expansion of Energix's operations in Poland, Energix has increased the backlog of photovoltaic and wind projects in development to a total capacity of 250 MW. For further details regarding Energix's wind projects in development in Poland, see Note 8d to the annual consolidated financial statements.

Israel:

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

The winning projects in 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 development work on the projects under these quotas. As of the date of approval of the report, the construction of facilities with a total capacity of approx. 74 MWp has been completed, of which, subsequent to the date of the report, facilities with a total capacity of approx. 11MWp have commenced commercial operation.

As of the reporting date, Energix has recognized property in development in the amount of NIS 250 million in respect of these projects.
For further details, see the table in Note 8 to the financial statements.

Regarding the first withdrawal as part of the financing framework for these projects, see Note 10.6 below.

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

Note 6 – Energix (consolidated company) (continued):

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. Energix is preparing to complete the conditions required for approval of a tariff and promotion of financial closure (see Note 10.5 below).

In addition, Energix is in advanced negotiations to sign with a turbine supplier.

In May 2021, 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 date of approval of the report, the legal process is at the preliminary claims stage and 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 48 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 June 30, 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 June 30, 2021 is 44.2%.

B. The following is information regarding the receipt of dividends and capital repayments from Carr:

Until the date of publication of the report, the Company has received the amount of USD 28 million (approx. NIS 90 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 6g 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 received by Carr (after deducting the existing loan) amounted to USD 223 million. As a result of the sale, Carr recorded a loss of USD 22.5 million in the second quarter of 2021 due to the recognition of losses previously recorded directly in equity in respect of interest rate fixing transactions in connection with the loan financing the Midtown Center (USD 16.3 million, which was reclassified in the quarter from 'capital reserves' to 'profit for the period') and due to transaction costs (USD 6.2 million). The Company's share in the loss is approx. NIS 32 million (before taxes).

2) In May 2021, Carr acquired the full rights and debt in the 100 Congress office building located on the main business street in 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 a rental rate of 92% as of June 30, 2021. 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 August 2021, Carr signed a non-binding memorandum of understanding for the addition of a partner at a rate of 49% to a designated company that holds a property with a building value of USD 315 million (a value identical to its value in Carr's books as of June 30, 2021. The transaction is expected to be completed in September 2021.

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

The above information regarding the NOI forecast, and regarding the date of the transaction's completion, 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 for development jointly with a partner 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 December 31, 2020).

D. Fair value adjustment of investment property

In the reporting period, Carr recorded a net negative revaluation in the amount of USD 4 million in its financial statements, consisting of positive revaluations of USD 24 million in respect of projects in development, which were partially offset by negative revaluations of USD 28 million in respect of income-generating properties (the Group's share in the negative revaluation before tax is approx. USD 2 million, (NIS 6 million)).

E. Re-signing a credit facility:

In July 2021, subsequent to the balance sheet date, Carr re-signed a credit facility agreement in the amount of USD 800 million (replacing the existing facility of USD 650 million) with a bank consortium. The new credit facility is for a period of four years with an extension option for another year and bears interest derived from Carr's LTV rate (currently an interest rate of Libor + 1.5% -1.6%).

F. The following is concise information regarding Carr:

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	**2020**	**2021**	**2020**	**2020**
	USD thousands				
Revenues (not including real estate revaluations)	109,348	119,329	51,585	58,738	247,596
Fair value adjustments of investment property (*)	(3,031)	(16,010)	(7,331)	(1,256)	(2,039)
Net profit (loss) from continuing activity	3,954	23,281	(14,628)	17,927	80,535
Other comprehensive income (loss)	21,749	(4,181)	16,114	(1,982)	(186)
Total comprehensive income (including share of non-controlling interests in profit)	25,703	19,100	1,486	15,945	80,349
Company share in Carr's net profit (loss) in USD thousands	1,083	11,206	(7,575)	8,403	37,694
Company share in Carr's comprehensive income in USD thousands	11,051	9,498	92	7,741	37,763
Company share in Carr's net profit (loss) in NIS thousands	3,589	39,296	(24,713)	29,485	129,118
Company share in Carr's comprehensive income in NIS thousands	36,126	33,311	299	27,161	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.

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

	As of June 30	As of June 30	As of December 31
	2021	2020	2020
	USD thousands	USD thousands	USD thousands
Investment property	2,515,480	2,860,110	2,796,120
Property in development and land for development	364,458	557,610	646,316
Investment in investees	585,099	255,517	318,983
Other non-current assets	121,680	176,035	179,037
Other current assets	49,966	76,784	87,976
Total assets	3,636,683	3,926,056	4,028,432
Current liabilities	200,532	231,439	226,565
Non-current liabilities	1,430,454	1,685,416	1,818,074
Total liabilities	1,630,986	1,916,855	2,044,639
Equity attributable to shareholders	1,861,504	1,866,258	1,840,754
Non-controlling interests	144,193	142,943	143,039
Equity (including non-controlling interests)	2,005,697	2,009,201	1,983,793
Total liabilities and equity	3,636,683	3,926,056	4,028,432
Company share in net assets - in USD thousands	944,999	947,413	934,470
Book value of investment – in NIS thousands	3,080,698	3,283,733	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 Partnerships 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 three Boston Partnerships, in the June 30, 2021 Financial Statements, is USD 264 million (NIS 860 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.

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

The Company and Oxford have decided 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 142 million and the expected completion date for the conversion is in the second quarter of 2023.

Positive revaluations were recorded in the reporting period in respect of the three buildings in Boston held by the Company jointly with Oxford in the amount of approx. USD 28 million, of which approx. USD 22 million is in respect of the 745 Atlantic building (the Group's share in the revaluations before tax is USD 15.5 million, which is approx. NIS 50 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 estimated cost of the project is forward-looking information.

Note 9 – PSP Swiss Property Ltd. (hereinafter – ""PSP"):

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 half of 2021, the Company sold the entire balance of the shares it held (531 thousand shares) for a consideration of CHF 60.7 million (approx. NIS 216 million).

As a result of the sales, the Company listed a pre-tax profit of NIS 21 million (an after tax profit of NIS 16.2 million). In addition to the above, in the reporting period, the Group received a dividend from PSP in the amount of CHF 1.2 million (NIS 4.3 million).

Note 10 – Loans from Banking Corporations and Financial Institutions:

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**"). All other 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.
2. Further to Note 12.b (3) to the 2020 annual financial statements, subsequent to the date of the report in August 2021, an amendment was signed to the credit facility agreement in the amount of NIS 250 million and an extension until May 31, 2024.

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

Amot (consolidated company):

3. Subsequent to the balance sheet date in August 2021, Amot's credit facility from an institutional body in Israel in the total amount of NIS 200 million was extended until May 31, 2024.

BE (consolidated company):

4. In order to finance the acquisition of properties in the Cambridge Science Park at a cost of GBP 142 million, as detailed in Note 5.b(1) above, in June 2021, BE took a non-recourse bank loan in the amount of GBP 90 million for a 5-year period, bearing SONIA interest plus an annual margin of 2.1%. The loan principal will be repaid at the end of 5 years. To guarantee the loan, BE pledged the properties purchased in favor of the bank with a senior lien.

   Subsequent to the balance sheet date, BE entered into transactions with the financing bank to hedge the exposure to the SONIA interest: half of the loan was hedged in a CAP transaction so that the maximum annual SONIA interest will not exceed 1.85% during the entire loan period and half of the loan was hedged in a SWAP transaction so that the SONIA interest will be 0.478% for the entire loan period.

Energix (consolidated company):

5. **ARAN project financing –** In May 2021, 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.
6. **Financing for the winning projects in the third and fourth competitive procedures (up to 139 MWp):** Further to Note 12.d(4) to the annual statements regarding a project financing agreement in the amount of up to NIS 380 million, in June 2021, Energix, through the joint venture - Israel, made a first withdrawal under the financing framework in the amount of NIS 17 million in respect of projects that met the conditions for the withdrawal.
7. **Financing for the Virginia 2 project –** In May 2021, 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, which constitute part of the project backlog of the Virginia 2 projects. As of the date of approval of the report, the tax partner has invested the amount of approx. USD 11 million in the project company, from a total amount estimated at approx. USD 56 million. 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. In one of the projects, Energix will take advantage of the tax benefits for its own use.
8. **Financing the construction of 2 wind farms in Poland –**
   In June 2021, Energix engaged with a consortium of 3 lenders - the European Bank for Reconstruction and Development (EBRD) and 2 leading European financial institutions, in an agreement to receive financing for the construction of the projects in the total amount of up to PLN 550 million (approx. NIS 475 million).
   The financing transaction is according to terms customary for Project Finance transactions and is guaranteed with the full rights in both the wind farms and their assets, on a non-recourse basis, except in relation to a number of obligations involving costs that Energix has assumed instead of the provision of collateral. The amount of financing will be spread over the construction period, contingent on the meeting of the conditions for withdrawal as is customary in transactions of this type, including the provision of initial equity.

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

The main conditions for the financing are as follows:

Loan period	Up to 17 years from the date of signing the financing agreement
Interest	Semi-annual Wibor (Zero Floor) plus a margin of 2.1-2.3 (at least 70% of the loan amount will be set at a fixed interest rate for a period of at least 7 years)
Repayment schedule (principal and interest)	Semi-annual repayments
Financial ratios	Breach event occurrence: The historical or expected debt service coverage ratio (DSCR) is 1.1, and the loan life coverage ratio (LLCR) is less than 1.15 Conditions for distribution of excess cash flow: The historical or expected debt service coverage ratio (DSCR) and the LLCR are at least 1.2
Additional issues	The financing agreement includes a set of presentations and breach events as is customary in project financing agreements, in respect of which lenders have the right to cancel and/or expedite the repayment of the loan

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.

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 published 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:

The Company:

1. 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. 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 in the amount of NIS 271 million. The above considerations incorporate effective interest at a rate of 2.16%.

Note 11 – Bond raising (continued):

Amot:

2. 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 and second quarters of 2021 in the cumulative amount of NIS 0.60 per share (NIS 104 million), which was paid in the reporting period. In addition, on the date of declaration of the dividend for the first quarter (March 2021), the Company's Board of Directors decided to distribute an additional dividend in respect of 2020 in the amount of NIS 0.20 per share (NIS 34.5 million), which was also paid in April 2021.

In August 2021, the Company declared that it would distribute a dividend for the third quarter of 2021 in the amount of NIS 0.31 per share (NIS 54 million), which will be paid during September 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.

Further to the Amot's above policy, in August 2021, Amot declared that it would distribute a dividend for the first and second quarters of 2021 in the amount of NIS 0.25 per share, each quarter (a total of NIS 205 million, the Company's share – approx. NIS 117 million). In August 2021, Amot declared that it would distribute a dividend for the third quarter of 2021 in the amount of NIS 0.25 per share (a total of NIS 103 million, the Company's share – approx. NIS 58 million).

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 and May 2021, Energix declared that it would distribute a dividend for the first and second quarters of 2021 in the amount of NIS 0.04 per share (approx. NIS 19.5 million, the Company's share – approx. NIS 10 million), each quarter, which were paid in the reporting period.
In August 2021, Energix declared that it would distribute a dividend for the third quarter of 2021 in the amount of NIS 0.5 per share (approx. NIS 24 million, the Company's share – approx. NIS 13 million).

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

BE (consolidated company) – Subsequent to the balance sheet date, on August 2021, BE declared a dividend in the amount of GBP 12 million (approx. NIS 53 million, the Company's share – approx. NIS 52 million), which will be distributed to its shareholders in a single payment in September 2021.

B. Remuneration of employees and officers

In March 2021, the Company's Board of Directors decided to grant an annual ration 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 to 6 employees. The total economic value of the above granted options 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%

Note 13 – Transactions with Related Parties

A. Further to Note 18f 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.

C. In August 2021, the Company's Audit Committee and Board of Directors approved a framework transaction for a 3-year period, according to which the premium in respect of Crime insurance will be divided equally between the Group companies (the Company, Amot and Energix).

Note 14 – Financial Instruments

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

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

	As of June 30, 2021		As of June 30, 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)	975,605	1,057,873	973,550	1,045,920	980,091	1,086,759
Bonds (including maturities)	11,635,918	12,466,753	10,961,599	11,106,396	11,192,946	11,729,510
	12,611,523	13,524,626	11,935,149	12,152,316	12,173,037	12,816,269

- The fair value of long-term loans is determined according to discounted 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 approximately equal to 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 June 30, 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	-	17,737	-	17,737
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	4,042	-	4,042
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	10,172	-	10,172
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	98,206	-	98,206
Financial derivatives (CAP options for hedging interest)	-	1,136	-	1,136
Financial assets measured at fair value through profit or loss:				
Tradable securities	360	-	-	360
Real estate investment funds (1)	-	-	164,757	164,757
	360	131,293	164,757	296,410
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(71,716)	-	(71,716)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2,066)	-	(2,066)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(21,900)	(21,900)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(3,997)	-	(3,997)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	-	-	-
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(35,965)	-	(35,965)
Financial liabilities measured at fair value through profit or loss (1)	-	-	(1,422)	(1,422)
	-	(113,744)	(23,322)	(137,066)

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

	For the Six-Month Period ended June 30, 2021
	NIS thousands
Balance as of January 1, 2021	156,856
Amounts recorded to profit or loss in the period	3,138
Amounts recorded to other comprehensive income in the period	(18,559)
Balance as of June 30, 2021	141,435

Note 14 – Financial Instruments (continued):

B. Financial instruments presented in the financial statements at fair value (continued):

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

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

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

Note 14 – Financial Instruments (continued):

B. Financial instruments presented in the financial statements at fair value (continued):

	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 for hedging interest)	-	455	-	455
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	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 or 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 (1)	-	-	(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 whose value was 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 or 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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	In NIS millions				
Investment in PSP	(200)	(723)	(176)	(366)	(1,181)
Investment in Carr	76	148	(70)	67	(132)
Investment in Boston	82	(35)	(7)	(69)	(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 216 million).
- 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 42 million) and as a result of the Group's share in Carr's comprehensive income (an increase of NIS 36 million).
- Investment in Boston – The increase in the investment balance in the reporting period was due to the accumulation of NIS 68 million in equity earnings resulting from an increase in the USD exchange rate (an increase of NIS 11 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 11 million.

Note 15 – Operating Segments

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

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

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Six-Month Period ended June 30, 2021							
	Income-Generating Property Segment				Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	168,485	3,589	302,501	67,945	22,285	(18)	(504,956)	59,831
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	(2,166)	-	16,048	(1,448)	12,434
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	4,278	-	4,278
Revenues from decrease in holdings in investees	-	230	-	4,907	-	-	12,363	17,500
Other revenues, net (*)	4,529	-	-	-	2,731	-	1,011,350	1,018,610
	173,014	3,819	302,501	70,686	25,016	20,308	517,309	1,112,653
Administrative and general	-	-	-	-	-	21,914	53,836	75,750
Financing expenses, net	-	-	-	-	-	45,567	148,522	194,089
Other expenses, net (*)	-	-	-	-	-	-	100,398	100,398
	-	-	-	-	-	67,481	302,756	370,237
Profit before tax	173,014	3,819	302,501	70,686	25,016	(47,173)	214,553	742,416

Additional information on segment results:

	Amot	Carr	BE	Others	Energix
Revenues (in the investee's books) including revaluation profits (losses)	520,618	(**)347,276	377,194		124,336
Revaluation profits (losses) (in the investee's books), before tax	127,375	(**)(9,863)	304,807		-
Net profit (in the investee's books)	298,028	13,043	311,943		41,781
Company share in net profits	168,485	3,589	302,501		22,285

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

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

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

Note 15 – Operating Segments (continued) :

Segment revenues and results

	For the Three-Month Period ended June 30, 2021							
	Income-Generating Property Segment				Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits (losses), net	110,631	(24,713)	335,649	18,016	12,930	-	(467,031)	(14,518)
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	(19,682)	-	16,073	(1,448)	(5,057)
Revenues from decrease in holdings in investees	-	193	-	-	-	-	12,363	12,556
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	4,278	-	4,278
Other revenues, net (*)	2,279	-	-	-	1,411	-	778,784	782,474
	112,910	(24,520)	335,649	(1,666)	14,341	20,351	322,668	779,733
Administrative and general	-	-	-	-	-	13,648	30,246	43,894
Financing expenses, net	-	-	-	-	-	27,783	99,877	127,660
Other expenses, net (*)	-	-	-	-	-	-	54,922	54,922
	-	-	-	-	-	41,431	185,045	226,476
Profit before tax	112,910	(24,520)	335,649	(1,666)	14,341	(21,080)	137,623	553,257

Additional information on segment results:

	Amot	Carr	BE	Others	Energix
Revenues (in the investee's books) including revaluation profits	334,125	(**)144,392	384,696		66,131
Revaluation profits (in the investee's books), before tax	127,375	(**)(23,920)	346,361		-
Net profit (in the investee's books)	196,286	-	346,358		24,212
Company share in net profits	110,631	(24,713)	335,649		12,930

For additional information regarding Carr's concise financial information, see Note 7f above.
(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

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

Note 15 – Operating Segments (continued) :

Segment assets and liabilities:

	As of June 30, 2021								
	Income-Generating Property Segment					Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,641,802	3,080,700	-	2,194,996	860,143	815,180	12,765	(6,089,455)	4,516,131
Investment in securities measured at fair value through profit or loss	-	-	-	-	128,399	-	360	36,358	165,117
Other assets	-	-	-	-	-	-	538,860	22,743,919	23,282,779
	3,641,802	3,080,700	-	2,194,996	988,542	815,180	551,985	16,690,822	27,964,027
Liabilities	-	-	-	-	-	-	4,505,064	13,083,039	17,588,103

Note 15 – Operating Segments (continued) :

Segment revenues and results

	For the Six-Month Period ended June 30, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in investees' profits, net	53,966	39,296	12,631	(37,216)	(33,737)	26,059	-	(58,283)	2,716
Net profit from investments in securities measured at fair value through profit or loss	-	-	-	-	(20,596)	-	(115)	-	(20,711)
Revenues from decrease in holdings in investees	-	(76)	150,804	-	-	-	-	-	150,728
Other revenues, net (*)	4,500	-	-	-	-	2,434	60	380,332	387,326
	58,466	39,220	163,435	(37,216)	(54,333)	28,493	(55)	322,049	520,059
Administrative and general	-	-	-	-	-	-	15,595	44,153	59,748
Financing expenses, net	-	-	-	-	-	-	63,545	69,566	133,111
Other expenses, net (*)	-	-	-	-	-	-	-	91,139	91,139
	-	-	-	-	-	-	79,140	204,858	283,998
Profit before tax	58,466	39,220	(***)163,435	(37,216)	(54,333)	28,493	(79,195)	117,191	236,061
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	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 7f above.
(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.
(**) The section includes the adjustment of the investment property value as presented in Carr's Consolidated Financial Statements, as well as Carr's share in the adjustments of the investment property value of its associates.
(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 38 million.
(****) Starting March 31, 2020, the investment in PSP is classified as an investment in an associate held for sale and therefore, its results in the second quarter of 2020 are not reflected in the Company's statements.

