QUARTERLY REPORT Q3 2021

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot, ToHa 2 , Tel-Aviv

CARR, Washington DC , THE WILSON & THE ELM

QUARTERLY REPORT | Q3 2021

Board of Directors' Report on the State of Corporate Affairs

Condensed Consolidated Financial Statements (Unaudited)

Separate Financial Information (Unaudited)

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

Reference to the Report on the Corporation's Liabilities by Repayment Dates

Attachment of the Financial Statements of an Associate - Carr

Auditor's Consent Letters

AlonyHetz
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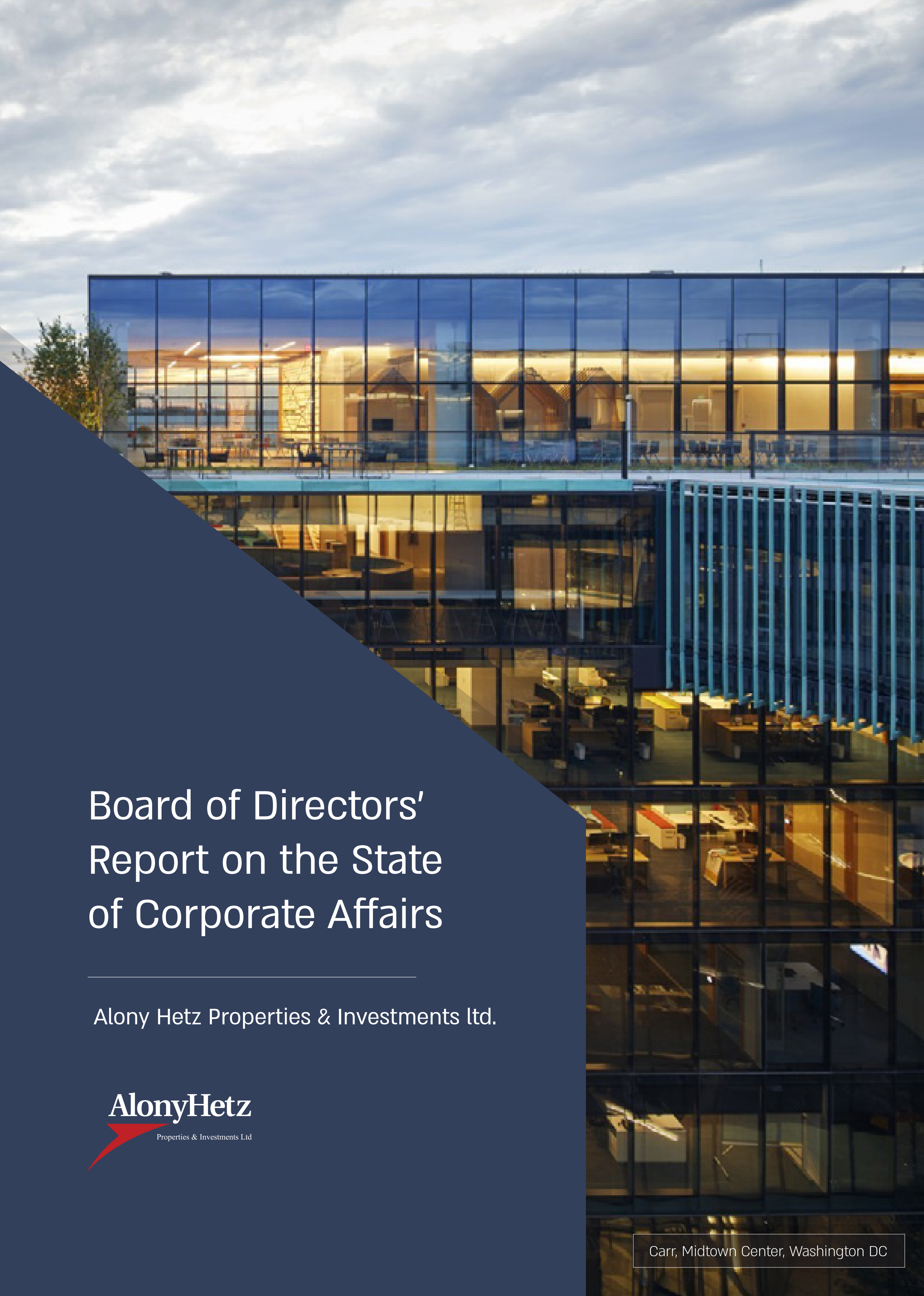


Carr, Midtown Center, Washington DC

Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Ramat Gan, November 15, 2021

Board of Directors' Report for the Nine Month Period ended September 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 nine- and three-month periods ended September 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 field of photo-voltaic energy and in the field of wind energy, as well as in the development and initiation of electric power producing facilities in Israel, Poland and in the United States.

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

Activity in Israel

Holdings at a rate of 55.6% 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.

[1] 50% control.