Note 15 – Operating Segments (continued) :

Segment revenues and results

	For the Three-Month Period ended June 30, 2020								
	Income-Generating Property Segment					Energy Segment	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in investees' profits (losses), net	4,922	29,485	-	5,784	(44,880)	9,846	-	(27,887)	(22,730)
Net loss relating to investments in long-term securities held for sale	-	-	-	-	(11,541)	-	(17)	-	(11,558)
Revenues from decrease in holdings in investees	-	(76)	26,559	-	-				26,483
Other revenues, net (*)	2,250	-	-	-	-	1,216	60	159,337	162,863
	7,172	29,409	26,559	5,784	(56,421)	11,062	43	131,450	155,058
Administrative and general	-	-	-	-	-	-	7,153	21,686	28,839
Financing expenses, net	-	-	-	-	-	-	28,444	42,714	71,158
Other expenses, net (*)	-	-			-	-	-	44,048	44,048
	-	-	-	-	-	-	35,597	108,448	144,045
Profit before tax	7,172	29,409	(***)26,559	5,784	(56,421)	11,062	(35,554)	23,002	11,013

Additional information on segment results:

	Amot	Carr	PSP	BE	Others	Energix
Revenues (in the investee's books) including revaluation profits (losses)	68,837	(**)205,282	394,603	33,228		61,950
Revaluation profits (losses) (in the investee's books), before tax	(104,960)	(**)(4,407)	-	1,821		-
Net profit (in the investee's books)	9,184	-	268,976	6,023		18,663
Company share in net profits	4,922	29,485	(****)-	5,784		846

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

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

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

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

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

Note 15 – Operating Segments (continued) :

Segment assets and liabilities:

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

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 investees' profits, 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:

	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 or 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 Six-Month Period ended June 30, 2021							
	Income-Generating Property			Energy			Others and Unassigned Expenses	Total
	Israel	United States	The UK	Israel	Poland	United States		
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	391,076	-	72,387	-	-	-	-	463,463
Fair value adjustment of investment property	126,542	-	304,807	-	-	-	-	431,349
Group share in profits (losses) of associates, net	5,950	71,534	(18,167)	514	-	-	-	59,831
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	4,278	4,278
Revenues from sale of electricity and green certificates	-	-	-	57,330	56,106	10,733	-	124,169
Other	(2,347)	230	(1,805)	12,530	-	-	20,955	29,563
	521,221	71,764	357,222	70,374	56,106	10,733	25,233	1,112,653
Costs and Expenses								
Cost of investment property rental and operation	35,840	-	7,004	-	-	-	-	42,844
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	7,262	8,651	1,413	-	17,326
Depreciation and amortizations	1,261	-	685	19,335	12,681	4,796	1,470	40,228
	37,101	-	7,689	26,597	21,332	6,209	1,470	100,398
Administrative and general expenses							75,750	75,750
Profit before financing	484,120	71,764	349,533	43,777	34,774	4,524	(51,987)	936,505

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three-Month Period ended June 30, 2021							
	Income-Generating Property				Energy		Others and Unassigned Expenses	Total
	Israel	United States	Switzerland	The UK	Israel	Poland		
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	205,621	-	-	38,336	-	-	-	243,957
Fair value adjustment of investment property	126,542	-	-	346,361	-	-	-	472,903
Group share in profits (losses) of associates, net	2,928	(6,696)	-	(11,152)	402	-	-	(14,518)
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	4,278	4,278
Revenues from sale of electricity and green certificates	-	-	-	-	34,447	23,603	-	66,022
Other	(518)	193	-	(1,997)	12,473	-	(3,060)	7,091
	334,573	(6,503)	-	371,548	47,322	23,603	1,218	779,733
Costs and Expenses								
Cost of investment property rental and operation	20,112	-	-	4,209	-	-	-	24,321
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	4,203	4,214	-	9,044
Depreciation and amortizations	681	-	-	561	11,309	5,623	745	21,557
	20,793	-	-	4,770	15,512	9,837	745	54,922
Administrative and general expenses							43,894	43,894
Profit before financing	313,780	(6,503)	-	366,778	31,810	13,766	(43,421)	680,917

Note 15 – Operating Segments (continued):

Geographic information:

	As of June 30, 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 designated for sale)	13,682,625	-	4,031,426	-	-	-		17,714,051
Investments in associates	483,077	3,940,843	69,871	9,579	-	-	12,761	4,516,131
Connected electricity-generating facilities	-	-	-	669,866	574,494	441,045	-	1,685,405
Electricity-generating facilities in development	-	-	-	427,982	217,738	393,561	-	1,039,281
Right-of-use asset	-	-	-	125,454	72,504	47,841	-	245,799
Securities measured at fair value through profit or loss (**)	-	-	164,757	-	-	-	360	165,117
	14,165,702	3,940,843	4,266,054	1,232,881	864,736	882,447	13,121	25,365,784

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,080,700 thousand and for an investment in Boston in the amount of NIS 860,143 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 Six-Month Period ended June 30, 2020								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	United States	Switzerland	The UK	Israel	Poland	United States		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	381,863	-	-	62,841	-	-	-	-	444,704
Fair value adjustment of investment property	(148,100)	-	-	(41,337)	-	-	-	-	(189,437)
Group share in profits (losses) of associates, net	3,880	5,559	12,631	(20,075)	721	-	-	-	2,716
Revenues from sale of electricity and green certificates	-	-	-	-	52,432	78,064	969	-	131,465
Other	(8,004)	(76)	150,804	(12,595)	188	410	-	(116)	130,611
	229,639	5,483	163,435	(11,166)	53,341	78,474	969	(116)	520,059
Costs and Expenses									
Cost of investment property rental and operation	29,179	-	-	6,454	-	-	-	-	35,633
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	6,348	14,074	28	-	20,450
Depreciation and amortizations	1,713	-	-	190	19,314	12,827	454	558	35,056
	30,892	-	-	6,644	25,662	26,901	482	558	91,139
Administrative and general expenses								59,748	59,748
Profit before financing	198,747	5,483	163,435	(17,810)	27,679	51,573	487	(60,422)	369,172

Note 15 – Operating Segments (continued):

Geographic information:

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

Note 15 – Operating Segments (continued):

Geographic information:

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

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

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

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

Note 15 – Operating Segments (continued):

Geographic information:

	For the Period ended December 31, 2020								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	United States	Switzerland	The UK	Israel	Poland	United States		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	764,754	-	-	126,878	-	-	-	-	891,632
Fair value adjustment 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	-	(152)	185,149
	616,770	125,234	213,666	32,629	107,379	148,894	6,655	(754)	1,250,473
Costs and Expenses									
Cost of investment property rental and operation	61,898	-	-	12,724	-	-	-	-	74,622
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	14,785	21,739	1,041	-	37,565
Depreciation and amortizations	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)	(128,366)	930,664

Note 15 – Operating Segments (continued):

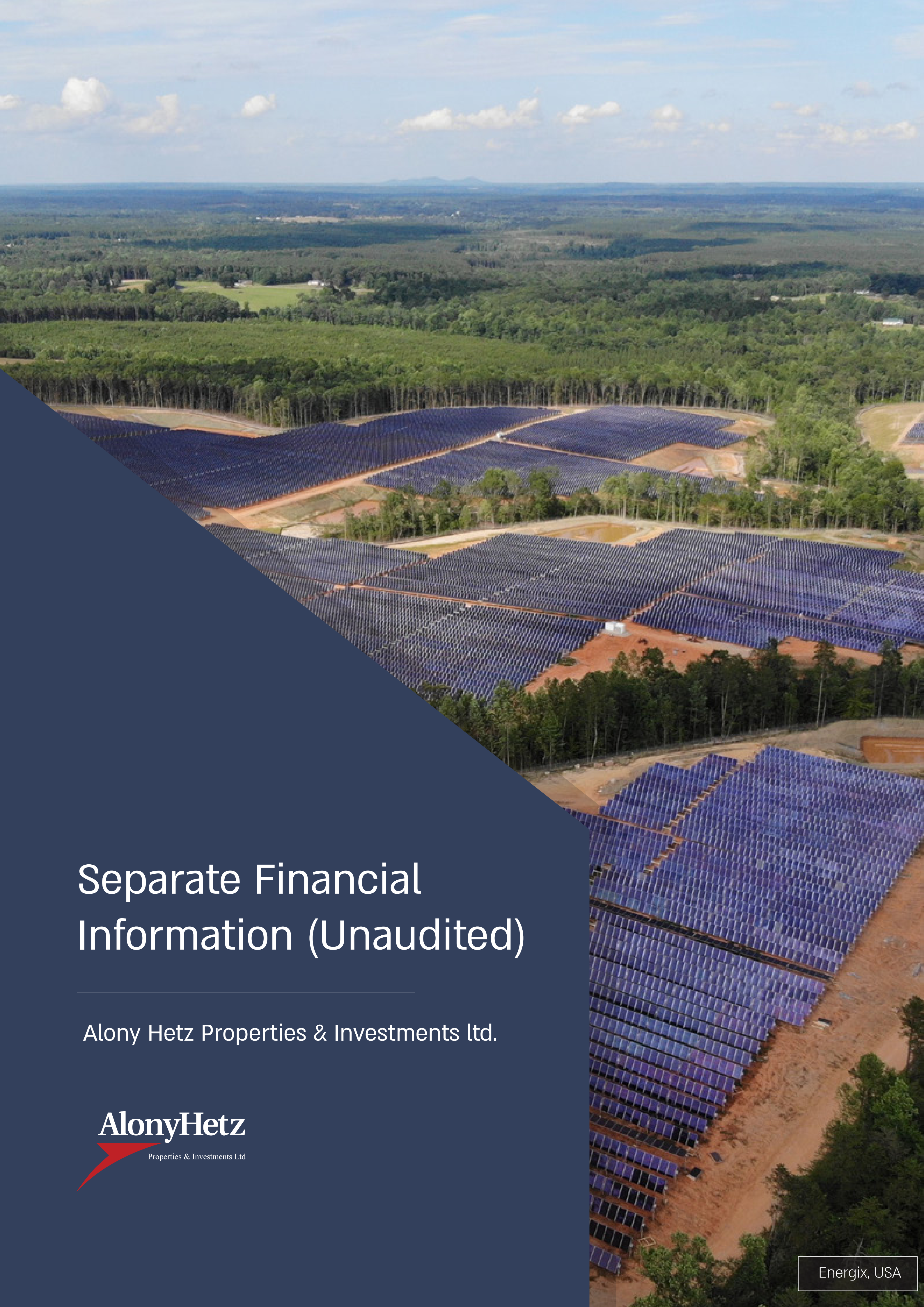
Geographic information:

	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 designated for sale)	13,346,438	-	-	2,903,341	-	-	-		16,249,779
Investment in associates (including investment in associate held for sale)	437,401	3,782,552	200,311	60,386	8,713	-	-	12,603	4,501,966
Connected electricity-generating facilities	-	-	-	-	710,475	586,697	338,156	-	1,635,328
Electricity-generating facilities in development	-	-	-	-	244,649	110,643	426,526	-	781,818
Right-of-use asset	-	-	-	-	109,114	50,848	38,695	-	198,657
Securities measured at fair value through profit or 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.



Energix, USA

Separate Financial Information (Unaudited)

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

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

Dear Sir/Madam,

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

Introduction

We have reviewed the separate interim financial information that was prepared in accordance with regulation 38-D of the Securities Regulations (Periodic and Immediate reports), 1970 of **Alony Hetz Properties & Investments Ltd.** ("the Company") as of June 30, 2021 and for the periods of six and three months ended on that date. The board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

We did not review the separate interim financial information included in the financial information of associates, that the investment in them is amounted to approximately 5,983 Million NIS as of June 30, 2021 and the share of the company in their results for the periods of six and three months ended on that date, is amounted to approximately 71 Million NIS and 951 thousand NIS, respectively. The financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

Tel Aviv, August 17, 2021

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

	As of June 30		As of December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	390,287	162,305	596,119
Deposits and tradable securities	-	22,739	39,537
Current tax assets, net	4,320	11,223	3,903
Related party receivables	60,054	5,293	4,681
Other receivables	47,605	188,563	100,018
	502,266	390,123	744,258
Investment in investee held for sale (*)	-	658,527	200,311
Total current assets	502,266	1,048,650	944,569
Non-Current Assets			
Long-term investments in securities:			
Securities designated at fair value through profit or loss	128,759	163,206	186,335
Investments in investees	7,812,979	7,461,649	7,372,212
Loans and capital notes to investees	2,601,457	2,097,438	2,097,386
Fixed assets, net	3,605	4,146	3,904
Other assets	29,008	31,753	63,430
Total non-current assets	10,575,808	9,758,192	9,723,267
Total assets	11,078,074	10,806,842	10,667,836

(*) See Note 2e below

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

	As of June 30		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	1,817	852	791
Current maturities of bonds	450,184	346,536	346,750
Current tax liabilities	13,098	-	26,546
Related party payables	35,319	150,033	13,859
Other payables	69,431	59,057	94,800
Total current liabilities	569,849	556,478	482,746
Non-Current Liabilities			
Bonds and options convertible into bonds	3,416,841	3,475,279	3,461,797
Long-term loans and credit facilities from banking corporations	200	1,065	593
Deferred tax liabilities	313,179	324,112	311,356
Other liabilities	9,864	15,948	9,478
Total non-current liabilities	3,740,084	3,816,404	3,783,224
Equity	6,768,141	6,433,960	6,401,866
Total liabilities and equity	11,078,074	10,806,842	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

August 17, 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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Revenues and profits					
Group share in the profits of investees, net	481,362	17,015	364,953	34,249	283,982
Dividend revenues from investments in securities measured at fair value against profit or loss	4,278	-	4,278	-	-
Net profits (losses) from investments in long-term securities	13,882	(20,711)	(3,609)	(11,067)	(15,250)
Net profits from changes in holding rate and realization of investments in investees	4,907	150,804	-	26,559	201,035
Management fee revenues from investees	7,260	7,703	3,690	3,466	15,090
Other revenues, net	-	61	-	61	62
	511,689	154,872	369,312	53,268	484,919
Costs and Expenses					
Administrative and general	20,867	14,432	12,999	6,671	29,975
Administrative and general for investees	781	777	399	388	1,552
Financing expenses (income) in respect of investees	5,804	(50,828)	776	29,383	5,854
Financing income	(7,281)	(2,640)	3,693	(697)	(726)
Financing expenses	57,077	66,287	28,285	28,625	97,312
	77,248	28,028	46,152	64,370	133,967
Profit before taxes on income	434,441	126,844	323,160	(11,102)	350,952
Taxes on income	15,676	19,148	10,641	(14,817)	47,954
Net profit for the period	418,765	107,696	312,519	3,715	302,998
Net earnings per share (in NIS):					
Basic	2.42	0.62	1.80	0.02	1.75
Fully diluted	2.41	0.62	1.80	0.01	1.74
Weighted average of share capital used in calculation of earnings per share (thousands of shares)					
Basic	173,193	172,768	173,522	172,786	172,784
Fully diluted	173,425	173,159	173,686	172,963	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 Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	418,765	107,696	312,519	3,715	302,998
<u>Other comprehensive loss</u>					
Amounts to be classified in the future to profit or loss, net of tax					
Profit (loss) from the translation of financial statements for foreign activities	(7,983)	17,628	5,214	(2,807)	28,276
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	(43,019)	-	48,765	-	89,051
Profit (loss) from exchange rate differences in respect of cash flow hedging, net of tax	352	(533)	-	(881)	(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	(4,860)	-	(1,802)	(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	3,197	-	2,451	8,977
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit or loss following decrease in holding in associate	(3,557)	(10,735)	-	(4,617)	(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	-	(4,934)	-	68,042	-
Company share in other comprehensive income (loss) of associates, net of tax	114,266	(100,651)	(102,668)	(151,574)	(341,722)
	64,679	(100,888)	(48,689)	(91,188)	(246,879)
	483,444	6,808	263,830	(87,473)	56,119