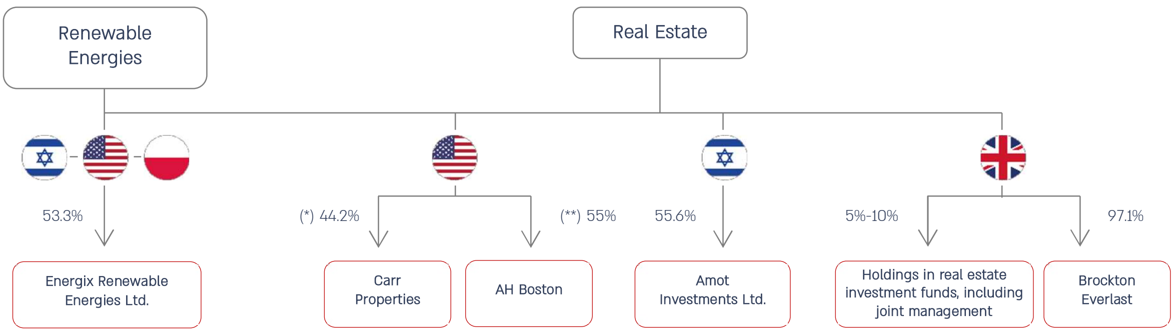
Activity in the UK

- Holdings of 97.1% in Brockton Everlast Inc. Limited (hereinafter – "**BE**"), which operates in the income-generating property field in the UK, in the London Metropolitan Area, in Oxford and in Cambridge. For further details, see Section 2.3.7 below.
- Holdings in 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 investments in the renewable energy field as of September 30, 2021:

Holdings of 53.3% 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 immediately prior to the date of publication of the report:



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

1.4 Stock Market Indices

The Company's shares are traded on the Tel Aviv Stock Exchange Ltd. (hereinafter – "**the TASE**"). The main stock market indices to which the Company's securities belong are: TA-35, TA-125, TEREAL, TA-Investment Properties in Israel, Tel-Div, the various TelBond indices and the TA-Maala index.

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

From the beginning of the year until the date of publication of the report, the Group companies acquired assets amounting to NIS 3.8 billion and sold assets amounting to NIS 1.6 billion. In addition, during the reporting period, the Group companies invested a total of NIS 1.4 billion in development and construction projects[2].

AlonyHetz Properties & Investments Ltd. The Company Expanded Solo	• Investment in BE's capital in the amount of GBP 126 million (NIS 572 million) and provision of a bridging loan to BE whose balance as of the date of publication of the report is GBP 36 million (NIS 151 million), mainly for BE's acquisition of properties in the Cambridge Science Park. • Investment in Amot's capital in the amount of NIS 288 million as part of a public offering of Amot's ordinary shares and option warrants exercisable for Amot's ordinary shares, mainly for Amot to acquire the "Tzrifin Logistic Park" (see below). • 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 657.5 million. • Extension and expansion of the Company's credit lines to the amount of NIS 650 million, which are not utilized as of the publication of this report.
AMOT AlonyHetzGroup	• Acquisition of the full rights in the complex known as the "Tzrifin Logistic Park" in September 2021 with a total area of 274 dunams, of which 224 dunams are designated for storage and crafts, storage and offices and approx. 50 dunams are designated for roads, open private space and open public space, on which 18 logistics buildings are built with a total built up area of approx. 113 thousand sq.m., for a consideration of NIS 1,518 million (before transaction costs). • Acquisition of rights for the establishment of the Toha2 project in Tel Aviv in August 2021 (together with its partner, Gav Yam Lands Corp. Ltd.) and the lease of the land for a period ending in 2108 (including an extension of the lease period for the Toha1 project land until that date). In October 2021, the Amot Board of Directors made a decision regarding the construction and marketing of the project, which includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking, and the total cost of its construction is expected to amount to approx. NIS 3 billion (Amot's share - NIS 1.5 billion).

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

- 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 29.9 million ordinary shares and 7.2 million option warrants (Series 11) exercisable for ordinary shares in September 2021, with an immediate (gross) consideration of approx. NIS 718 million. The future consideration, given the full exercise of the options, will amount to approx. NIS 194 million (subject to adjustments).
- 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. Subsequent to the balance sheet date, an issue of additional bonds (Series H) as part of a private placement for a total consideration of NIS 863 million, bearing CPI-linked effective interest of 0.4% and an average duration of 8.4 years.
- Subsequent to the balance sheet date, the signing of a loan agreement with a bank in Israel in the amount of approx. NIS 500 million with an average duration of 8.5 years. The loan is CPI-linked and bears 0.6% annual interest.

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%-1.6%, in effect for the years 2025-2026.

BROCKTON EVERLAST

- Acquisition of two complexes in the "Cambridge Science Park" for approx. GBP 238 million (before acquisition costs) with a total area of 100 dunams. In view of the expected demand for substantial expansion of 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 at the two complexes.
- 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%.
- Near the date of publication of the report, the Company and BE signed a non-binding document of principles with corporations from the Menora Mivtachim Group (hereinafter – "**Menora**"), regarding Menora's investment at a rate of up to 20% of BE's capital based on a company value of GBP 700 million (before adjustments and before Menorah's investment) - For additional information, see Section 2.3.7.2 below.

ENERGIXGROUP
CREATING YOUR GREEN ENERGY

- Massive expansion of the backlog of PV and storage projects in development in the United States, among other things through the 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.
- 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. In addition, Energix signed a binding memorandum of understanding with a turbine supplier for the project.
- 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 (up to NIS 440 million).
- Subsequent to the balance sheet date, in November 2021, Energix issued bonds (Series A and B) to the public for a total consideration of NIS 309 million (gross).