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

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Cash flows - Operating activities					
Net profit for the period	418,765	107,696	312,519	3,715	302,998
Income (expenses) not entailing cash flows (Appendix A)	(418,752)	26,119	(270,374)	43,517	126,847
	13	133,815	42,145	47,232	429,845
Changes in working capital (Appendix B)	20,631	129,619	31,211	20,237	181,631
Net cash provided by operating activities	20,644	263,434	73,356	67,469	611,476
Cash flow - Investing activities					
Investment in investment property funds	-	(11,941)	-	-	(23,965)
Proceeds from the repayment of investments in investment property funds	-	22,409	-	-	22,409
Investment in consolidated companies	-	(34,515)	-	-	(401,312)
Proceeds from the sale of shares of associate, net of tax	21,709	722,296	-	201,728	1,359,305
Provision of loans and capital notes to investees	(804,074)	(193,935)	(81,598)	(62,173)	(193,935)
Decrease (increase) in deposits and tradable securities, net	44,507	942	29,429	58,369	942
Repayment of loans provided to investees	312,560	-	312,560	-	-
Provision (repayment) of loans to a third party, net	-	-	-	-	
Proceeds from the realization of long-term securities	198,277	-	174,432	-	-
Investment in investees, net	-	(151,215)	-	(151,215)	(244,573)
Repayment of investment in investees	164	-	164	-	3,250
Cash provided by (used in) forward transactions designated for hedging	48,969	6,929	29,006	5,790	22,177
Others, net	(48)	(1,438)	(40)	(1,058)	(1,542)
Net cash provided by (used in) investing activities	(177,936)	359,532	463,953	51,441	542,756
Cash flows – Financing activities					
Proceeds from the issue of bonds	408,854	-	268,123	-	-
Repayment of long-term loans	(397)	(363,245)	(202)	(363,031)	(363,666)
Proceeds from issues of shares and options	25,174	1,436	25,174	542	3,687
Repayment of bonds	(346,320)	(347,178)	-	-	(347,178)
Change in short-term credit and long-term credit facility from banks	1,015	(1,109)	(316,985)	(450,104)	(1,109)
Dividends paid to Company shareholders	(138,528)	(100,211)	(138,528)	(100,211)	(200,446)
Net cash provided by (used in) financing activities	(50,202)	(810,307)	(162,418)	(912,804)	(908,712)
Increase (decrease) in cash and cash equivalents	(207,494)	(187,341)	374,891	(793,894)	245,520
Effect of changes in exchange rates on foreign currency cash balances	1,662	(1,330)	(310)	(1,757)	(377)
Cash and cash equivalents at beginning of year	596,119	350,976	15,706	957,956	350,976
Cash and cash equivalents at end of year	390,287	162,305	390,287	162,305	596,119

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

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Adjustments required to present cash flows from operating activities					
a. Income not entailing cash flows:					
Adjustment differences in respect of long-term liabilities and cash balances	(56,561)	(78,729)	13,558	7,902	(52,638)
Company share in profits of associates, less dividends and reductions of capital received	(343,813)	183,784	(285,818)	50,383	350,053
Profits relating to investments in long-term securities and assets designated for sale	(18,006)	30,129	(515)	15,776	18,342
Net loss (profit) from change in holding rate and realization of investments in investee	(4,907)	(150,804)	-	(26,559)	(201,035)
Net loss (profit) from tradable securities	(4,971)	17,195	(1,009)	(55)	398
Deferred taxes, net	7,922	22,378	2,996	(5,133)	7,679
Others, net	1,584	2,166	414	1,203	4,048
	(418,752)	26,119	(270,374)	43,517	126,847
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in other receivables	(10,600)	(1,645)	12,032	46,170	155,065
Decrease (increase) in current tax assets, net	(417)	(8,137)	(525)	(10,684)	(817)
Decrease in other payables	25,096	146,366	13,108	(4,382)	13,432
Increase (decrease) in current tax liabilities, net	6,552	(6,965)	6,596	(10,867)	13,951
	20,631	129,619	31,211	20,237	181,631
c. Non-cash activity					
Dividend receivable from investees	-	1,400	-	1,400	157,345
Proceeds receivable from realization of investment in associate	-	135,789	-	135,789	-
c. Additional information					
Interest paid	104,330	114,851	7,757	11,551	130,307
Interest received	95	381	2	237	593
Taxes paid	20,056	12,130	12	12,122	5,485
Dividends and capital reductions received	141,968	200,784	83,535	85,097	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 June 30, 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 10.1. to the condensed consolidated financial statements published with this financial information.
   G. For information regarding an amendment to the credit facility agreement in the amount of NIS 250 million and an extension – see Note 10.2 to the condensed consolidated financial statements published with this financial information.
   H. 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.
   I. For information regarding the dividend policy and dividends declared – see Note 12a to the condensed consolidated financial statements published with this financial information.
   J. For information regarding the remuneration of employees and officers – see Note 12b to the condensed consolidated financial statements published with this financial information.
   K. 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

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Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot, ToHa, Tel-Aviv

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

For the Second 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 Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the Quarterly Report for the period ended March 31, 2021 (hereinafter: "**the Last Quarterly Report on Internal Controls**"), the internal control over financial reporting and disclosure was found to be effective.

As of the date of the report, the Board of Directors and management have not been made aware of any event or issue that would change the assessment of the effectiveness of the internal control as presented in the last quarterly 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 quarterly report on internal control, and based on information brought to the attention of management and the Board of Directors as noted above, the internal control over financial reporting and disclosure is effective.

Executive statements:

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for the second quarter of 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.

______________ ___________

August 17, 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 second 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;

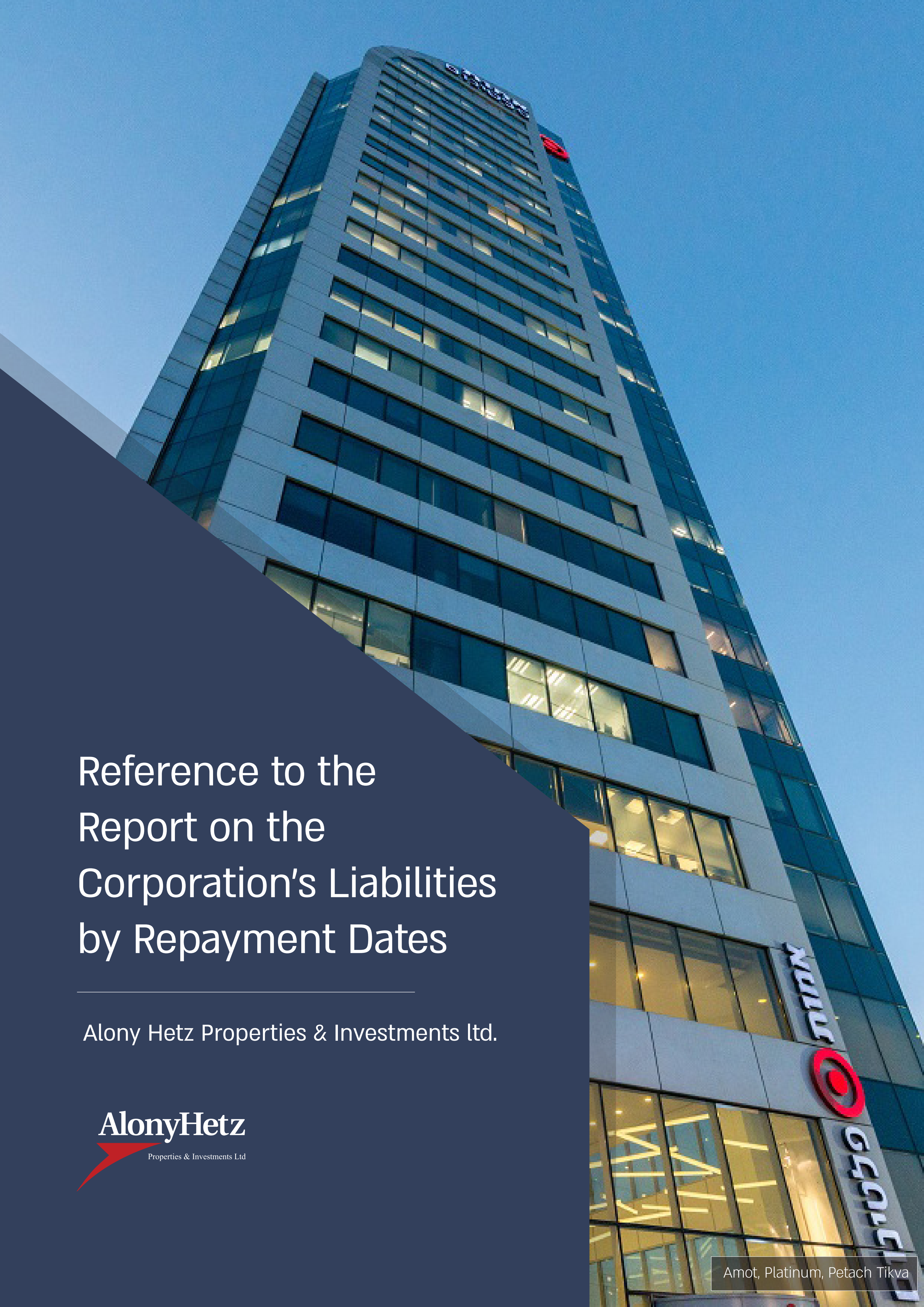
No event or issue has come to my attention which has occurred during the period between the last report date (quarterly or periodic, as the case may be) and the date of this report that refers to the interim financial statements and any other financial information included in the interim financial statements, 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.

_______________ ______________

August 17, 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, Platinum, Petach Tikva

Report on the Status of Liabilities by Repayment Dates, as of June 30, 2021

Regarding the Report on the Status of Liabilities by Repayment Dates, as of June 30, 2021, see the immediate report dated August 18, 2021.

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

CARR, Image of One Congress, Boston

CARR PROPERTIES HOLDINGS LP

Condensed Consolidated Financial Statements as of June 30, 2021
(Unaudited)

CARR PROPERTIES HOLDINGS LP

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Report of Independent Auditors

To the Management of Carr Properties Holdings LP

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings LP and its subsidiaries, which comprise the condensed consolidated balance sheet as of June 30, 2021, and the related condensed consolidated statements of operations and comprehensive income (loss) and of cash flows for the three-month and six-month periods ended June 30, 2021 and 2020 and the condensed consolidated statement of changes in equity for the six-month periods ended June 30, 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 (loss), 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
August 6, 2021

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

	Notes	June 30, 2021	December 31, 2020
ASSETS		**(Unaudited)**	
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,521,608 and $2,512,155)	4,11	$ 2,515,480	$ 2,796,120
Properties in development (cost of $325,033 and $577,019)	4,11	364,458	646,316
Investments in associates	5	585,099	318,983
Goodwill	8	9,326	9,326
Derivative asset	11	1,163	—
Straight line rent receivable		75,217	110,632
Deferred leasing costs and other, net		35,974	59,079
		3,586,717	3,940,456
Current assets			
Investment property held for sale		—	18,750
Trade receivables, net		5,083	13,039
Prepaid expense and other assets		8,351	9,906
Restricted cash	10	4,720	12,153
Cash and cash equivalents	2,10	31,812	34,128
		49,966	87,976
Total assets		$ 3,636,683	$ 4,028,432
EQUITY			
Equity attributable to common shareholders	17	$ 1,606,196	$ 1,606,196
Equity reserve from increase in CPP		9,895	9,756
Equity reserve for cash flow hedges	11	(18,419)	(38,054)
Retained earnings		263,832	262,864
Equity attributable to non-redeemable non-controlling interests	17	144,193	143,031
Total equity		2,005,697	1,983,793
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 389,034	$ 431,130
Notes payable, net of current portion and deferred financing fees	9,10	889,566	1,230,917
Lease liabilities, net of current portion	7,10	131,876	128,746
Redeemable non-controlling interests, net of current portion	17	3,054	2,997
Derivative liabilities, net of current portion	10	3,985	7,030
Security deposits		4,223	4,056
Other liabilities		8,716	13,198
		1,430,454	1,818,074
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	2,937	2,505
Derivative liabilities, current	10	—	39
Current portion of lease liabilities	7,10	188	335
Redeemable non-controlling interests, current	17	149,863	147,373
Rent received in advance		6,586	14,736
Trade and other payables	2	40,958	59,649
Liabilities of investment property held for sale		—	1,928
		200,532	226,565
Total liabilities		1,630,986	2,044,639
Total equity and liabilities		$ 3,636,683	$ 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	August 6, 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)

	Notes	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Revenues					
Rental revenue		$ 41,070	$ 48,037	$ 86,199	$ 95,189
Recoveries from tenants		7,580	8,679	18,082	18,742
Parking income		1,923	1,520	3,354	4,637
Property management fees and other	14	1,012	502	1,713	761
Total revenues		51,585	58,738	109,348	119,329
Operating expenses					
Property operating expenses					
Direct payroll and benefits		2,325	1,888	4,769	3,952
Repairs and maintenance		2,775	2,200	5,544	4,512
Cleaning		1,243	1,240	2,406	2,799
Utilities		1,799	1,425	3,693	3,336
Real estate and other taxes		10,304	10,474	21,313	20,276
Other expenses	13	4,219	4,779	8,676	9,135
Property operating expenses		22,665	22,006	46,401	44,010
Non-property general and administrative expenses	12	5,722	4,076	11,206	8,752
Total operating expenses		28,387	26,082	57,607	52,762
Other operating loss					
Net loss from fair value adjustment of investment properties	4	(9,541)	(2,933)	(10,615)	(37,033)
Realized loss on sale of investment properties	4	(22,452)	—	(22,452)	—
Income from investments in associates	5	4,939	1,629	10,286	20,954
Total other operating loss and expense		(27,054)	(1,304)	(22,781)	(16,079)
Operating (loss) income		(3,856)	31,352	28,960	50,488
Other income (expense)					
Loss on extinguishment of debt	9	—	—	—	(1,023)
Other income		112	22	234	96
Revaluation of redeemable non-controlling interests		(19)	(166)	(1,885)	660
Interest expense	9	(10,653)	(13,215)	(23,077)	(26,728)
Pre-tax (loss) income		(14,416)	17,993	4,232	23,493
Income and franchise tax expense		204	66	270	212
Net (loss) income		$ (14,620)	$ 17,927	$ 3,962	$ 23,281
Attribution of net (loss) income					
Common shareholders		$ (14,920)	$ 16,544	$ 2,134	$ 22,063
Non-redeemable non-controlling interests		292	1,383	1,820	1,218
		$ (14,628)	$ 17,927	$ 3,954	$ 23,281
Other comprehensive income (loss)					
Items that may be subsequently reclassified to income or loss:					
Unrealized (loss) gain on cash flow hedges	11	$ (404)	$ (2,966)	$ 4,247	$ (6,149)
Less: Reclassification adjustments for losses included in net income	9	241	984	1,225	1,968
Less: Reclassification adjustments for disposition losses included in net income		16,277	—	16,277	—
Other comprehensive income (loss)		16,114	(1,982)	21,749	(4,181)
Total comprehensive income		$ 1,486	$ 15,945	$ 25,703	$ 19,100
Attribution of comprehensive income					
Common shareholders		$ 492	$ 16,161	$ 21,769	$ 18,698
Non-redeemable non-controlling interests		994	(216)	3,934	402
		$ 1,486	$ 15,945	$ 25,703	$ 19,100

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

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

	Notes	Common Units Issued and Outstanding		Equity Reserve from Increase in CPP	Equity Reserve for Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity	Non-Redeemable Non-Controlling Interests	Total Equity
		Units	Amount						
Balance as of December 31, 2019		1,328,639	$ 1,519,563	$ 9,732	$ (38,191)	$ 296,335	$ 1,787,439	$ 143,314	$ 1,930,753
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	62	62
Non-controlling interest partner distribution to 2311 Wilson	4	—	—	—	—	—	—	(4,840)	(4,840)
Issuance of common shares, net of offering costs		64,709	86,649				86,649	5,811	92,460
Change in equity reserve from increase in CPP		—	—	12	—	—	12	(12)	—
Net Income		—	—	—	—	22,063	22,063	1,218	23,281
Unrealized loss on cash flow hedges	11	—	—	—	(5,209)	—	(5,209)	(940)	(6,149)
Amortization of terminated cash flow hedge		—	—	—	1,844	—	1,844	124	1,968
Distributions	17	—	—	—	—	(26,540)	(26,540)	(1,794)	(28,334)
Balance as of June 30, 2020		1,393,348	$ 1,606,212	$ 9,744	$ (41,556)	$ 291,858	$ 1,866,258	$ 142,943	$ 2,009,201

	Notes	Common Units Issued and Outstanding		Equity Reserve From Increase in CPP	Accumulated Other Comprehensive Income (Loss)	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		—	—	—	—	—	—	119	119
Non-controlling interest partner distribution to 2025 Clarendon	5	—	—	—	—	—	—	(2,639)	(2,639)
Change in equity reserve from increase in CPP		—	—	139	—	—	139	(139)	—
Net income		—	—	—	—	2,134	2,134	1,820	3,954
Unrealized gain on cash flow hedges	11	—	—	—	3,233	—	3,233	1,014	4,247
Amortization of terminated cash flow hedge		—	—	—	1,148	—	1,148	77	1,225
Write off of previously terminated cash flow hedge		—	—	—	15,254	—	15,254	1,023	16,277
Distributions	17	—	—	—	—	(1,166)	(1,166)	(113)	(1,279)
Balance as of June 30, 2021		1,393,348	$ 1,606,196	$ 9,895	$ (18,419)	$ 263,832	$ 1,861,504	$ 144,193	$ 2,005,697