1.6 Summary of the main data – the Group

	Unit	1-9/2021	1-9/2020	Q3/2021	Q3/2020	2020	% Change [3]
Main financial results – Consolidated Statement							
Revenues from rental fees and management of investment property, net	NIS thousands	716,391	676,356	252,928	231,652	891,632	5.9
Fair value adjustments of investment property[4]	NIS thousands	349,134	(178,997)	(82,215)	10,440	(187,782)	
Group share in the profits of associates, net	NIS thousands	121,429	67,053	61,598	64,337	99,670	81.1
Net profit for the period	NIS thousands	691,778	391,987	115,724	220,145	465,485	76.5
Net profit for the year attributable to Company shareholders	NIS thousands	519,602	265,523	100,837	157,827	302,998	95.7
Comprehensive income (loss) for the period, attributable to Company shareholders	NIS thousands	475,614	172,059	(7,830)	165,251	56,119	176.4
FFO attributable to Company shareholders[5]	NIS thousands	353,068	376,489	129,971	126,377	495,433	(6.2)
Total balance sheet	NIS thousands	29,529,172	26,391,642			26,500,374	11.4
Equity (including non-controlling interests)	NIS thousands	10,677,450	9,999,401			9,912,830	7.7
Financial debt (bank credit and bonds)[6]	NIS thousands	15,247,569	13,589,476			13,394,404	13.8
Net financial debt[7]	NIS thousands	14,634,528	11,506,433			11,179,623	30.9
Ratio of net financial debt to total balance sheet[8]	%	50.6	47.33			46.0	
Main financial results – Expanded Solo[9]							
Total balance sheet	NIS thousands	11,332,658	10,903,762			10,791,514	5.0
Equity attributable to Company shareholders	NIS thousands	6,746,666	6,551,683			6,401,866	5.4
Financial debt (bank credit and bonds)[6]	NIS thousands	3,851,188	3,810,442			3,680,979	4.6
Net financial debt[7]	NIS thousands	3,673,758	3,026,419			3,078,047	19.4
Ratio of net financial debt to total balance sheet[8]	%	32.9	29.9			30.2	
Per share data							
Earnings per share – basic	NIS	3.00	1.54	0.58	0.91	1.75	94.6
Comprehensive income per share – basic	NIS	2.74	1.00	0.25	0.96	0.32	174.4
FFO per share[5]	NIS	2.04	2.18	0.75	0.73	2.87	(6.6)
Current dividend per share	NIS	0.91	0.87	0.31	0.29	1.16	4.6
NAV per share	NIS	38.84	37.92			37.04	4.9
NNAV per share [10]	NIS	46.59	44.56			44.16	5.5
Price per share at end of period	NIS	49.60	33.70			44.90	10.5

[3] Balance sheet data of September 30, 2021 compared to December 31, 2020 Result data from 1-9/2021 compared to 1-9/2020.

[4] The amount includes a negative value adjustment for the amortization of property acquisition costs as follows: NIS 171 million and NIS 39 million in the periods 1-9/2021, and 1-9/2020, respectively, NIS 122 million and NIS 6 million NIS in Q3/2021 and Q3/2020, respectively, and NIS 39 million in 2020.

[5] In calculating FFO, index rate differentials and linkage differentials in respect of bonds and CPI-linked loans were not included, because in Company Management's opinion these expenses do not reflect cash flows from ongoing operating activities.

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

[7] Financial debt presented net of cash balances. The Company's net financial debt (expanded solo) as of September 30, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 158 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 September 30, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 158 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	1-9/2021	1-9/2020	Q3/2021	Q3/2020	2020	% Change[11]
Investment in Israel – Amot Investments Ltd. (55.6% rate of holdings)[12]							
Number of income-generating properties	Unit	123	105			104	
Value of investment property (not including property in development)	NIS thousands	14,546,265	12,928,123			12,718,390	14.4
Weighted capitalization rate deriving from investment property	%	6.5	6.5			6.52	
Occupancy rate at end of period	%	97.5	97.3			97.2	
Value of investment property in development	NIS thousands	1,636,119	947,593			1,222,883	33.8
Ratio of net financial debt to total balance sheet	%	45	46			43	
[13]NOI	NIS thousands	566,967	560,153	197,235	191,550	734,204	1.2
FFO[14] per share	NIS	1.019	1.03	0.359	0.358	1.315	(1.1)
NAV per share	NIS	16.02	15.50			15.42	3.9
Price per share at end of period	NIS	22.83	15.68			17.99	26.9
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	2,597,843	2,958,790			2,894,350	(10.2)
Occupancy rate at end of period	%	85.0	92.7			90.53	
Rental rate at end of period	%	92.4	95.5			92.55	
Number of properties in development	Unit	3	3			3	
Value of property in development[16]	USD thousands	1,223,014	915,846			995,297	22.9
Ratio of net financial debt to total balance sheet	%	42.0	43.2			44.9	
NOI	USD thousands	108,853	110,569	41,986	36,014	155,096	(1.6)
FFO	USD thousands	57,715	64,745	24,105	20,700	92,386	(10.9)
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings – 97.1%)							
Number of income-generating properties	Unit	[17]13	5			5	
Value of investment property	GBP thousands	969,354	663,100			665,250	45.7
Occupancy rate at end of period	%	93	94.5			95.1	
Ratio of financial debt to total balance sheet	%	46.1	51			50.7	
NOI	GBP thousands	22,801	19,341	8,385	6,579	25,868	17.9
FFO	GBP thousands	9,376	5,689	4,428	2,318	7,909	64.8
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53.3%)							
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	328.3	220.5			222.8	47.4
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	1,905,509	1,694,098			1,635,328	16.5
Revenues from sale of electricity and green certificates	NIS thousands	189,499	194,277	65,330	62,812	261,803	(2.5)
FFO from projects[18]	NIS millions	128.3	133.4	45.8	44.8	181	(3.8)
Price per share at end of period	NIS	13.67	13.65			14.66	(6.8)

[11] Balance sheet data of September 30, 2021 compared to 2020, Result data from 1-9/2021 compared to 1-9/2020.

[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 of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.

[16] The data as of September 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] In addition to BE, there are two properties in Cambridge Science park that are designated for demolishment for the purpose of building new 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 reporting period, 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 same is true in the markets in which the Group operates in the UK and in the US. Israel is seeing the decline of the fourth wave, with declining morbidity rates, infection rates and the severely ill. Nevertheless, there is still much uncertainty regarding economic activity in the medium-term in Israel and in the markets in which the Company operates around the world, especially in view of the risk of additional reoccurring waves of morbidity.

The trend of rising inflation continues in Israel and even more so around the world. Difficulties in the global production chain and rising energy prices increase the existing risks of inflation. Inflation indices in many countries are at high levels, with some of them exceeding inflation targets. In the US, the Fed left the interest rate and the purchase plan unchanged, but indicated a reduction in the purchase plan in the near future while advancing the forecast for a first interest rate hike to the end of 2022. In the Eurozone, the European Central Bank left the interest rate unchanged, but announced its intentions to slow down its purchase plans. In the UK, in the context of the rising risk of inflation, the Central Bank has indicated a rise in interest rates.

The NIS exchange rate will be revalued against the USD, the GBP and the PLN (currencies to which the Group is exposed).

In the reporting period, there was a rise in electricity prices in the US and in Poland. This trend, to the extent it continues, is expected to lead to a significant increase in the volume of Energix's revenues from the sale of electricity in Poland and the United States.

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] Mainly from the publications of the Bank of Israel Research Division from October 2021.

2.2 Statement of Financial Position

Statement of Financial Position Item	30.9.2021 NIS millions	31.12.2020 NIS millions	Notes and Explanations
Cash and cash equivalents	613	2,215	For Statement of Cash Flows – see Section 2.6 below.
Investment property	19,705	16,250	The item includes investment property and investment property in development. Most of the increase stems from the acquisition of new properties, mainly properties acquired by BE in Cambridge, UK in the amount of NIS 974 million, and from Amot's acquisition of the Tzrifin Logistic Center in the amount of NIS 1,609 million (including acquisition costs). The increase is also due to a property revaluation in the amount of NIS 349 million in the reporting period.
Investments in associates Securities measured at fair value through profit and loss	4,769	4,688	The following are the main changes: • An increase in investments in respect of the Company's share in the profits of investees in the amount of NIS 121 million. • Investments in investees in the reporting period in the amount of NIS 94 million. • An increase in investments measured at fair value through profit or loss due to their adjustment to fair value in the amount of approx. NIS 52 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	3,432	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	1,010	683	The change is mainly due to a receivable VAT balance in respect of the property acquisitions.
Total assets	29,529	26,500	
Loans and bonds	15,258	13,606	The following are the main changes: • The raising of bonds, receipt of long-term loans and utilization of credit facilities in the amount of NIS 2.7 billion. • Repayment of bonds and loans in the amount of NIS 0.9 million. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	3,594	2,981	
Total liabilities	18,852	16,587	
Equity attributable to shareholders	6,747	6,402	For details regarding the main changes in equity attributable to shareholders – see Section 2.7.2 below.
Non-controlling interests	3,930	3,511	
Total equity	10,677	9,913	
Total liabilities and equity	29,529	26,500	

2.3 Investments

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

	Currency	Number of Shares	Book Balance of the Company (expanded solo)	Value	Value Measurement Basis
			NIS thousands	NIS thousands	
Amot	NIS	245,718,872[20]	3,917,479	5,614,027	Stock market value - negotiable
Energix	NIS	260,352,283	770,510	3,559,016	Stock market value - negotiable
Carr	USD	-	3,120,737	3,120,737	Equity method
AH Boston	USD	-	855,514	855,514	Equity method
Brockton Everlast	GBP	-	2,199,679	2,199,679	Equity method
Brockton Funds	GBP	-	157,653	157,653	Equity method
Other (mainly cash in the amount of NIS 20 million and a short-term bridging loan to Brockton in the amount of NIS 158 million)			190,237	190,237	
Total			11,211,809	15,696,863	

2.3.2 The Company's investments (expanded solo) in the reporting period

During the reporting period, the Company (expanded solo) **invested** in its investees, as follows:

	January to September 2021
	In NIS millions
Amot	288
Brockton Everlast	572
Brockton Everlast - bridging loan[21]	163
Boston AH	36
Brockton Funds	16
	1,075

[20] In addition, the Company holds 2.88 million Amot options (Series 11) that are exercisable for Amot shares.