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2021	2020	2021	2020
Cash flows from operating activities					
Net (loss) income		**$ (14,620)**	**$ 17,927**	**$ 3,962**	**$ 23,281**
Adjustments to reconcile net (loss) income to net cash provided by operating activities					
Net loss from fair value adjustment of investment properties	4	9,541	2,933	10,615	37,033
Write off of previously terminated cash flow hedge		16,277	—	16,277	—
Income from investments in associates	5	(4,939)	(1,629)	(10,286)	(20,954)
Loss on extinguishment of debt	9	—	—	—	1,023
Income and franchise tax expense		204	66	270	212
Interest expense, net excluding amortization of deferred financing fees		9,966	13,044	21,993	26,391
Amortization of deferred financing fees		721	182	1,152	382
Amortization of equipment leases		43	131	143	263
Amortization of deferred leasing costs and lease incentives		1,111	183	2,585	2,814
Amortization of note payable premium		(34)	(11)	(68)	(45)
Provision for bad debt expense		112	217	46	24
LTIP Compensation		1,851	(95)	3,252	301
Revaluation of redeemable non-controlling interests		19	166	1,885	(660)
Changes in assets and liabilities					
Trade receivables		(3,861)	(121)	7,910	996
Straight line rent receivable		(1,423)	(3,379)	(2,776)	(2,134)
Prepaid expense and other assets		2,644	(131)	1,555	545
Trade and other payables		7,266	2,599	(2,530)	(3,358)
Rent received in advance		(5,574)	(84)	(8,150)	(776)
Cash generated by operations		**$ 19,304**	**31,998**	**47,835**	**65,338**
Cash paid for interest		(9,056)	(13,820)	(20,344)	(28,033)
Net cash provided by operating activities		**10,248**	**18,178**	**27,491**	**37,305**
Cash flows from investing activities					
Proceeds from sale of investment property held for sale		—	—	18,496	—
Proceeds from sale of income generating property	4	219,756	—	219,756	155,281
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	4	—	(868)	—	(102,664)
Acquisition of income generating property, including prepaid acquisition costs		(195,674)	—	(195,674)	—
Contributions to investment in associates	5	16	(8,152)	(24,564)	(20,502)
Return of investments in associates	5	—	—	—	1,578
Additions to deferred leasing costs		(1,792)	(1,300)	(3,598)	(2,440)
Additions to tenant improvements		(546)	(6,498)	(2,637)	(11,155)
Additions to construction in progress, including capitalized interest		(21,814)	(57,424)	(46,937)	(92,311)
Other capital improvements on income generating properties		(8,026)	(1,810)	(13,349)	(7,117)
Decrease in restricted cash		6,791	1,945	7,126	5,515
Net cash used in investing activities		**(1,289)**	**(74,107)**	**(41,381)**	**(73,815)**
Cash flows from financing activities					
Redemption of redeemable non-controlling interest	17	(221)	—	(221)	—
Distribution to joint venture non-controlling interest partner	5	—	(4,840)	(2,639)	(4,840)
Principal portion of lease payments	8	(106)	(127)	(246)	(280)
Issuance of common shares, net of offering costs	17	—	92,460	—	92,460
Borrowings under credit facility	9	195,000	25,000	226,000	66,000
Repayments under credit facility	9	(250,000)	(80,000)	(269,000)	(213,500)
Borrowings on notes payable	9	39,022	44,349	60,341	211,953
Repayments of notes payable	9	(652)	(617)	(1,299)	(62,078)

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)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2021	2020	2021	2020
Payment of deferred financing fees		(202)	—	(202)	(2,032)
Issuance of redeemable non-controlling interests		—	228	—	228
Distributions to common shareholders and non-redeemable non-controlling interests	17	(657)	(14,174)	(1,279)	(28,334)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		(22)	—	119	62
Net cash (used in) provided by financing activities		**(17,838)**	**62,279**	**11,574**	**59,639**
Net (decrease) increase in cash and cash equivalents		**(8,879)**	**6,350**	**(2,316)**	**23,129**
Cash and cash equivalents, beginning of the period		**40,691**	**37,502**	**34,128**	**20,723**
Cash and cash equivalents, end of the period		**$ 31,812**	**$ 43,852**	**$ 31,812**	**$ 43,852**
Supplemental disclosures of cash flow information:					
Capitalized interest		$ 1,339	$ 2,481	$ 3,719	$ 5,345
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		(5,638)	724	4,603	16,203
Lease liabilities arising from obtaining right-of-use assets		—	13	13	13
Non-cash interest expense	9	241	984	1,225	1,968
Debt and other liabilities assumed in acquisition of 75-101 Federal	4	—	—	—	140,820
Debt and other liabilities assumed in acquisition of 100 Congress	4	120,625	—	120,625	—
Debt and other liabilities deconsolidated due to disposition of Midtown Center	4	(525,000)	—	(525,000)	—
Issuance of redeemable non-controlling interests	17	864	—	864	—

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, one property owned through a joint venture, 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 June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 June 30, 2021 are as follows:

Years Ending December 31,	Amount
Remainder of 2021	103,931
2022	135,679
2023	137,716
2024	116,147
2025	99,961
2026 Onward	335,123
	928,557

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	**$**	**2,796,120**
Capital expenditures additions and other		16,120
Net loss from fair value adjustment of income generating properties		(26,423)
Reclassification of The Wilson from properties in development		195,345
Reclassification of The Elm from properties in development		118,036
Reclassification of Signal House from properties in development		22,019
Midtown partial sale		(922,036)
Acquisition of 100 Congress		316,299
Balance, June 30 2021	**$**	**2,515,480**

Properties in Development

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

Balance, December 31, 2020	**$**	**646,316**
Capital expenditures additions and other		37,734
Net gain from fair value adjustment of development properties		15,808
Reclassification of The Wilson to income generating properties		(195,345)
Reclassification of The Elm to income generating properties		(118,036)
Reclassification of Signal House to income generating properties		(22,019)
Balance, June 30, 2021	**$**	**364,458**

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 June 30, 2021. The residential component ("the Elm") is a 441,000 square feet residential tower. Substantial completion of the residential building for The Elm was achieved on June 2, 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 18% leased as of June 30, 2021. The Partnership incurred $28.7 million and $69.8 million of capital expenditures for the six months ended June 30, 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 $9.4 million and $28.4 million of capital expenditures for the six months ended June 30, 2021 and 2020, respectively. Substantial completion of Signal House was achieved on June 30, 2021 and the Partnership has been 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 June 30, 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 six months ended June 30, 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.

On April 23, 2021, the Partnership executed the sale of 49% ownership interest in Midtown Center at a valuation of $980.0 million. The purchaser assumed its share of the property's debt totaling $257.3 million, leading to gross proceeds to the Partnership of $223.0 million. The Partnership used the proceeds to pay down the credit facility. The Partnership recognized a loss of $22.5 million upon disposition, inclusive of $16.3 million write off of remaining un-accreted balance of the interest rate swap paid in October 2019. See note 9 - "Debt" for additional details. Subsequent to disposition, the Partnership will account for its ownership in the joint venture using the equity method.

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

On May 12, 2021, the Partnership acquired 100% of 100 Congress Ave, a Class A office building in the Austin, Texas central business district at a purchase price of $315.0 million. The property is a 411,536 square foot mixed use building that is 92% leased as of June 30, 2021. The Partnership paid $189.9 million, assumed debt of $140.6 million (original borrowing of $120.6 million, with an additional upsize of $20.0 million), and incurred and capitalized transaction costs of $1.1 million.

2020 Acquisitions

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

On March 12, 2020, the Partnership acquired an undivided 50% ownership interest in a two tower mixed use office and retail complex at 75-101 Federal Street in Boston. The property is a 853,773 square foot mixed use building that is 86% leased as of June 30, 2021. 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 $2.9 million as of June 30, 2021. The fair value of the Partnership's proportionate interest in the investment property was $251.4 million as of June 30, 2021 and the carrying value of the assumed debt was $142.2 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.

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

		As of June 30, 2021					For the six months ended June 30, 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 %	5,027	123,889	728	80,499	47,690	4,323	3,857
		$ 5,802	$123,889	$ 728	$ 80,499	$ 48,465	$ 4,323	$ 3,823
Less interest held by non-controlling interests						(19,191)		(1,623)
Equity attributable to Partnership						$ 29,274		$ 2,200

		As of December 31, 2020					For the six months ended June 30, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ 176	$ 18,501	$ 8	$ 1,920	$ 16,749	$ —	$ (85)
2311 Wilson	60.00 %	3,531	120,553	914	81,331	41,839	3,748	(750)
		$ 3,707	$139,054	$ 922	$ 83,251	$ 58,588	$ 3,748	$ (835)
Less interest held by non-controlling interests						(19,403)		300
Equity attributable to Partnership						$ 39,185		$ (535)

5. Investments in Associates

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

Balance, December 31, 2020	**$**	**318,983**
Contributions		24,564
Share of unrealized gain on valuation of underlying properties		7,585
Share of net income (excluding unrealized gain on valuation)		2,701
Ownership interest in Midtown Center		231,266
Balance, June 30 2021	**$**	**585,099**

Midtown Center

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

On April 23, 2021, the Partnership sold a 49% interest in Midtown Center to IGIS Midtown LLC. Midtown Center is an 868,000 square foot two-tower office property with lower level retail space developed and substantially completed in 2018 that is 100% leased. The partnership will account for its remaining 51% investment in the joint venture using the equity method. See note 4 - "Investment Properties" for additional details.

One Congress

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

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

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

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact the joint venture’s returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the six months ended June 30, 2021 and 2020, the Partnership contributed $24.6 million and $20.5 million to the venture, respectively. The Partnership has contributed a total of $270.7 million to the venture as of June 30, 2021.

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 June 30, 2021						For the six months ended June 30, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 13,746	$ 987,969	$ 9,396	$ 533,244	$ 459,075	$ 13,855	$ 3,699
One Congress	75.00 %	492	559,063	30,501	58,890	470,164	—	11,331
		$ 14,238	$ 1,547,032	$ 39,897	$ 592,134	$ 929,239	$ 13,855	$ 15,030
Less: interest held by third-parties						(344,140)		(4,744)
Amounts per financial statements						$ 585,099		$ 10,286

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

	As of December 31, 2020						For the six months ended June 30, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ (1)
One Liberty	— %	—	—	—	—	—	—	(9)
One Congress	75.00 %	542	441,055	15,531	—	426,066	—	27,946
		$ 542	$ 441,055	$ 15,531	$ —	$ 426,066	$ —	$ 27,936
Less: interest held by third-parties						(107,083)		(6,982)
Amounts per financial statements						$ 318,983		$ 20,954

6. Assets Held for Sale

2021 Assets Held for Sale

There were no assets classified as Held for Sale for the six months ended June 30, 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.

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

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

	June 30, 2021	**December 31, 2020**
Non-current assets		
Income generating properties, net of ROUA	2,381,680	2,660,020
ROUA, at fair value	133,800	136,100
Income generating properties	2,515,480	2,796,120

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

	June 30, 2021	December 31, 2020
Properties in development	364,458	646,316
Total investment properties, at fair value	$ 2,879,938	$ 3,442,436
Current assets - CPC		
Prepaid expense and other assets	7,645	9,263
ROUA, net of accumulated depreciation and non-current portion	706	643
Prepaid expense and other assets	$ 8,351	$ 9,906

At June 30, 2021 and December 31, 2020, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $133.8 million and $136.1 million, respectively. "Prepaid expense and other assets" included ROUA of $0.7 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	(2,300)	—	(2,300)
ROUA Additions, net	—	206	206
Accumulated Depreciation	—	(143)	(143)
Balance as of June 30, 2021	$ 133,800	$ 706	$ 134,506

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**	**June 30, 2021**	**December 31, 2020**
Columbia Center	3.79%	2114	$ 119,305	$ 119,396
1701 Duke Street[(1)]	5.20%	2107	7,704	4,656
2001 Penn	4.94%	2087	4,358	4,345
Other equipment leases	Various	Various	697	682
Total lease liabilities			132,064	129,079
Less current portion			188	335
Lease liabilities, net of current portion			$ 131,876	$ 128,744

(1) The 1701 Duke Street Ground Lease reset on April 1, 2021 with the valuation based on appraised value as well as the 10 year treasury rate at that time. The reset did not have a material impact on the Partnership's financial statements.

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

Future Lease Maturities	June 30, 2021
Maturity analysis - contractual undiscounted cash flows	
Less than one year	5,520
One to five years	20,919
More than five years	475,120
Total undiscounted lease liabilities as of June 30, 2021	501,559

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

Lease liabilities		**June 30, 2021**
Current lease liabilities	$	188
Non-current lease liabilities		131,876
Total lease liabilities	$	132,064

Lease expense costs were as follows:

Lease Expense	**Six Months Ended June 30,**			
	2021		**2020**	
Amounts recognized in profit or loss				
Interest expense on lease liabilities	$	2,522	$	2,558
Equipment lease depreciation		143		263
Total lease expense	$	2,665	$	2,821

Interest expense recognized on leases totaled $2.5 million and $2.6 million for the six months ended June 30, 2021 and 2020, respectively.

Cash Flows	**Six Months Ended June 30,**			
	2021		**2020**	
Amounts recognized in the statements of cash flows				
Principal portion of lease payments	$	246		280
Interest expense on lease liabilities		2,522		2,558
Total cash outflows related to leases	$	2,768	$	2,838

8. Goodwill and Intangibles

The carrying value of goodwill was $9.3 million as of June 30, 2021 and December 31, 2020. There were no indicators of impairment noted during either comparative period. No impairment losses were recognized in the three and six months ended June 30, 2021 and 2020, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of					
Borrower/Facility	**Contractual Rate**	**Maturity**	**June 30, 2021**			**December 31, 2020**		
Credit facility [1]:								
Revolver	LIBOR +1.25% to 2.50%	7/6/22	$	189,500	(8)(9)	$	232,500	
Term Loan A	LIBOR +1.20% to 2.40%	7/6/22		50,000	(8)(9)		50,000	(6)(8)
Term Loan B	LIBOR +1.20% to 2.40%	7/6/22		50,000	(8)(9)		50,000	(6)(8)
Term Loan C	LIBOR +1.20% to 2.40%	7/6/22		100,000	(9)		100,000	
75-101 Federal	LIBOR +1.50%	3/12/25		142,939	(6)(7)		140,943	(6)(7)
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23		242,814	(2)		200,943	
Midtown Center	3.09%	10/11/29		—	(10)		525,000	(3)
1700 New York Avenue	LIBOR +1.50%	4/25/24		64,110	(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		32,480	(3,4)		33,276	(3,4)

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

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of June 30, 2021		Principal Balance as of December 31, 2020	
100 Congress	3.30%	11/1/26	140,625	(3)	—	(3)
1615 L Street	4.61%	9/1/23	134,250	(3)	134,250	(3)
2311 Wilson	LIBOR +1.35%	3/27/27	75,000	(3,6)	75,000	(3,6)
Total Debt			1,286,718		1,671,592	
Less unamortized deferred financing fees			5,181		6,931	
Total Debt, net of unamortized deferred financing fees			1,281,537		1,664,661	
Less current portion, net of unamortized deferred financing fees [5]			2,937		2,505	
Debt obligations, net of current portion			**$ 1,278,600**		**$ 1,662,156**	

(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 June 30, 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 June 30, 2021, and December 31, 2020, the one-month LIBOR was 0.10% 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 June 30, 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 $1,647.3 million and $1,656.1 million as of June 30, 2021 and December 31, 2020, respectively.
(4) The carrying value of the Clarendon Square note payable as of June 30, 2021, and December 31, 2020, included a premium of $0.7 million, and $0.8 million, respectively.
(5) The current portion of unamortized deferred financing fees was $0.1 million and $0.1 million, as of June 30, 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 $285.9 million note encumbering 75-101 Federal.
(8) As of June 30, 2021, the Partnership exercised a unilateral one year extension, extending the maturity from 7/6/22 to 7/6/23.
(9) Subsequent to June 30, 2021, the Partnership amended it's credit facility on July 1, 2021, extending the maturity through July 1, 2025 for the Revolver, and July 1, 2026 for the Term Loans.
(10) On April 23, 2021, the Partnership sold a 49% interest in Midtown Center, resulting in deconsolidation of the assets and liabilities. See Note 4 - "Investment Properties" for additional information.

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 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 $2.9 million as of June 30, 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 was being accreted as non-cash interest expense over the 10 year term of the Midtown Center permanent loan and is included in Other Comprehensive Income (Loss). In the six months ended June 30, 2021, $1.2 million was accreted in "Interest expense" on the Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss). As part of the sale of 49% of Midtown Center, the Company wrote off the remaining balance of $33.2 million, of which $16.4 million was deferred, for a recognized loss of $16.8 million. See Note 4 - "Investment Properties" for additional information.

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.

Subsequent to June 30, 2021, the Partnership entered into an amended and restated credit facility agreement with a group of lenders ("Amended Credit Facility") to the Credit Facility Agreement on July 1, 2021, extending the maturity through July 1, 2025 for the Revolver, and July 1, 2026 for the Term Loans. The extension amended various covenants, as well as removed the LIBOR rate floor of 0.25%. The Partnership incurred transaction costs of $6.0 million associated with the agreement which were deducted from the carrying amount of the debt. The Partnership wrote off $0.5 million in unamortized deferred financing costs. As the transaction occurred subsequent to the end of the period, there was no impact to the financial statements ended June 30, 2021.

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 June 30, 2021 and December 31, 2020, respectively.

On April 4, 2018, the Partnership issued $30.0 million in letters of credit to the Maryland Transit Authority in conjunction with the Wilson project. Any issued letter of credit reduces the available balance on the Partnership’s revolving line of credit. No draws on the letter of credit have occurred as of June 1, 2019, when $27.0 million of the letters of credit expired in accordance with the underlying agreements. On June 5, 2019, the Partnership issued $0.3 million in letters of credit to the District of Columbia Water and Sewer Authority in conjunction with Signal House. The letters of credit expired in April 30, 2021 in accordance with the terms and conditions.

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

As of June 30, 2021, the Partnership had capacity to borrow an additional $157.8 million under the Credit Facility. Subsequent to June 30, 2021, the Partnership paid down $0.0 million of the revolver through August 6, 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 June 30, 2021, the Partnership incurred $242.8 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 June 30,		Six Months Ended June 30,	
Description	**2021**	**2020**	**2021**	**2020**
Credit facility	$ 1,856	$ 2,270	$ 3,933	$ 5,691
Notes payable	8,092	10,796	19,092	21,131
Distributions to redeemable non-controlling interests	51	1,155	96	2,311
Lease liabilities	1,273	1,293	2,522	2,558
Amortization expense of deferred financing fees	1,033	765	2,062	1,534
Gross interest expense	$ 12,305	$ 16,279	$ 27,705	$ 33,225
Capitalized interest expense				
Capitalized deferred financing fees	(313)	(583)	(909)	(1,152)
Capitalized interest	(1,339)	(2,481)	(3,719)	(5,345)
Total capitalized interest expense	(1,652)	(3,064)	(4,628)	(6,497)
Net interest expense	10,653	13,215	23,077	26,728

Future Maturities of Debt

For periods subsequent to June 30, 2021, scheduled annual maturities of debt outstanding as of June 30, 2021 are as follows:

Years Ending December 31,	**Amount** (1)
Remainder of 2021	1,513
2022(2)	392,588
2023	380,238
2024	128,386
2025	145,161
Thereafter	238,085
	$ 1,285,971

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.7 million.