[21] According to the exchange rate on the grant date of the loan.

2.3.3 Realization of investments in the reporting period

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 summary of investment property revaluations made by the Group in the nine months ended September 30, 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	Amortization of acquisition costs	Total	**Total**
Israel (Amot)	ILS	101	35	(114)	22	13
USA (Carr and AH Boston)	USD	-	56	(1)	55	88
UK (BE) (*)	GBP	19	66	(13)	72	319
Company's share before the tax effect						**420**
Tax effect						(97)
Company's share after tax						**323**

(*) For details regarding BE's property revaluations in the reporting period, see Section 2.3.7.4 below.

2.3.5 Investment in property in Israel – through Amot

In September 2021, Amot issued a public offering, in which Amot issued 29.9 million shares and 7.2 million option warrants (Series 11) for a total immediate consideration (gross) in the amount of approx. NIS 718 million. In this context, the Company invested NIS 288 million in Amot in exchange for 12 million Amot shares and 2.88 million option warrants (Series 11). For additional information, see Note 4a to the financial statements.

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:**

Amot Givatayim (formerly the Pelephone building)

In August 2021, 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 for the amount 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.

Acquisition of land in the Beit Shemesh area

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 project partner intend to plan and build a two-story logistics center, with a total gross area of approx. 45 thousand sq.m.

Acquisition of the "Tzrifin Logistic Park"

In September 2021, Amot acquired the full rights in the complex known as the "Tzrifin Logistic Park" (hereinafter – "**the Complex**") for NIS 1,518 million (not including transaction costs).

The complex includes a total area of approx. 274 dunams, of which approx. 224 dunams are designated for storage and crafts, storage and offices and approx. 50 dunams are designated for roads, open private space and open public space, on which 18 logistics buildings are built with a total built up area of approx. 113 thousand sq.m.

The complex is located in the area of the Sdot Dan Regional Council, on the eastern side of Road 44 (the Ramla-Beit Dagan Road), adjacent to Moshav Nir Zvi and close to Assaf Harofeh Hospital and the Tzrifin Junction.

The existing logistic buildings in the complex are fully leased under various lease agreements to approx. 28 tenants (hereinafter – "**the lease agreements**"), while the aggregate rent received in respect of the lease agreements is a total annual amount of approx. NIS 56 million (an amount that includes management fees). The transaction was completed on September 30 and the consideration was paid in full on the date of completion of the transaction. The transaction was financed through the issuance of capital and utilization of a credit facility. The credit facilities were fully repaid after the balance sheet date and were replaced by a loan received from a banking institution and the issuance of bonds (Series H).

ToHa2 - Totzeret Ha'aretz

In August 2021, Amot and Gav Yam Lands Corp. Ltd. (hereinafter, in this section – "**the Partners**"), purchased, in equal parts, the rights to establish the ToHa2 project and leased the land for a period that will end in 2108 (including the extension of the lease period in respect of the ToHa 1 project land until that date).

Subsequent to the balance sheet date, in October 2021, the Amot Board of Directors decided on the establishment and marketing of the ToHa2 project in Tel Aviv. The project will be built by the partners, on the real estate located at the intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd. in Tel Aviv, adjacent to the ToHa1 project, which is also owned by the partners.

The ToHa2 project includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI adjustment work) will reach a total of approx. NIS 3 billion (Amot's share - NIS 1.5 billion), of which a total of approx. NIS 700 million has been paid so far (Amot's share - NIS 350 million).

The construction of ToHa2 will begin in the coming months, following the completion of the construction of the partial underground parking and it is expected to be completed during 2026. The expected income from ToHa2 upon its completion and full occupancy, based on the rental prices customary at present in the area, is estimated at approx. NIS 280 million (Amot's share -NIS 140 million).

The aforesaid in this section regarding the starting and ending dates of the ToHa 2 project construction, regarding the total construction cost and regarding the expected revenues from the project are forward-looking information.

Operating activities:

The Amot NOI in the reporting period in 2021 amounted to NIS 567 million, compared to NIS 560 million in the corresponding period 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**:

Sale of 49% of Midtown Center

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.

Expansion of activity in Austin, Texas

1) 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**") for the amount of USD 189.9 million.

   The transaction was carried out 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 94% as of September 30, 2021.

   In September 2021, Carr added a partner, at a rate of 49%, to a designated company that holds the property and a loan, for a consideration in the amount of USD 86.4 million. The transaction was carried out according to a building value of USD 316.7 million (similar to the acquisition value).

2) In addition to the aforesaid in Section 1 above, and further to that stated in Section 8 of Chapter C1 and that stated in Section 11 of Chapter F of the Description of the Corporation's Business, which is attached to the 2020 Financial Statements, Carr is working to increase its property base in Austin, Texas and is currently in negotiations to purchase two plots of land in Austin, Texas for development.