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

(2) Includes $289.5 million Credit Facility principal maturing in July 2022. As of June 30, 2021 the Partnership exercised a one year extension extending the maturity to July 2023. Subsequent to June 30, 2021, the Partnership amended it's credit facility on July 1, 2021, extending the maturity through July 1, 2025 for the Revolver, and July 1, 2026 for the Term Loans.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the six months ended June 30, 2021:

	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	(15,840)	247	(15,593)	(2,316)	(17,909)
New leases	—	(3,230)	(3,230)	—	(3,230)
Assumption of debt	(120,625)	—	(120,625)	—	(120,625)
Partial sale of Midtown Center	525,000	—	525,000	—	525,000
Other changes	(5,520)	—	(5,520)	—	(5,520)
Net Debt, June 30 2021	(1,281,537)	(132,064)	(1,413,601)	31,812	(1,381,789)

10. Financial Instruments

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

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of June 30, 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	$ 31,812	$ 31,812	Level 1
Restricted cash[(1)]	4,720	4,720	Level 1
Trade receivables, net	5,083	5,083	Level 3
Liabilities, including current portion			
Credit facility[(2)]	$ 389,500	$ 389,500	Level 3
Notes payable[(2)]	896,471	891,493	Level 3
Redeemable non-controlling interests[(3)]	152,917	152,917	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $4.7 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 June 30, 2021:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 279,110
Weighted average interest rate [(1)]	1.38 %
Earliest maturity date	April 1, 2024
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 $(0.4) million and $4.2 million for the three and six months ended June 30, 2021, respectively, and $(3.0) million and $(6.1) million for the three and six months ended June 30, 2020, respectively. There was no material hedge ineffectiveness recognized during the three and six months ended June 30, 2021 and 2020, respectively. During both the three and six months ended June 30, 2021, the Partnership reclassified $(0.8) million, and $(0.4) million and $(0.6) million for the three and six months ended June 30, 2020, 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 June 30, 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 June 30, 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 June 30, 2021, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,515,480
Investments in properties in development	—	—	364,458
Derivative assets	—	1,163	—
Total Assets	$ —	$ 1,163	$ 2,879,938
Liabilities:			
Derivative liabilities, net of current portion	—	3,985	—
Total Liabilities	$ —	$ 3,985	$ —

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 June 30, 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 June 30, 2021.

The following table sets forth quantitative information about the Level 3 fair value measurements as of June 30, 2021:

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,515,480	Discounted cash flow - Income capitalization Market transaction Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.75% - 7.25% (6.54%) 4.75% - 6.00% (5.50%)
Investments in properties in development	364,458	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.50% - 7.00% (6.54%) 4.75% - 6.00% (5.13%)
Total	$ 2,879,938			

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 June 30,		Six Months Ended June 30,	
Description	2021	2020	2021	2020
Personnel and compensation	$ 4,203	$ 2,211	$ 8,086	$ 5,076
Professional fees	755	1,025	1,777	1,977
Information technology	205	427	386	748
Other corporate	559	413	957	951
Total non-property general and administrative	$ 5,722	$ 4,076	$ 11,206	$ 8,752

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $4.2 million and $8.7 million for the three and six months ended June 30, 2021, respectively, and $4.8 million and $9.1 million for the three and six months ended June 30, 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 and six months ended June 30, 2021, totaled $0.9 million and $1.6 million, respectively, and $0.4 million and $0.6 million, for the three and six months ended June 30, 2020, respectively. Construction management fees totaled $0.1 million and $0.1 million for the three and six months ended June 30, 2021, respectively, and $0.1 million for each of the three and six months ended June 30, 2020. 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 $1.4 million and $0.7 million for June 30, 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 June 30, 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 June 30, 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.

The 2021 grant includes 1.9 million of LTIP Service Units, and 3.8 million in LTIP Performance Units, all of which will fully vest in March 2024. Vesting is based on continued employment services through the vesting dates. Compensation expense will be recognized over the respective vesting periods.

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 June 30, 2021 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2020	24,864
LTIP units granted during the period	6,425
LTIP units converted to common	(645)
LTIP units forfeited - 2018 performance	(1,616)
LTIP units outstanding, June 30, 2021	29,028

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

During the three and six months ended June 30, 2021, the Partnership recognized \$2.0 million and \$3.6 million of LTIP-related expense, of which \$0.2 million and \$0.4 million was capitalized, respectively, and \$(0.1) million and \$0.3 million of LTIP-related expense for the three and six months ended June 30, 2020, of which less than \$0.1 million was capitalized, respectively. For the six months ended June 30, 2021 and 2020, there were 1,616 and 587 LTIP units forfeited, respectively.

16. Corporate Officers Compensation

Salary and bonus expense for the Partnership's corporate officers totaled \$0.5 million and \$1.0 million for the three and six months ended June 30, 2021, respectively, and \$0.5 million and \$0.9 million for the three and six months ended June 30, 2020, respectively. Employee benefit expense for these officers was \$0.1 million for both the three and six months ended June 30, 2021, and less than \$0.0 million and \$0.1 million for the three and six months ended June 30, 2020, respectively. For the three and six months ended June 30, 2021, LTIP expense was \$1.1 million and \$2.0 million, respectively, and less than \$0.1 million and \$0.1 million for the three and six months ended June 30, 2020, 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 June 30, 2021, the value of these redeemable non-controlling interests were \$149.9 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. V

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within “Equity” on the Condensed Consolidated Balance Sheets. As of June 30, 2021 and December 31, 2020, the total value of these non-redeemable non-controlling interests was $144.2 million and $143.0 million, respectively.

The Partnership also maintained four additional subsidiary REITs as of June 30, 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 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

In early spring 2020, the outbreak of a novel strain of coronavirus (COVID-19) had 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 continues 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. However, in winter of 2020, announcements were made by two pharmaceutical companies that vaccines would soon become available. As the COVID-19 vaccine roll-out gained momentum in early 2021, there was an increase in positive outlooks for many industries. As of the date of the release of these financial statements, and while there has been many public return-to-office announcements by major US companies, there is still hesitancy and uncertainty as to if office demand will return to pre-COVID-19 levels in the near term. 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 are beginning to stabilize, however, as a result of the pandemic and measures instituted to prevent spread, the Partnership may adversely be effected 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 and six months ended June 30, 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 and six months ended June 30, 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.

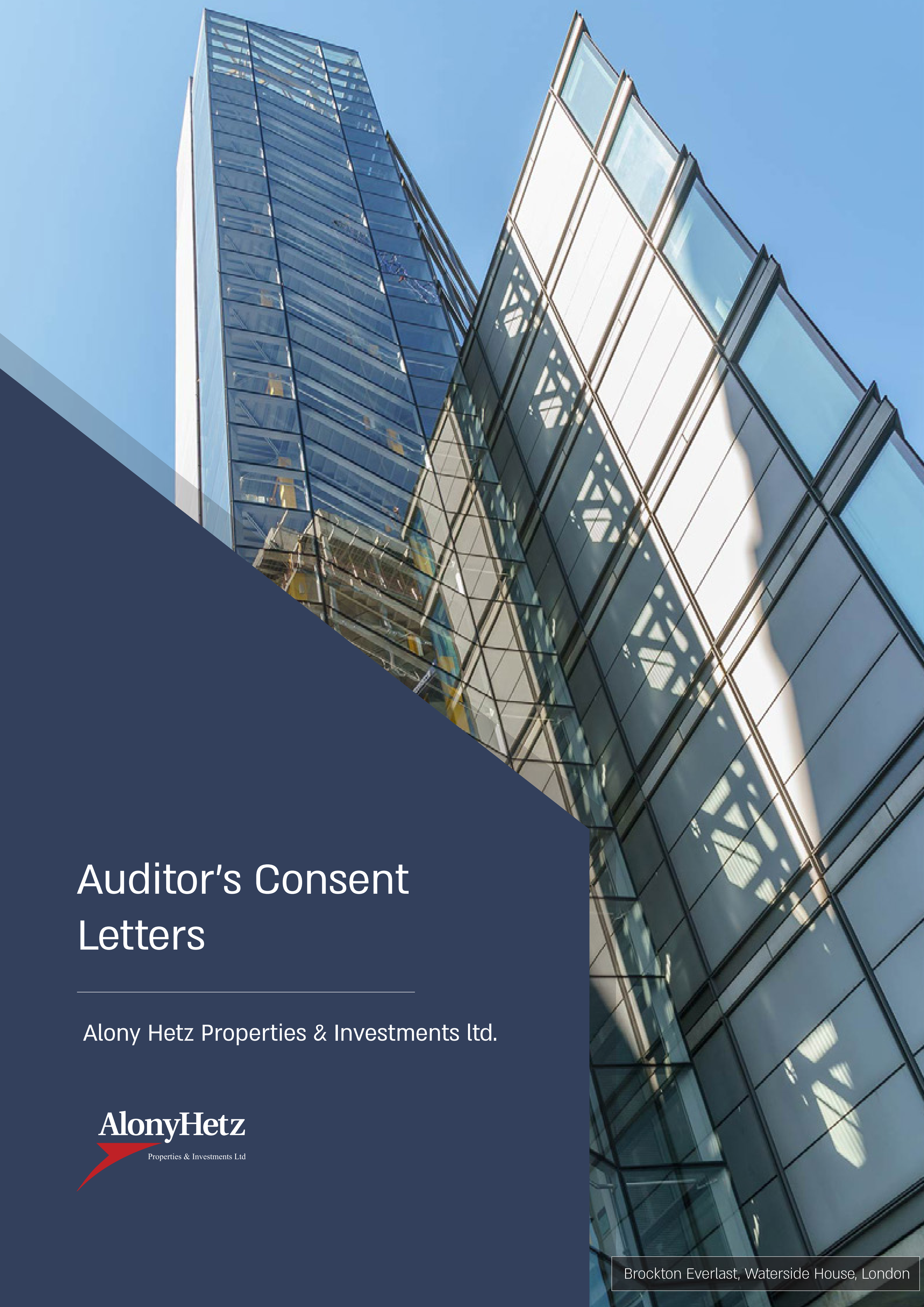
19. Subsequent Events

The Partnership evaluated subsequent events through August 6, 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.

Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd



Brockton Everlast, Waterside House, London

Date: August 17, 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 August 17, 2021 regarding the Consolidated Financial Statements of the company as of June 30, 2021 and for the six and three months periods ended June 30, 2021.

(2) Review Report dated August 17, 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 June 30, 2021 and for the six and three months periods ended June 30, 2021.

Respectfully,

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

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info-nazareth@deloitte.co.il

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

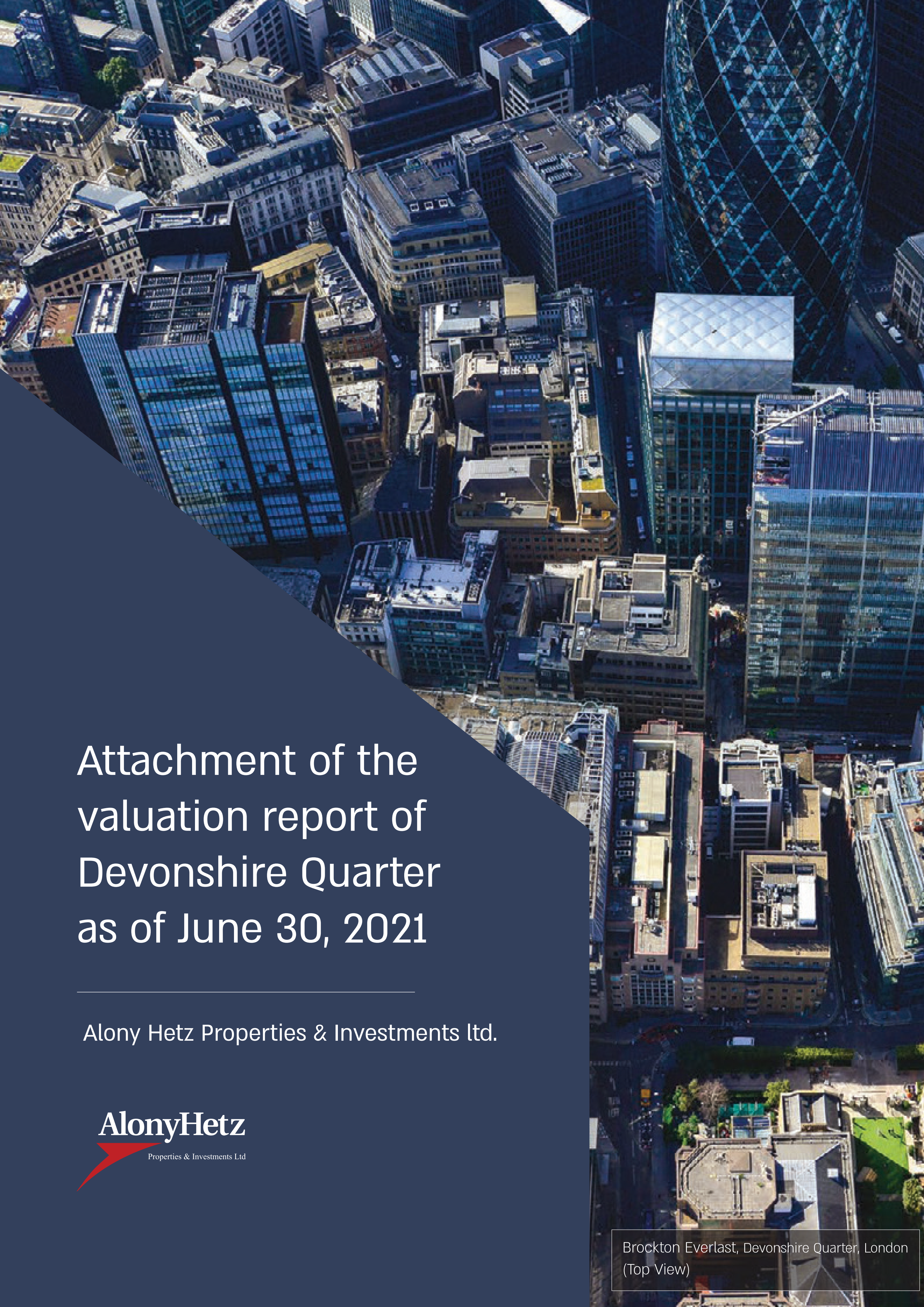
We hereby inform you that we agree to the inclusion (including by way of reference) of our report listed below in respect of the shelf prospectus dated May 6, 2021 which was published by Alony-Hetz Properties and Investments Ltd:

1) Review Report of Independent Auditors dated August 6, 2021 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of June 30, 2021 and for the three-month and six-months periods ended June 30, 2021 and 2020.

PricewaterhouseCoopers LLP

Arlington, Virginia
August 16, 2021

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



Attachment of the valuation report of Devonshire Quarter as of June 30, 2021

Alony Hetz Properties & Investments ltd.

Brockton Everlast, Devonshire Quarter, London (Top View)

Valuation of:

Devonshire Quarter, Houndsditch, London, EC3

Prepared for

Brockton Everlast Inc. Limited

Valuation Date:

30 June 2021

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Cushman & Wakefield
43/45 Portman Square
London
W1A 3BG

Tel 020 7935 5000
Fax 020 7152 5360
www.cushmanwakefield.com

Strictly Confidential – For Addressee Only

VALUATION RECORD

To:	Brockton Everlast Inc. Limited and all its subsidiary entities with a direct or indirect interest in the Property 89 Wardour Street London W1F 0UB And Alony-Hetz Properties & Investments Ltd. Atrium Tower 2 Jabotinsky st. Ramat Gan 5250501 Israel (the “Client”)
Property:	The address, tenure and property type of the property or each of the properties (the "Property") is included in the Property Record section.
Report date:	11 August 2021
Valuation date:	30/06/2021 ("Valuation Date")

1. Instructions

1.1. Appointment

We are pleased to submit our report and valuation (the "**Valuation Report**"), which has been prepared in accordance with the engagement letter entered into between us (the “Engagement Letter”), This Engagement Letter and the terms set out therein, together with our Terms of Business, which were sent to you with our Engagement Letter, constitute the **"Engagement**".

Included in the Engagement Letter is the Valuation Services Schedule. It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the Valuation Services Schedule (which forms part of the Engagement). Where Assumptions detailed in the Valuation

Services Schedule are also referred to within this Valuation Report they are referred to as an "assumption" or "assumptions". Unless otherwise defined, all capitalised terms herein shall be as defined in the Engagement.

We have valued the property interest detailed in the Property Record.

1.2. Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the requirements of the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS") and the RICS Valuation UK National Supplement (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuation is compliant with "IVS".

1.3. Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that John Bareham has overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

We have valued these assets previously for you for the same purposes. We do not consider that any conflict arises in preparing the advice requested.

1.4. Purpose of Valuation

The purpose of this Valuation Report is for accounting purposes. (the "Purpose of Valuation").

Therefore, in accordance with PS 2.5 and UK VPS 3 we have made certain disclosures in connection with this valuation instruction and our relationship with you. These are included in item 1.5 below.

1.5. Disclosures required under the provisions of PS 2.5 and UK VPS 3

John Bareham

John Bareham has been the signatory of Valuation Reports provided to the Company for the same purpose as the Purpose of this Valuation for a continuous period since June 2019. Cushman & Wakefield has been carrying out this valuation instruction for the Company for the same period.

C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at internals not exceeding seven years. C&W's policy in this regard is explained in the VSS.

C&W's relationship with the client

We have previously undertaken other asset valuations on behalf of the client, for the same purposes as this instruction.

Fee income from the Company

On 1 September 2015, DTZ acquired Cushman & Wakefield and the combined group now trades under the Cushman & Wakefield brand. Cushman & Wakefield's financial year end is 31 December. We confirm that the proportion of fees payable by the Company to C&W in the financial year to 2020 was less than 5%. We anticipate that the proportion of fees for the financial year to 31 December 2021 will remain at less than 5%.

1.6. Inspection

Details of our inspections of the Property are included in the Property Record Sections

1.7. Floor areas

Details of measurement of the Property are included in the Property Record section(s).

1.8. Accommodation

Source of Floor Areas

We have adopted floor areas provided by Brockton Everlast.

1.9. Sources of Information

In addition to information established by us, we have relied on the information obtained from you and others as referred to in this Valuation Report, and stated in the Sources of Information within the appendices.