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" and Note 7d to the financial statements.

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

In July 2021, 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 in effect until the years 2025-2026 and bears interest derived from Carr's LTV rate (currently an interest rate of Libor + 1.5% -1.6%).

2.3.6.6 **Additional information**

During 2022, some of the non-controlling interests in Carr are expected to exercise their redemption right in relation to the redeemable shares which they hold. The cost of redeeming the above shares amounts to USD 63 million. To the extent that the redemption right is exercised, the Company intends to acquire the redemption rights in full. For additional information, see Note 6h(4) to the Company's 2020 Financial Statements.

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 **Non-binding agreement of principles for adding an investor to BE**

In order to meet BE's long-term business targets, on November 15, 2021, the Company and BE signed a non-binding document of principles with corporations from the Menora Mivtachim Group (hereinafter – "**Menora**"), regarding Menora's investment at a rate of 10% of BE's capital (and to the extent possible, subject to that stated below - up to 20%) based on a company value of GBP 700 million (before Menorah's investment), which constitutes an investment by Menora of GBP 78 million (approx. NIS 325 million) (or up to GBP 175 million, approx. NIS 730 million, respectively).

Insofar as the transaction is completed and on its completion date (February 22, 2022), Menora will invest only 10% in BE's capital, it will be granted an option to invest up to an additional 10% in BE's capital based on a company value of GBP 775 million (before adjustments and before Menora's investment) until May 22, 2023.

As of September 30, 2021, BE's equity amounted to GBP 516 million.

Completion of the transaction is subject, among other things, to Menorah carrying out due diligence, to legal reviews, to obtaining approval from the parties' competent bodies, to restrictions under any law, including under the Law for the Promotion of Competition and the Reduction of Concentration, 2013 ("the Concentration Law") and to the signing of a binding agreement.

2.3.7.3 **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 two properties in the "Cambridge Science Park" (hereinafter – "the Science Park") whose aggregate acquisition cost is GBP 238 million with a total area of 100 dunams. In view of the expected demand for substantial expansion of 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 at the two complexes, as follows:

1) The "**Inner Complex**" in the heart of the Science Park – nine properties located on a **60-dunam** area leased for a period of 160 years and with a purchase cost of **GBP 177 million** (not including acquisition expenses). The inner complex includes two evacuated buildings and seven fully leased buildings with a rental area of 256 thousand sq.ft. and are expected to yield an annual NOI of GBP 6 million. In accordance with the existing planning policy at Cambridge in the

Science Park area, upon the expiry of the existing lease agreements, BE's management intends to establish office buildings and research laboratories with an area of approx. one million sq.ft. in the internal complex.

2) The "**Outer Complex**" adjacent to the main entrance to the Science Park – private land for development with an area of **40 dunams** and a purchase cost of **GBP 61 million** (not including acquisition expenses). The outer complex includes three buildings designated for demolition, with a rental area of 127 thousand sq.ft. that yield an annual NOI of GBP 1 million. In accordance with the existing planning policy at Cambridge in the Science Park area, BE's management estimates that the outer complex has development potential of approx. half a million sq.ft.

BE's management anticipates a significant increase in the value of the properties in the Science Park over the coming years in parallel with the progress in the development procedures.

BE took, and 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(6) to the financial statements.

The aforesaid in this section above regarding the realization of the building rights potential, the expected increase in the value of the Science Park properties and the completion of the transaction described above with Menora is forward-looking information, which is based on management assessments by BE and/or by the Company.

2.3.7.4 **Fair value of investment property**

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

	1-9/2021
	In GBP millions
Profit resulting from the progress in planning and licensing procedures for the development plan **(*)**	66
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	(13)
Total fair value adjustments of investment property	**72**

(*) 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 reporting period, 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 the report of the same date (Ref: 2021-01-133536).

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 (the Group's share – USD 78 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:

Energix has engaged with one of the world's leading turbine suppliers to purchase the turbines for the project, is working to advance a financing transaction for the construction of the project amounting to up to NIS 650 million and continues to work to obtain the full permits and approvals needed to reach financial closure by the end of 2021. For additional information, see Note 6(b)(8) 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:

Energix has completed the construction of 13 systems of the 17 that are expected to be established in these procedures, with a total capacity of 94 MWp, and is in the midst of construction work on the remaining projects. For additional information, see Note 6(b)(7) to the financial statements.

(2) United States

Establishment of the Virginia 2 Projects (140 MWp):

Energix has completed the construction and connection of 4 of the 6 additional projects to the electricity grid in Virginia, and completion of the remaining 2 projects is expected by the end of 2021. The prices of electricity and certificates of the projects are fixed through transactions for periods of 6-15 years, at a rate of at least 80% of the expected electricity generation at the facilities. 5 of the 6 projects have an external tax partner (a leading financial institution) that is expected to invest an estimated amount of 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.

Significant expansion of the project backlog in development in the US

- 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

  In August 2021, Energix (through a wholly owned American subsidiary) acquired 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. As part of the NCRE transaction, Energix acquired a significant backlog of projects that included photovoltaic projects in development with a capacity of approx. 1.8 GWp and energy storage projects in development stages with a capacity of approx. 1,680 MWh, as well as additional rights that matured after the acquisition of NCRE into entrepreneurial projects in the field of photovoltaics and energy storage with a significant capacity.