We have made the Assumption that the information provided by you and your professional advisers in respect of the Property we have valued is both full and correct. We have made the further Assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

1.10. General Comment

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or Special Assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of value would exactly coincide with the price achieved were there an actual sale at the Valuation Date.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation were to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the Borrower contemplate a sale, we strongly recommend that the Property is given proper exposure to the market.

A copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case, we will be pleased to reconsider our opinion of value in the light of their advice and / or opinions.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The outbreak of Novel Coronavirus (COVID-19), which was declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to ‘material valuation uncertainty’, as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

2. Basis of valuation

Our opinion of the Fair Value of the Property has been primarily derived using comparable recent market transactions on arm's length terms.

Fair Value - IFRS

The value of the Property has been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed the Fair Value as referred to in VPS4 item 7 of the RICS Red Book. Under these provisions, the term "Fair Value" means the definition adopted by the International Accounting Standards Board (“IASB”) in IFRS 13, namely "The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under IFRS 13, The Fair Value Hierarchy, the Property we have valued is designated as Level 3 inputs. Level 3 inputs have been designated as unobservable inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available. [IFRS 13:87-89].

3. Taxation and costs

We have not made any adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have made a deduction to reflect a purchaser's acquisition costs.

4. VAT

The capital valuation and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

5. Property information

5.1. Enquiries

We have undertaken and completed the various matters referred to in the “Scope of Services” section of the VSS.

Save as referred to below, the results of our enquiries and inspections do not contradict the Assumptions which we have made and are referred to in the VSS.

6. Valuation

Fair Value

We are of the opinion that the Fair Value of the Freehold interest in the above Property, subject to the existing tenancies, as at the Valuation Date subject to the Assumptions and comments in this Report and the Appendices is:

£156,400,000 *(One Hundred and Fifty Six Million, Four Hundred and Thousand Pounds)*

7. Confidentiality

The contents of this Valuation Report and appendices are confidential to you, for your sole use only and for the Purpose of Valuation as stated.

Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to our Terms of Business and the Special Assumptions and/or Departures from the RICS Red Book referred to herein. For the avoidance of doubt, such approval is required whether or not Cushman & Wakefield Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

8. Disclosure

You must not disclose the contents of this Valuation Report to a third party in any way, including where we are not referred to by name or if the Valuation Report is to be combined with other reports, documents or information, without first obtaining our written approval to the form and context of the proposed disclosure in accordance with the terms of the Engagement. We will not approve any disclosure that does not refer adequately to the terms of the Engagement and any Special Assumptions or Departures that we have made.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

We hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the terms of the Engagement.

9. Reliance

This Valuation Report may be relied upon only in connection with the Purpose of Valuation stated and only by:

i. you;

ii. any such other parties who have signed a Reliance Letter.

For the avoidance of doubt, the total aggregate limit of liability specified in the terms of the Engagement (the “Aggregate Cap”) shall apply in aggregate to (i) you and (ii) any such other parties who have signed a Reliance Letter. Apportionment of the Aggregate Cap shall be a matter for you and such other third parties alone.

Signed for and on behalf of Cushman & Wakefield Debenham Tie Leung Limited

John Bareham MRICS
International Partner
RICS Registered Valuer
+44 (0)20 7152 5453
john.bareham@cushwake.com

PROPERTY RECORD
DEVONSHIRE QUARTER, HOUNDSDITCH, LONDON, EC3

We refer you to our full form valuation report, as at 30 June 2020, for further descriptive information on the Property.

Valuation Date	30 June 2021
Valuer	John Bareham MRICS
Changes since our last valuation	
Tenancy	• No material changes. Our valuation has been residual appraisal-led as below.
Valuation Assumptions	• Since our last valuation, there has been significant progress on developing the proposed scheme at Devonshire Quarter. • We were presented a 23-storey, 461,164 sq. ft. Grade A office scheme by Brockton, with a high provision of terraces and balconies of 20,450 sq. ft. • This would propose a very attractive offer in the City of London. • There is a proposed enant shared midfloor called “the hub”, and the floors will offer floor to ceiling heights of 3.2m. • Whilst the scheme does not yet have planning, we understand that Brockton have been through 16-17 pre-application s with planners. • The scheme will be Environment Social Governance led, with a focus on wellbeing, energy efficiency, water management, biodiversity, waste management and sustainable materials. • There will be a thermal store which will redirect unused energy to the neighbouring estate to provide hot supply of water into perpetuity. • We have assumed a block date of June 2023 with a four year build period. • Our valuation assumes the following key assumptions which are the main drivers of the differences from our Dec-20 valuation.

Item	Dec-20	Jun-21	Dif. %	Comments
Area	429,200	461,164	7.40%	Scheme area increased following various architectural studies and pre-app meetings.
ERV	£29m-£30m	£32m-£40m	22.20%	Now that we have seen the schematics, the proposed design with terraces, would merit increased ERVs.
Yield	4.15%-4.75%	4.10%	-2.80%	Notional yield compression since Dec-20.
Residual Value	**£103,634,404**	**£156,400,000**	**50.9%**	Increase principally attributed to higher NDV value.

Fair Value **£156,400,000**

(One hundred and fifty six million, four hundred thousand pounds)

MARKET COMMENTARY

CENTRAL LONDON REPORT

MARKETBEAT – Q2 2021

CUSHMAN & WAKEFIELD

SUMMARY

Central London take-up totalled 1.8 million sq ft for Q2, improving on previous quarter and reaching a new high since the onset of the pandemic. Q2 marked a 40% increase in leasing activity compared to Q1 2021, however activity remained 26% below the five-year average. Take-up was 80% higher than the corresponding period in 2020 but 26% below the five-year Q2 average of 2.45 million sq ft.

The media & technology sector represented the largest portion of Q2 take-up, accounting for 27% of total volumes. The banking & finance and professional sectors were also active, accounting for 18% and 15% of Q2 leasing volumes, respectively.

Total space under offer rose over the quarter, increasing marginally to 2.3 million sq ft at the end of June. Under offer volumes are now 19% lower than the five-year quarterly average of 2.8 million sq ft.

Availability rose again in Q2, for a fifth consecutive quarter to 19.2 m sq ft. This indicates a 1% quarter-on-quarter increase and 35% year-on-year increase in supply. The rise is, in part, due to subdued leasing activity and previously was attributed to tenant space coming back to the market however tenant space fell in Q2 2021 for the first time since Q1 2020.

The vacancy rate rose to 6.85%, a marginal increase on last quarter but still below the peak of 7.7% seen during the Global Financial Crisis.

Newly built/refurbished stock accounted for 48% of total supply at the end of June, equating to 9.1 million sq ft.

> "There is a gradual return of momentum to the market, but the lifting of restrictions is expected to kickstart more activity as 2021 progresses."

A total of £3.1 billion was invested in Central London in Q2, 144% above the previous quarter. This brought H1 investment volumes across Central London to £4.4 billion, which was 28% below the five-year H1 average level.

Unlike the first quarter of 2021, there was much more investment activity in the larger lot sizes, with nine transactions in excess of £100 million and four further transactions between £50-£100 million.

The majority of investment in H1 2021 has taken place in the City, where £2.75 billion has been transacted. A further £1.6 billion has been transacted in the West End, whilst there has been no activity to date in the East London market.

North American investors were the dominant source of capital into Central London during Q2 2021 accounting for 38% of total turnover. UK investors represented a further 24%.

Prime yields remained stable in the City market at 4.00% whilst prime yields in the West End came in to 3.50%.

2021 Q2 take-up stood at 1.8 million sq ft

26% below the five-year Q2 average

14 **Number of transactions signed over 25,000 sq ft in 2021 Q2**

Six were in excess of 50,000 sq ft

2.3 million sq ft under offer across London at end of June

19% below the five-year quarterly average

9.1 million sq ft speculatively under construction

38% of space is pre-let or under offer

2021 Q2 investment volumes were £3.1 billion

H1 volumes reached £4.4 billion

Prime yields across London

4.00% City **3.50%** West End

OUTLOOK

The London office market has started the recovery process, although the COVID-19 pandemic is unfortunately still influential. There are reasons to be optimistic, however, and the second half of 2021 is expected to further showcase London's resilience.

The success of the vaccine rollout has continued which has enabled the lifting of most COVID-19 restrictions across England. This has seen more occupiers put their return to office plans into action, although these are unlikely to show a significant boost to London footfall until the autumn.

The most recent Apple Mobility data shows that public transport usage in London is 23% above pre-pandemic levels at the outset of 2020, which signals a strong return of people to the City. The wider economic picture is much more positive than had been predicted six months ago, with 30% of the UK economy seeing output levels above those seen in February 2020. The economic rebound isn't likely to be a smooth one, however. Huge swings in spending are creating unseen levels of demand in some areas at the expense of others. Supply chain issues persist in manufacturing, construction and transport.

The job market is an indicator that companies are now focusing on the post-COVID future, with vacancies increasing by 241,000 over the last three months – the largest increase since records began in 2001. Vacancies aside, more people are in work, earnings in every sector are up, the claimant count has fallen and productivity has increased. The job market is therefore almost unrecognisable compared to six months ago. It is perhaps too early to suggest that the turnaround is complete due to the high level of COVID-19 cases that remain, but the job market has rebounded sufficiently well to allay any serious concerns.

Moody's analytics predicts 8.2% GDP growth in London by the end of 2021, a significant improvement on -10.6% contraction seen in 2020. The recovery is expected to maintain pace in 2022, where 8.2% GDP growth is once again anticipated. Over the next five years, GDP is expected to grow at an average of 5.1% each year.

Whilst sentiment seems to be gradually improving, we anticipate the next three to six months to be characterised by below-average take-up volumes. Q2 was the first quarter where tenant-controlled supply fell since the onset of the pandemic, and this trend looks set to continue. Supply is likely to remain above average levels in the short to medium term as leasing activity remains relatively subdued.

The Central London investment market has seen a rebound from a poor start to 2021 in Q1, and this uptick in activity is expected to continue, provided there is the required level of available stock. Any relaxation of international travel restrictions, particularly regarding visitors from the Asia Pacific markets, would likely boost investment activity.

"Public transport usage in London is 23% above it's pre-pandemic baseline at the start of 2020."

Source: Apple Mobility (July 2021)

8.2% — **Projected Inner London GDP growth in 2021**

8.2% — **Projected Inner London GDP growth in 2022**

6.1% — **Projected UK GDP growth in 2021**

6.3% — **Projected UK GDP growth in 2022**

Source: Moody's Analytics (July 2021)

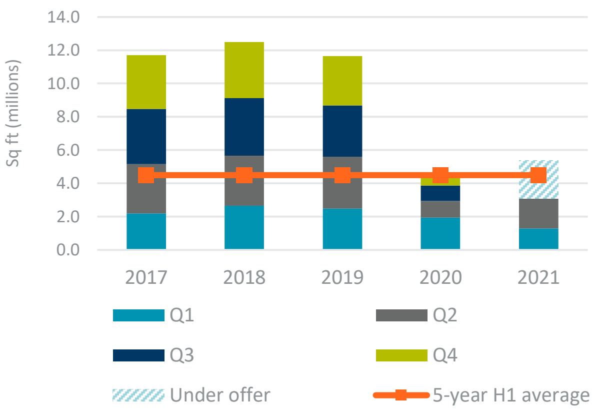
CENTRAL LONDON OVERVIEW

TAKE-UP

Central London take-up totalled 1.79 million sq ft for Q2, an increase of 80% on the volume transacted during the corresponding period in 2020, and 26% below the five-year quarterly average.

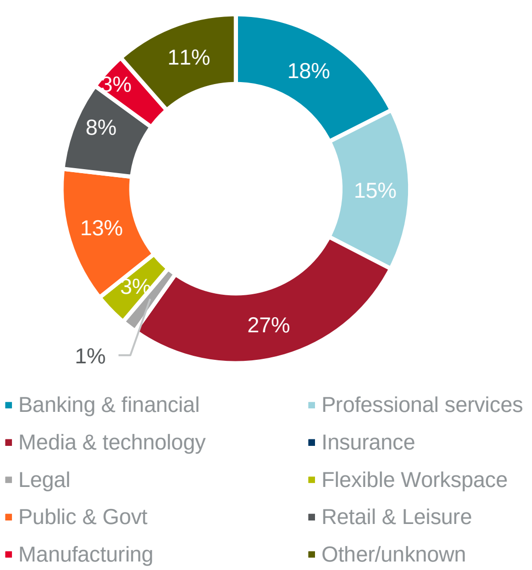
Pre-let space accounted for 17% of leasing volumes for 2021 H1. There was a further 1.0m sq ft of pre-let space under offer at the end of June, of which just over 200,000 sq ft was option space.

LEASING VOLUMES – 2017-2021 Q2



The largest transaction of the quarter saw professional services firm JLL pre-let 157,000 sq ft at 1-2 Broadgate, EC2. Another notable deal to sign during the quarter is IBM taking 135,000 sq ft in Southbank. Additionally, Synlab acquired 99,834 sq ft at 41-45 Blackfriars Road, SE1.

TAKE-UP BY SECTOR – 2021 Q2



Media & tech occupiers took the majority of space for 2021 Q2, accounting for 27% of total take-up volumes. The banking & financial sector remained active with an 18% share of quarterly leasing volumes, followed by the professional services sector which accounted for 15%.

The level of space under offer rose marginally quarter-on-quarter to 2.3 million sq ft. This was 19% below the five-year average, and 11% below the volume of space under offer during the same period in 2020.

KEY OCCUPIER TRANSACTIONS – 2021 Q2

JLL	IBM	SYNLAB
1-2 BROADGATE, EC2	YORK ROAD, SE1	41-45 BLACKFRIARS, E1
157,000 SQ FT	135,000 SQ FT	99,834 SQ FT
City Core	Southbank	Southbank
Pre-let off plan	Assignment	New lease

SUPPLY

Central London supply rose again to 19.2 million sq ft by the end of June, representing a quarter-on-quarter increase of 1%, and a 35% increase year-on-year. The vacancy rate reached 6.85% which is the highest since 2013, but well below the peak of 7.8% seen during the Global Financial Crisis.

At the end of June, there was 9.1 million sq ft of newly built or refurbished space being marketed, equating to 48% of total supply.

The volume of tenant-controlled space fell for the first time since 2020 Q1 to 6.7 million sq ft. Tenant space accounted for 37% of total available supply at the end of Q1, having fallen to 35% by the end of June. There were 330 tenant-controlled spaces being marketed at the end of Q2, with 21 units being added since April. We have started to see some occupiers withdraw their space from the market as they re-assess their needs.

At the end of Q2 there were 23 units able to satisfy a requirement of 100,000 sq ft or larger (excluding spaces under offer). Nine of these units were located in Canary Wharf or the Docklands.

CENTRAL LONDON OVERVIEW

FUTURE SUPPLY

The volume of speculative space under construction that is scheduled to complete by the end of 2021 reached 1.4 million sq ft at the end of June, with an additional 2.9 million sq ft of speculative space set to deliver by the end of 2022.

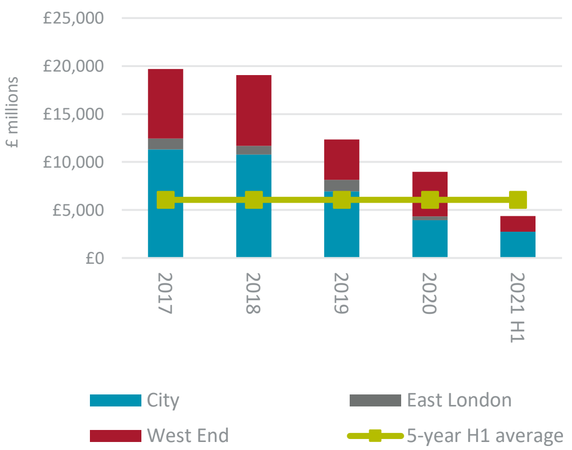
We expect the lack of new construction contracts being signed to have an impact on the delivery of newly/built refurbished space in the medium to long term (2023 and beyond), as COVID-19 forces developers to review or delay their schemes.

INVESTMENT

There was £3.1billion of investment across the Central London markets in the second quarter of 2021, reflecting a 144% increase against Q1 2021.

The City market has seen the highest proportion of investment activity during H1 2021, accounting for 63% of total investment (£2.75 billion). The West End has seen £1.6 billion invested during H1, whilst East London saw no investment activity in the first half of 2021.

INVESTMENT VOLUMES – 2017-2021 H1



There were nine sales in excess of £100 million traded during Q2, and four further transactions between £50 million and £100 million. The largest transaction was Brookfield Properties' purchase of Plantation Place, EC3 from J Safra Group & Delancey for £635 million.

Other notable transactions included One Braham, E1, purchased by Union Investments for £468.02 million and Suntec REIT's purchase of Minster Building, EC3 for £353 million.

KEY INVESTMENT TRANSACTIONS – 2021 Q2

PLANTATION PLACE, EC3

£635m

Purchaser: Brookfield Properties
Vendor: J Safra Group/Delancey

ONE BRAHAM, E1

£468.02m

Purchaser: Union Investments
Vendor: Aldgate Developments

ONE EMBASSY GARDENS, SW11

£177.45m

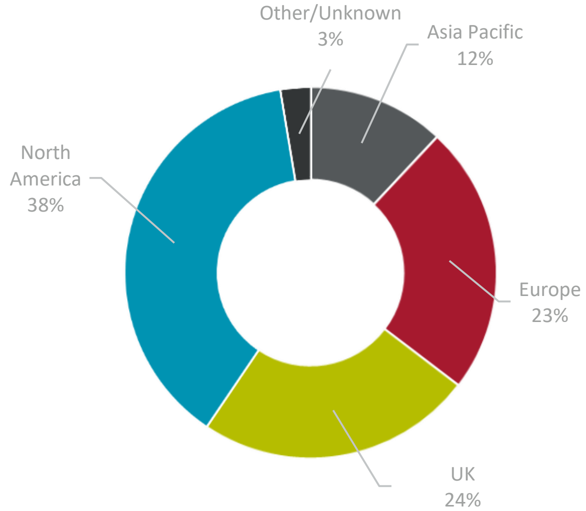
Purchaser: Kennedy Wilson
Vendor: Ballymore

The average lot size for Central London overall reached £83.55 million in the second quarter of 2021, compared to £45.18 million during Q1 2021.