- Massive expansion of the PV and storage project backlog in development in the US with a capacity of approx. 2.9 GWp and approx. 3,900 MWh.

  During the third quarter of the year, Energix, through its US-based entrepreneurial network, increased its backlog of projects in development in the US, with an emphasis on rights acquired in the NCRE transaction with significant additional capacity.

  As of the date of approval of the report, the total amount of Energix's projects in development in the US is approx. 5.7 GWp and a storage capacity of over 5.5 GWh. Energix estimates that at least half of the project backlog in development in the US will reach construction during the years 2023-2025, with an estimated investment of approx. USD 3 billion.

(3) Poland

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

Energix is in the final stages of construction work on 2 wind farms in Poland with a total capacity of approx. 126 MW and they are expected to be completed with the schedules brought forward for connecting the wind turbines to the electricity grid. 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 (up to NIS 440 million). For further details, see Note 6(b)(4)(a) to the financial statements.

Establishment of the Banie 4 wind farm - the beginning of construction and signing of a memorandum of understanding for a financing transaction:

During the third quarter of 2021, Energix commenced construction work on a wind farm in Poland with a total capacity of approx. 56 MW and it is continuing as planned. Close to the date of publication of the report, Energix engaged with a consortium of 2 lenders in a memorandum of understanding for the receipt of financing for the project in the total amount of up to PLN 300 million (up to NIS 240 million). For additional information, including regarding the acquisition of the non-controlling interest (32%) in the designated company holding the Banie 4 project for the amount of EUR 3.7 million (approx. NIS 14.5 million), see Note 6(b)(4)(b) to the financial statements.

The above information regarding the feasibility of implementing the projects in development, including the total capacity generated therein and the estimated investment amount, is inside information based on Energix management assessments based on its experience, and may be influenced by factors not related to Energix.

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, in the reporting period and until the date of publication of the report, Energix has continued to enter into price-fixing transactions for the years 2023-2024 at increasing prices over the years. As of the date of publication of the report, Energix has price-fixing transactions for significant amounts of the expected electricity generated for the years 2021-2024. The prices fixed in these transactions along with the revenues from the expected bringing forward of the schedules for the connection of the wind farms in Poland 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	175	237
Carr[22]	91	91
BE	52	52
Energix	34	47
AH Boston	20	29
PSP	4	4
	376	**460**

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 September 30, 2021, the Group has cash balances of NIS 613 million (of which the Company's expanded solo cash balance is NIS 20 million) and unutilized lines of credit in the amount of approx. NIS 879 million (of which the Company's expanded solo lines of credit are NIS 576 million).

As of the date of publication of the report, the Group has unutilized lines of credit in the amount of approx. NIS 1.9 billion (of which the Company's expanded solo unutilized lines of credit are NIS 650 million, and Amot's unutilized lines of credit are approx. NIS 1,185 million).

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

2.4.2 Unpledged assets

As of September 30, 2021, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash) is NIS 11.2 billion (a market value of NIS 15.7 billion). As of September 30, 2021, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 15.9 billion.

2.4.3 Financial debt

As of September 30, 2021, the Group's net financial debt amounted to NIS 14.6 billion, constituting 50.6% of the Group's total assets, compared to a net financial debt of NIS 11.2 billion, which constituted 46% of the Group's assets as of December 31, 2020.

As of September 30, 2021, the Company's (expanded solo) net financial debt amounted to NIS 3.7 billion, or 32.9% of the Group's total assets (expanded solo), compared to a net financial debt of NIS 3.1 billion, or 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 22%[23].

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

- During the reporting period, the Company extended and expanded its lines of credit to the amount of NIS 650 million, which are not utilized as of the publication of this report. For additional information, see Note 10(1) to 10(3) to the financial statements.
- During the reporting period, the Company carried out expansions of bonds (Series L) in the amount of NIS 402.5 million PV for a consideration of NIS 415 million and at an effective annual interest rate of 2.16%. See details in Note 11(1) to the financial statements.
- Subsequent to the balance sheet date, in November 2021, the Company issued NIS 238 million PV bonds (Series L) by way of series expansion through a private placement for the amount of NIS 242.5 million at an effective annual interest rate of 2.38%. See details in Note 11(1) to the financial statements.

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

For disclosure specific to bondholders, see Section 5 below.

For details of the Company's liabilities (expanded solo) maturing after September 30, 2021, see Section 2 of Appendix A below.

[23] Not including the effect of the Menora transaction. See Section 2.3.7.2.

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

Amot:

(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. In addition, subsequent to the balance sheet date, in October 2021, Amot issued additional bonds (Series H) as part of a private allotment to classified investors, for the amount of NIS 863 million. 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.

(3) Subsequent to the balance sheet date, in October 2021, Amot signed an agreement with a banking institution (hereinafter, in this subsection – "**the Bank**"), according to which the bank provided Amot with a loan to the amount of approx. NIS 500 million with an average duration of 8.5 years (hereinafter, in this subsection – "**the Loan**"). The loan is not secured with any encumbrance, it is CPI-linked and bears 0.6% annual interest. The loan principal will be repaid by Amot in 4 equal annual payments during the years 2029 to 2032. As part of the loan agreement, Amot undertook to meet financial covenants similar to the criteria determined in Amot's bonds (Series H).