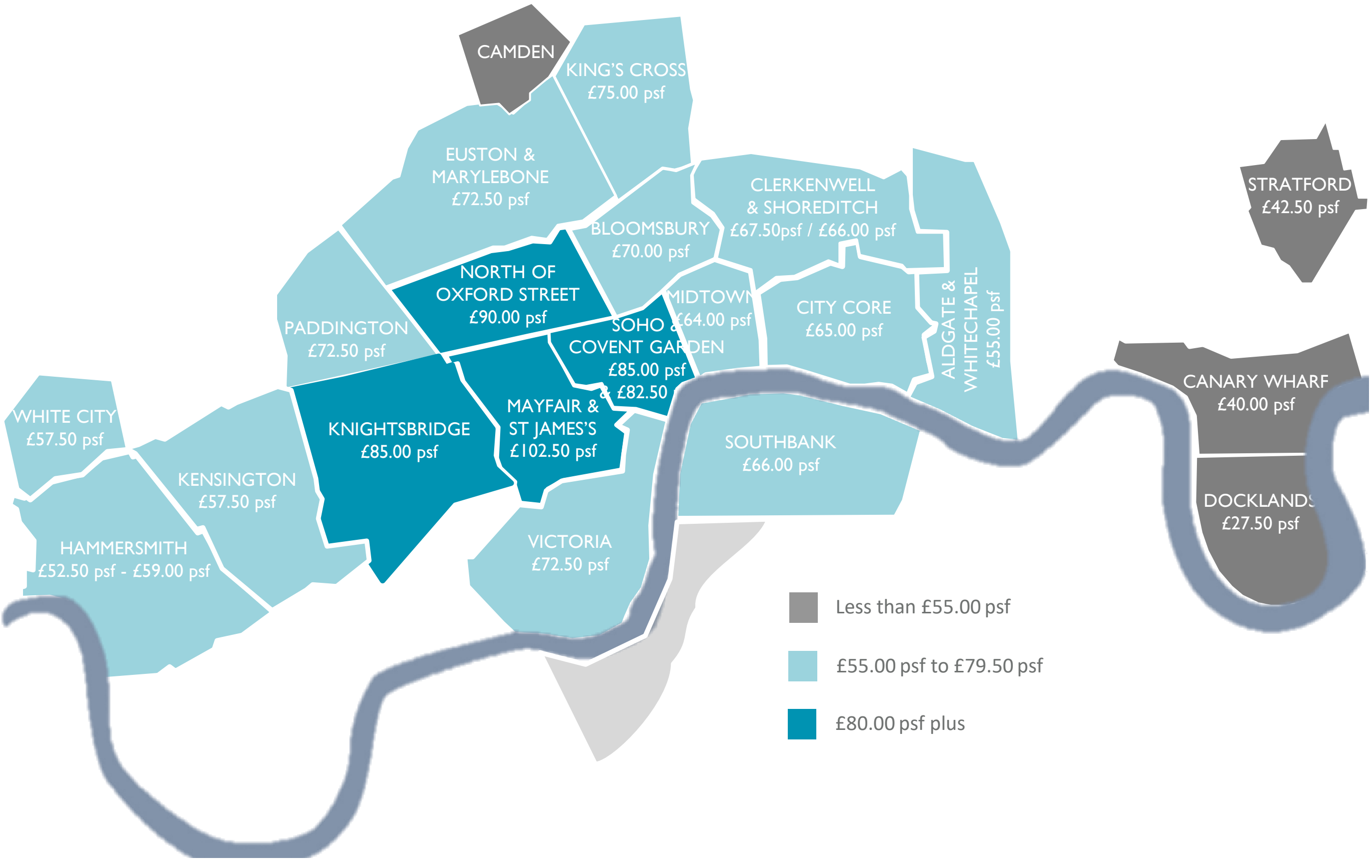
North American purchasers were the dominant source of capital into Central London in Q2 2021, accounting for 38% of all turnover, whilst UK investors accounted for a further 24% of turnover.

The amount of available stock has increased during the second quarter of 2021; at the end of June there was £3.91 billion on the market (including properties at the bids stage). Early signs suggest that investment activity in the second half of 2021 will pick up once the barriers for international travel are lifted. In the shorter term, there was £2.5 billion under offer at the end of June which could boost investment volumes in the third quarter of 2021.

INVESTMENT BY PURCHASER ORIGIN – 2021 Q2



PRIME RENTS



Prime rents in Central London have **remained stable** over the quarter across all submarkets

Over 2020 as a whole, prime rents decreased by 5.4% on average.

Average annual rental change across London markets

- Wider City – average annual change of -**5.9%**
- East London – average annual change of **-7.6%**
- West End - average annual change of **-4.8%**

Vacancy rates are rising with sub-lease availability on the increase, causing rents to fall by c.7% in 2020. A further 2-5% decrease is expected in 2021 before returning to growth in 2022.

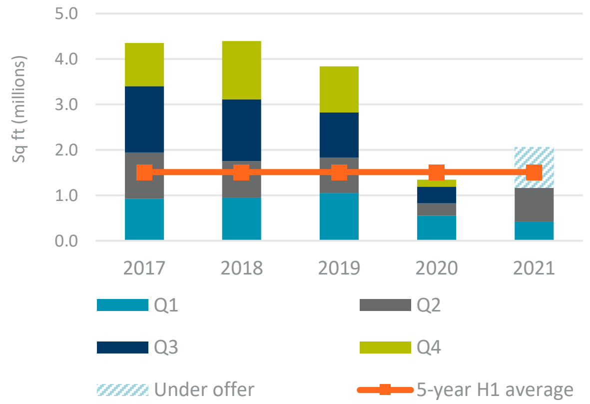
WEST END OVERVIEW

TAKE-UP

Take-up in the West End reached 736,517 sq ft in the second quarter of 2021, which was 14% below the five-year quarterly average. These figures represent a second consecutive rise in quarterly take-up.

West End take up in H1 2021 is an improvement of 40% on H1 2020, but still 23% below the 5-year average.

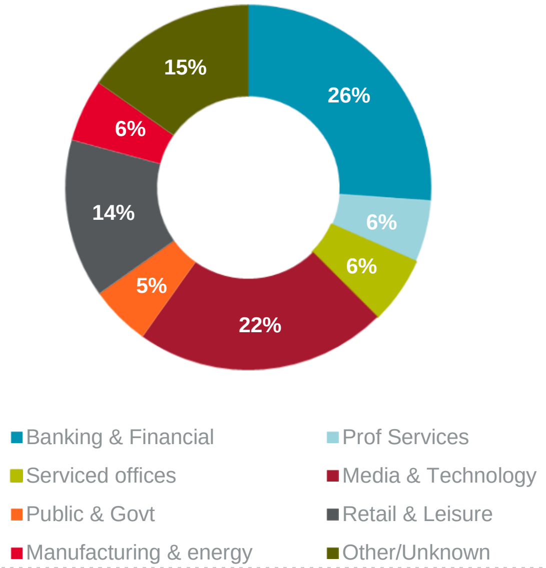
LEASING VOLUMES – 2017-2021 Q2



Notable transactions to conclude during the second quarter of 2021 saw ITV acquire 120,0000 sq ft in White City and Smart Pension acquire 44,520 sq ft at 136 George Street. The average transaction size during the second quarter of 2021 was 15,344 sq ft, and there was a total of 48 deals that concluded between April and June.

The banking & finance sector accounted for the largest share of 2021 Q2 take-up with 26% of leasing volumes, with media & tech sector accounting for a further 22%.

TAKE-UP BY SECTOR – 2021 Q2



There was just one pre-let transaction during Q2. Exane committed to 38,000 sq ft at 1 Newman Street. There was an additional 423,000 sq ft of pre-let space under offer at the end of June, which would suggest a continued trend of pre-letting in the short term.

The total volume of space under offer at the end of June fell to 946,000 sq ft, which was 0.6% above the five-year average.

KEY OCCUPIER TRANSACTIONS – 2021 Q2

cinch	Brown Advisory	PGIM
20 NEW WHARF ROAD, N1	19 HANOVER SQUARE, W1S	1-3 STRAND, WC2N
20,600 SQ FT	16,545 SQ FT	15,603 SQ FT
Kings Cross	Mayfair	Covent Garden
New lease	New lease	Assignment

SUPPLY

There was minimal change to supply in the West End over the quarter, with 5.88 million sq ft available at the end of June, the vacancy rate falling slightly to 5.07%. Supply levels have risen by 35% year-on-year.

Newly built or refurbished space accounted for 48% of total supply at the end of June, increasing by 40% from the end of the corresponding period in 2020.

At the end of June, there was a total of 2.0 million sq ft of tenant-controlled space being marketed in the West End, which has fallen by over 100,000 sq ft quarter-on-quarter. The West End market has been better insulated from the increase in tenant space when compared to the City and East London markets.

Across the West End there was no change to the number of buildings able to accommodate an immediate requirement in excess of 100,000 sq ft, this remains at three buildings. Additionally, there were sixteen buildings with 50,000-100,000 sq ft available.

FUTURE SUPPLY

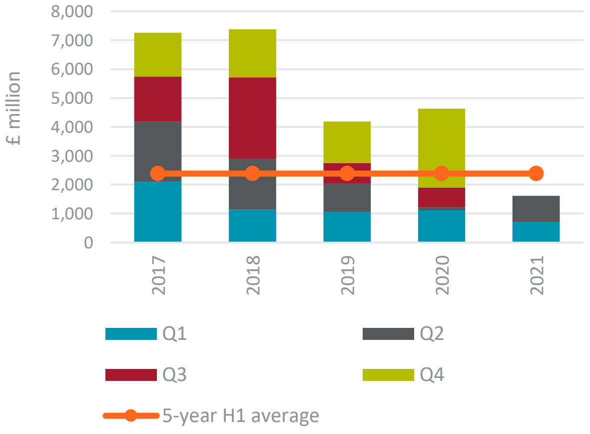
The development pipeline for the next five years looks increasingly restricted, with pre-let transactions insulating against any significant future uptick in New Grade A supply volumes. At the end of June, 60% of space under construction in the development pipeline was pre-let or under offer, leaving a total of just 2.37 million sq ft of speculative space under construction.

In the shorter term, there is 686,000 sq ft of speculative space due to complete by the end of 2021, with a further 972,000 sq ft due online in 2022. Looking further ahead, there is 389,000 sq ft of speculative space under construction that could complete in 2023.

There is potential for some schemes to be delayed due to the impact of COVID-19, both in the short term and the longer term, especially if there is a continued trend where there is a lack of construction contracts being signed.

INVESTMENT

INVESTMENT VOLUMES – 2017-2021 Q2



West End investment volumes reached £893.7 million during the second quarter of 2021, bringing the H1 total volume to £1.61 billion, which was 33% below the five-year H1 average level . Investment volumes grew by 25% quarter-on-quarter, reflecting the wider trend across Central London of investment activity picking up.

There were five transactions above £50 million during Q2 and the average lot size remained stable at £39.00 million, down from £91.66 million in Q4 2020.

KEY INVESTMENT TRANSACTIONS – Q2 2021

ONE EMBASSY GARDENS, SW11

£177.45m

Purchaser: Kennedy Wilson
Vendor: Ballymore

STIRLING SQUARE, SW1

£161m

Purchaser: Greycoat
Vendor: WELPUT

35 DOVER STREET, W1

£86m

Purchaser: Tokoro Capital
Vendor: Aroundtown

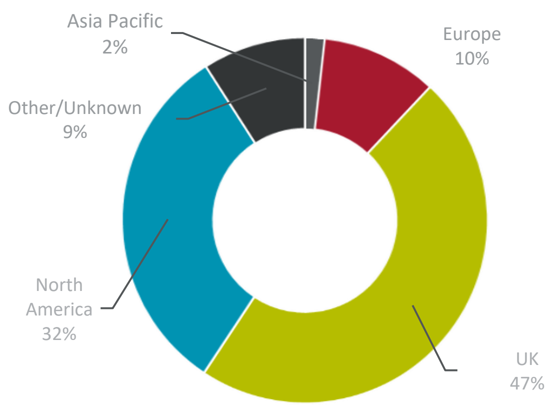
The largest transaction was Kennedy Wilson's purchase of One Embassy Gardens, SW11 from Ballymore for £177.45 million, reflecting a net initial yield of 4.50%. The next largest deal was Greycoat's £161 million acquisition of Stirling Square, Carlton Gardens, SW1 from WELPUT.

UK investors accounted for 47% of total turnover during 2021 Q2, with North American capital the next most active accounting for an additional 32% of investment volumes.

The amount of available stock on the market decreased during the quarter, with an estimated £1.9 billion available or at the bids stage at the end of June 2021. There was an additional £1.2 billion under offer at the end of Q2, which should help to bolster investment turnover in the short to medium term.

Prime West End yields came in to 3.50% at the end of Q2 2021, reflecting the continued weight of demand and easing of restrictions across the capital.

INVESTMENT BY PURCHASER ORIGIN – 2021 Q2

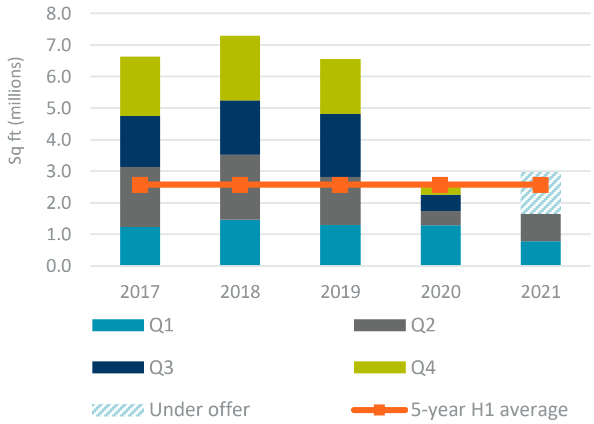


CITY OVERVIEW

TAKE-UP

A total of 881,513 sq ft was let across the City submarkets in the second quarter of 2021, a further increase on the previous quarter. Unsurprisingly, Q2 leasing volumes were higher in comparison to the same period last year, this figure represents a 94% increase in leasing volume year-on-year. However leasing volumes were 36% below the five-year Q2 average of 1.3 million sq ft .

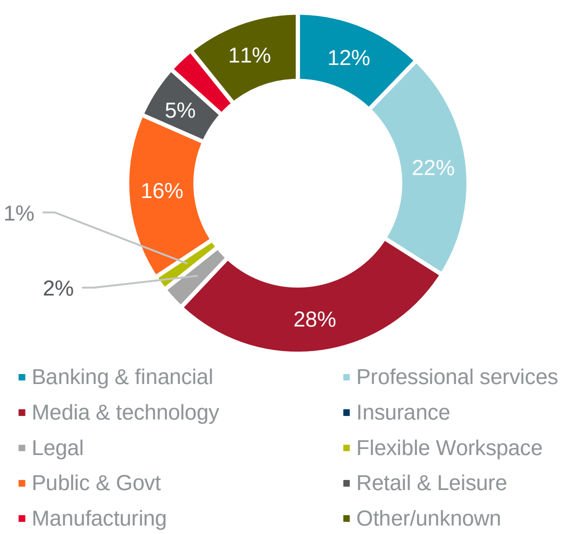
LEASING VOLUMES – 2017-2021 Q2



Pre-letting activity remained a key driver of the leasing market during H1, accounting for 32% of transaction volumes. This was driven by the largest deal of the year to date, which saw Latham & Watkins agree to pre-let 246,000 sq ft at 1 Leadenhall Street, EC3, as well as JLL committing to 157,000 sq ft at 1-2 Broadgate, EC2.

Other notable leasing transactions include IBM's acquisition of 135,000 sq ft of assignment space at York Road, SE1 and a new lease for Synlab at 41-45 Blackfriars Road for 99,824 sq ft.

TAKE-UP BY SECTOR – 2021 Q2



Media & tech occupiers took the most space across the City during Q2, taking 247,000 sq ft or 28% of total leasing volumes. Professional services and government & public occupiers were the next most active, taking 22% and 16% shares of City office space during the quarter.

Space under offer increased quarter-on-quarter to 1.3 million sq ft at the end of June. Total space under offer remains 17% below the five-year quarterly average of 1.6 million sq ft and 13% lower than the 1.5 million sq ft that was under offer at the end of June 2020. While there has been an increase in activity, the restrained levels of under offer space over the quarter indicates that take-up will remain below average levels for the rest of 2021.

KEY OCCUPIER TRANSACTIONS – Q2 2021

JLL	IBM	SYNLAB
1-2 BROADGATE, EC2	YORK ROAD, SE1	41-45 BLACKFRIARS ROAD, SE1
157,000 SQ FT	135,000 SQ FT	99,824 SQ FT
City Core	Southbank	Southbank
Pre-let off plan	Assignment	New Lease

SUPPLY

Availability in the City continued to trend upward over the quarter, increasing by 2.6% to reach 10.9 million sq ft at the end of Q2, reflecting a vacancy rate of 7.7%.

The supply of newly built or refurbished space rose 7% during the quarter to 5.3 million sq ft as new schemes continued to complete after delays hindered delivery in 2020. Second hand supply accounted for 51% of total supply at the end of June, a 1.7% decrease on last quarter.

Tenant-controlled supply decreased by 4% quarter on quarter to 3.7 million sq ft at the end of June, up from the 3.2 million sq ft at the end of Q4 2020. Tenant-controlled supply now represents 34% of total space available across the wider City market.

Large Grade A units remain few in numbers, with just seven new Grade A buildings available which are capable of accommodating a requirement in excess of 100,000 sq ft. Three of which can accommodate over 200,000 sq ft. The largest unit available was 22 Bishopsgate, EC2, which has a total of c.431,000 sq ft available.

CITY OVERVIEW

FUTURE SUPPLY

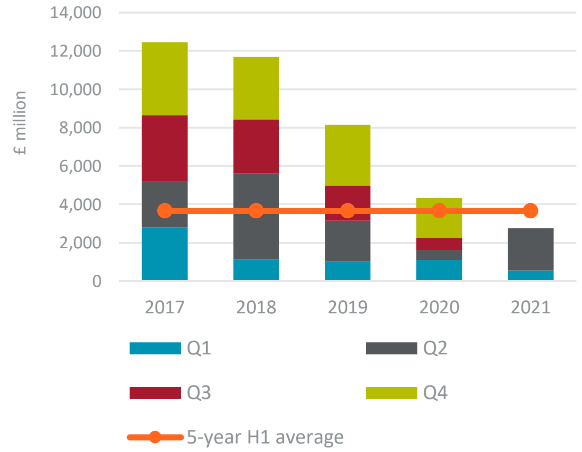
At the end of Q2, there was 751,000 sq ft of speculative space due to complete by the end of 2021. There was a further 1.6 million sq ft of speculative space scheduled to deliver by the end of 2022, and an additional 1.1 million sq ft in 2023. The total volume of speculative space under construction at the end of June was 4.9 million sq ft.

41% of space dur for completion in the remainder of 2021 was pre-let or under offer. In 2022, 22% of the space under construction is pre-let or under offer. Across the pipeline between 2021 and 2025, 28% of space under construction is already committed.

There is a further 4.4 million sq ft of space which could enter the pipeline by the end of 2025, albeit, given the current uncertainty caused by COVID-19, developers could look to adopt a more cautious approach throughout the next couple of years.

INVESTMENT

INVESTMENT VOLUMES – 2017-2021 Q2



Following a subdued start to 2021, the investment market across the City and East London submarkets improved significantly between April and the end of June. Turnover for Q2 2021 totalled £2.2 billion, bringing the H1 total investment volume to £2.75 billion. This was 25% below the five-year H1 average level.

There was more activity with the larger lot sizes, with seven transactions taking place in excess of £100 million, resulting in the average lot size increasing to £156.97 million during Q2.

The largest deal of the quarter was Brookfield Properties' acquisition of Plantation Place, EC3 for £635 million. The next largest transaction was Union Investment's purchase of One Braham, E1 for £468.02 million, reflecting a NIY of 4.10%.

KEY INVESTMENT TRANSACTIONS – Q2 2021

PLANTATION PLACE, EC3

£635m

Purchaser: Brookfield Properties
Vendor: J Safra Group & Delancey

ONE BRAHAM, E1

£468.02m

Purchaser: Union Investment
Vendor: Aldgate Developments

MINSTER BUILDING, EC3

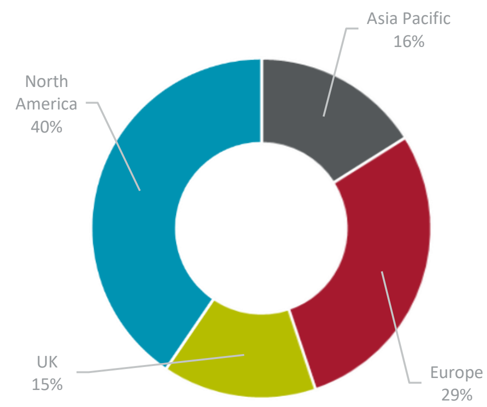
£353m

Purchaser: Suntec REIT c/o ARA Dunedin
Vendor: Ivanhoe Cambridge

North American purchasers were the dominant source of capital during the second quarter of the 2021, accounting for 40% of all investment volumes. European and Asia Pacific investors remained active with a 29% and 16% share of quarterly volumes respectively.

The amount of stock on the market has increased during the quarter, with an estimated £1.5 billion of assets on the market, including those subject to bids. There was an additional £1.6 billion of assets under offer at the end of June, which should help to bolster investment turnover in the short to medium term.

INVESTMENT BY PURCHASER ORIGIN – 2021 Q2



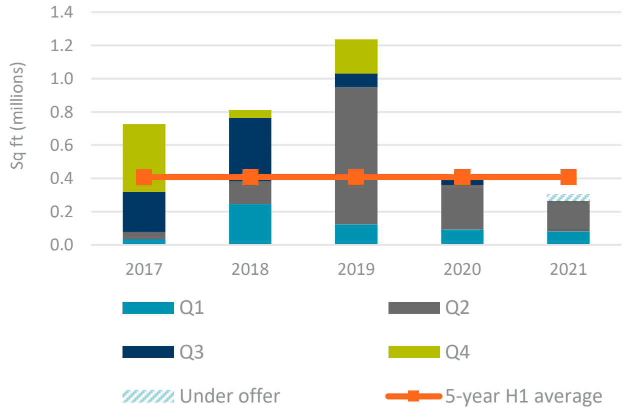
EAST LONDON OVERVIEW

TAKE-UP

Leasing activity across East London picked up this quarter after a slow first quarter which saw just two transactions complete. Take-up was however significantly less than the amount transacted during the corresponding period in 2020, equating to a 32% decrease in leasing activity. Q2 2021 figures still fell short by 55% of the five-year Q2 average of 406,407 sq ft.

The volume of space under offer in East London was limited at the end of March. At the end of Q1, there was just 53,000 sq ft of space under offer across the East London submarkets, 84% lower than the five-year quarterly average of 328,000 sq ft.

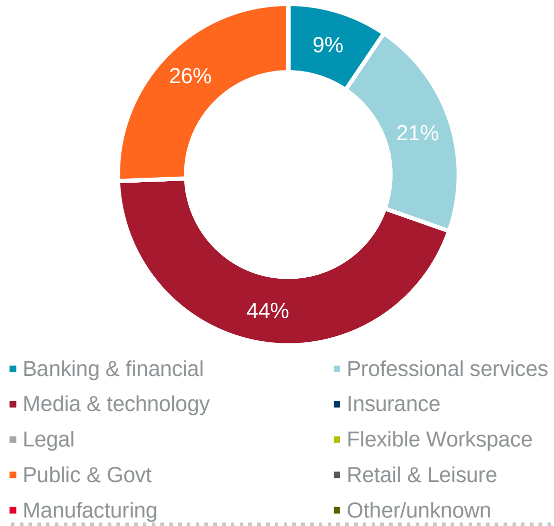
LEASING VOLUMES – 2017-2021 Q2



The largest transaction to conclude during the quarter was a 38,000 sq ft lease in Canary Wharf for JLL. Also in Canary Wharf, Anglia Ruskin University took 32,372 sq ft of office space at the Import Building. Another notable deal in the East London area was BBVA's acquisition of 17,252 sq ft at 1 Canada Square.

The media & tech sector again accounted for the largest share of take-up over the quarter with 48% of total leasing volumes. The government & public sector with a 28% share of leasing volumes, followed by professional services leasing a 23% share of the space transacted over the quarter.

TAKE-UP BY SECTOR – 2021 Q2



KEY OCCUPIER TRANSACTIONS – 2021 Q2

JLL	a.r.u. Anglia Ruskin University	BBVA
WOOD WHARF, 20 WATER STREET, E14	IMPORT BUILDING, EAST INDIA DOCK ROAD, E14	1 CANADA SQUARE, E14
38,000 SQ FT	32,372 SQ FT	17,252 SQ FT
Canary Wharf	Canary Wharf	Canary Wharf
New lease	New lease	New lease

SUPPLY

Supply across East London submarkets fell slightly over the quarter for a third consecutive quarter to 2.4 million sq ft, reflecting a vacancy rate of 10.4%. Despite the decrease, total supply is 22% above the five-year quarterly average of 2.0 million sq ft.

Grade A supply totalled 903,000 sq ft at the end of June, less than the 930,000 sq ft available at the end of Q2 2020. Second-hand units continue to command availability in East London, accounting for 63%, or 1.5 million sq ft of total supply.

At the end of Q2 there were nine buildings which could accommodate a requirement in excess of 100,000 sq ft, up from six buildings available during the same period in 2019. The largest unit on the market is 1 Cabot Square, where 194,000 sq ft of sublease space is available.

FUTURE SUPPLY

At the end of June, there was just 386,300 sq ft of speculative space under construction across East London which is due to complete over the next five years. At the end of June, there was an additional 1.73 million sq ft which could come to market before the end of 2025.

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REPORT DEFINITIONS

- All market statistics relate to units/transactions over 5,000 sq ft
- Supply is defined as space available for immediate occupation and space under construction that is due to complete within the next 6 months and is not let. It includes space under offer.
- Take-up figures refer to space let, pre-let, or acquired for occupation during the quarter.
- Under offer relates to units which a potential occupier has agreed in principle to acquire, subject to negotiation.
- Pre-lets include both off-plan – i.e. before construction has started on site – and pre-lets while under construction but prior to practical completion.
- Speculative development relates to newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant. It excludes buildings due for completion within six months.
- Prime rents relate to a consistently achievable headline rental figure that relate to new prime, well located, high specification units of a standard size (10,000 sq ft) commensurate within the predefined market area, assuming there is always existing demand and available supply.

APPENDIX A: COMPARABLE EVIDENCE

A selection of the latest London capital markets transactions as at the date of this report can be found below:

Exchanged

Property: 66 Shoe Lane, EC4
Status: Exchanged – Wing Tai + Consortium (February 2021)
Price: £255,000,000 (£1,625 psf)
Yield: 4.16%
Tenure: Long Leasehold

- Long leasehold from the City of London for a term of circa 132 years remaining at a peppercorn rent.
- Fully refurbished and repositioned by Stiff & Trevillion, 66 Shoe Lane comprises 156,997 sq ft of office, retail and ancillary accommodation arranged over basement, ground and nine upper floors.
- The property is fully let to Deloitte Digital on two separate leases for a term of 15 years - one of the leases is subject to a 12th year break option, with an 18 month rent penalty if the break is activated.
- Estimated total passing rent of £10,800,000 per annum, reflecting an overall rent of £69.79 per sq ft.

Property: Lever Building, 85 Clerkenwell Road, EC1
Status: Exchanged – Merseyside City Council Pension Fund (February 2021)
Price: £38,137,000 (£1,249 psf)
Yield: 4.29%
Tenure: FH

- Freehold
- Grade A warehouse style office building providing 30,637 sqft
- Arranged over lower ground, upper ground and five upper floors plus mezzanine level
- Single let to Tesco Stores Limited until April 2025
- Rental income of £1,745,000 pa equating to only £57.00 per sq ft

Completed

Property: Plantation Place, 30-35 Fenchurch Street, EC3
Status: Sold – Brookfield (June 2021)
Price: £635,000,000 (£1,160 psf)
Yield: c.4.00%
Tenure: FH

- Prominent, freehold landmark building in the City of London
- 547,386 sq ft (50,853.9 sq m) of Grade A office space
- Passing rent of circa £26.3 m per annum (£52.00 psf) reflecting a true initial yield of 3.87%.
- Once stablised we anticipate the rent to be in the order of £28.5m which equates to 4.2%.
- Majority let to Accenture (70% of office rental income), expiring in 2029.
- Other office tenants include QBE International Insurance, Aspen Insurance UK Ltd and Chaucer.
- Retail element is multi-let to Next, Jones Bootmakers, Molton Brown and Camino.
- WAULT of c. 8 years

Property: One Braham, E1
Status: Sold – Union Investment (May 2021)
Price: £468,000,000 (£1,363 psf)
Yield: 4.10%
Tenure: FH

- Freehold
- The development completed in Q4 2020 and comprises 325,000 sq ft.
- The property is single let to BT Plc on a 15 year lease. We estimate the passing rent to be c.£19 million per annum.

Property: One St John's Lane, EC1
Status: Sold – Royal London (June 2021)
Price: £113,000,000 (£1,269 psf)
Yield: 3.60%
Tenure: VFH

- Within 150 metres of Elizabeth Line (Crossrail) services at Farringdon
- 89,033 sq ft of Grade A offices over basement, lower ground, upper ground and four upper floors
- Single let to Save the Children until September 2028 (7.4 years to expiry)

Under Offer

Property: Enterprise House, 167-169 Westbourne Terrace, Paddington, W2
Status: Under offer (April 2021)
Price: £60,000,000 (£1,331 psf)
Yield: 3.45%
Tenure: FH

- Freehold
- 45,074 sq ft arranged over ground and five upper floors
- Single let to Network Rail with 13 years remaining
- Very low passing rent of only £2,100,000 per annum (£46.59 psf)
- Comprehensively refurbished in 2011 at a cost of over

Property: Capital House, 85 King William Street, EC4
Status: Under offer (June 2021)
Price: £143,000,000 (£1,139 psf)
Yield: 4.50%
Tenure: FH

- Freehold
- City core location 100 metres from the Bank of England
- Developed in 2003 with over 50% of the offices refurbished in the last 5 years
- High quality self-contained Grade A office building comprising 125,590 sq ft of office, retail and ancillary accommodation arranged over basement, lower ground, ground and eight upper floors
- Multi-let to seven office and three retail tenants with a WAULT of 5.4 years to expiries and 2.6 years to breaks
- Passing rent of £6,873,262 per annum, reflecting £54.73 per sq ft overall

Property: Plantation Place South, EC3
Status: Under offer (January 2021)
Price: £170,000,000 (£1,007 psf)
Yield: 4.90%
Tenure: FH

- Freehold 0.54 acre site
- 168,788 sq ft of Grade A office and retail accommodation arranged over basement, ground and nine upper floors
- Multi let to seven global tenants including Beazley Management Ltd, Sucden (UK) Ltd and Arch Insurance Company (Europe) Ltd
- Total income of £8,512,542 per annum, equating to £51.97 per sq ft overall
- WAULT of 6 years to expiries and 4.4 years to breaks
- Strong asset management potential

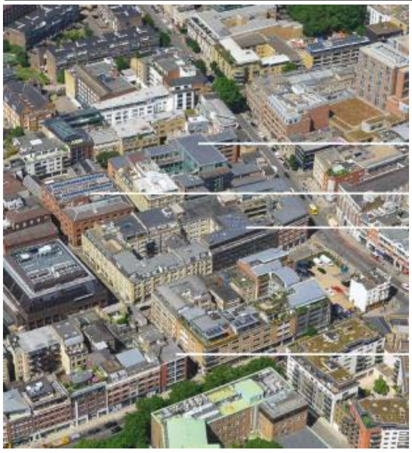
Property: 8 St James's Square, SW1
Status: Under offer – Deka (May 2021)
Price: £235,000,000 (£3,800 psf)
Yield: 3.40%
Tenure: FH

- Freehold
- 62,000 sq ft of office accommodation over basement, ground and six upper floors
- Total income of c.£8,533,320 per annum
- Tenants includes Helly Nahmad Gallery, Onex, Cingilli Collection, Point 72 Asset Management LP, Crown Workspace and The Clubhouse
- Pansy Ho Chiu-king, daughter of the late casino magnate Stanley Ho, paid £213m for 8 St James's Square in 2017, via her company Grand Paradise.

Property: 102 Petty France, SW1
Status: Under offer off market – Rothesay Life (April 2021)
Price: c.£600,000,000 (£1,846 psf)
Yield: c.3.00%
Tenure: FH

- Freehold
- 325,000 sq ft of office space
- Occupied by the Ministry of Justice, who are agreeing a new 25 year lease with indexation.
- Estimated total passing rent of £5,525,000 per annum, reflecting an overall rent of c.£17 per sq ft and

- In return for taking a long term lease, the MoJ will benefit from a reduced rent from the mid-£40s/ sq ft it currently pays, to around £17/ sq ft under the terms of the new lease.
- Other bidders include Legal & General, CK Asset, Phoenix Group, M&G Real Estate, Aviva Investors and Universities Superannuation Scheme (USS).



Property: The Clerkenwell Collection
Status: Under Offer again – previously Argo Real Estate (as at October 2020)
Quoting Price: £210,000,000 (£1,078 psf)
Yield: 4.08%
Tenure: Freehold

- Collection comprises of 7 properties - Sutton Yard, two mixed use assets on Goswell Road, Northburgh Street, Clerkenwell Road, and two adjoining office buildings on Northborough Street and Great Sutton Street
- The buildings provide approximately 194,735 sq ft (18,091 sq m) of accommodation

Total income of £8,775,204 per annum, with an additional development opportunity at 50 / 56 Great Sutton Street and 9 / 11 Northburgh Street

Property: 60 Aldgate, EC3
Status: Under Offer (as at October 2020)
Quoting Price: £40,000,000 (£187 psf)
Yield: N/A
Tenure: Long Leasehold

- To replace 4C Hotel Group to acquire option for a new long leasehold interest from Transport for London for a term of 500 years, to commit to and facilitate development.
- Planning application submitted for a new, landmark headquarters office and retail building in the heart of Aldgate, expected in Summer 2020
- The proposed development comprises c.213,960 sq ft (NIA) of offices and retail arranged over two basement levels, ground and 12 upper floor
- The building will offer typical floorplates of c.19,500 sq ft.

APPENDIX B: ABBREVIATIONS

ERV	Estimated Rental Value
GIA	Gross Internal Area
IPMS	International Property Measurement Standards
NIA	Net Internal Area
PROMIS	Property Market Information Service (an authorative real estate database produced by PMA Services)
PS	RICS Professional Standard – RICS Red Book
RICS	Royal Institution of Chartered Surveyors
UKNS	United Kingdom National Supplement – RICS Red Book
VPGA	RICS Global Valuation Practice Guidance Application – RICS Red Book
VPS	RICS Valuation Technical and Performance Standard – RICS Red Book
WAULT	Weighted Average Unexpired Lease Term
WAEPC	Weighted Average Energy Performance Certificate

SOURCES OF INFORMATION

Sources of Information

In addition to information established by us, we have relied on the information obtained from you and / or your advisors, as listed below:

Information	Source / Author
Floor areas	Brockton Everlast
Flooding risk enquiries, environmental enquiries	Environment Agency
Copy report on title / Confirmation of title, including site plan, tenure, tenancy and sub-tenancy details, etc. / Copy leases	Brockton Everlast
Details of planning use and relevant planning consents	Respective Local Authority
Details of current negotiations in hand, including rent reviews, dilapidation claims, details of any CPOs, highway schemes or similar	Brockton Everlast
Details of recent, current or proposed marketing of the Property and offers received	Brockton Everlast

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