Energix:

For details regarding Energix's financing transactions in the reporting period, see Notes 10(7) to 10(12) to the financial statements.

For details regarding

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(6) to the financial statements.

    BE is expected to take additional bank credit so that the credit amount in respect of the properties at the Science Park will be at a rate of 60% of the total acquisition consideration.

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 September 30, 2021 amounted to a total of NIS 1.9 billion in the consolidated financial statements (of that amount, NIS 1.1 billion stems from a deficit in Amot's working capital) and NIS 288 million in the Company's statements (expanded solo).

Subsequent to the balance sheet date, Amot raised long-term debt (with an average duration of approx. NIS 8.5 years) in the amount of approx. NIS 1.4 billion by raising bonds and obtaining a loan from a banking institution, which were used, among other things, to repay credit facilities that were presented in the short term in the consolidated statements.

In addition, 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 692 million. The share of Company shareholders in the profit amounted to NIS 520 million, compared to a profit of NIS 266 million attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 614 million. The share of Company shareholders in the income amounted to NIS 476 million, compared to a profit of NIS 172 million attributable to Company shareholders in the corresponding period last year.

For an explanation of the operating results in the reported period, see 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 differential expenses in respect of bonds and CPI-linked loans were not included because, in the Company management's opinion, those expenses do not reflect cash flow from regular ongoing activities.

The Company believes that analysts, investors and shareholders may receive value added information from the presentation of this index. However, it must be noted that the FFO:

- Does not present cash flows from operating activities in accordance with generally accepted accounting principles;
- Does not reflect cash held by the Company and its ability to distribute it;
- Cannot be considered a replacement for reported net profit for evaluating the results of the Group's operations.

FFO calculation (in NIS thousands):

	1-9/2021 NIS thousands	1-9/2020 NIS thousands	2020 NIS thousands
Company shareholders' share in net income for the period	519,602	265,523	302,998
Adjustments to profit and loss:			
Fair value adjustment of investment property	(349,134)	178,997	187,782
Company share in property revaluations and other non-FFO items in investees	7,634	103,822	125,297
Profit from decrease in rate of holding and from realization of investees	(17,437)	(196,576)	(200,953)
Loss (profit) from securities	(53,176)	23,335	19,094
Others (mainly depreciation and amortizations)	67,173	65,827	89,381
Accumulated linkage differentials and exchange rate differentials	100,902	(15,893)	(30,403)
Deferred taxes and current taxes from the realization of securities and real estate	133,231	53,282	134,834
Share of non-controlling interests in the above adjustments to FFO	(55,727)	(101,828)	(132,597)
FFO	**353,068**	**376,489**	**495,433**
The following are the sources of the FFO:			
Revenues			
Investment property NOI	644,939	621,653	817,010
NOI from the sale of electricity less development costs	153,964	160,557	215,609
PSP's share in FFO without real estate revaluations	2,568	29,045	31,495
Carr's share in FFO without real estate revaluations	82,975	101,321	139,903
AH Boston's share in FFO without real estate revaluations	29,275	32,717	43,244
Energix, Brockton Everlast and Amot associates' share in FFO	14,246	7,792	10,324
Dividend income from investments and others (mainly Brockton Funds)	-	5,033	5,142
Total revenues	**927,967**	**958,118**	**1,262,727**
Expenses			
Real financing, net	(212,351)	(223,674)	(300,932)
Administrative and general	(93,590)	(81,753)	(111,462)
Current taxes	(41,055)	(47,910)	(59,816)
Share of non-controlling interests attributable to current operations	(227,903)	(228,292)	(295,084)
Total expenses	**(574,899)**	**(581,629)**	**(767,294)**
FFO	**353,068**	**376,489**	**495,433**
FFO per share (NIS)	**2.04**	**2.18**	**2.87**

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

	1-9/2021	1-9/2020	Q3/2021	Q3/2020	2020
			NIS thousands		
Revenues and profits					
Revenues from rental fees and management of investment property	716,391	676,356	252,928	231,652	891,632
Fair value adjustment of investment property (including amortization of transaction costs)	349,134	(178,997)	(82,215)	10,440	(187,782)
Group share in the profits of associates, net	121,429	67,053	61,598	64,337	99,670
Dividend revenues from investments in securities measured at fair value through profit or loss	4,278	-	-	-	-
Net profits (losses) from investments in securities measured at fair value through profit or loss	48,898	(19,491)	36,464	1,220	(15,250)
Profit from decrease in rate of holding and from realization of investees	17,437	196,576	(63)	45,848	200,953
Revenues from sale of electricity and green certificates	189,499	194,277	65,330	62,812	261,803
Other revenues (expenses), net	(989)	1,221	(618)	627	(553)
	1,446,077	**936,995**	**333,424**	**416,936**	**1,250,473**
Costs and expenses					
Cost of investment property rental and operation	71,049	54,703	28,205	19,070	74,622
Development, maintenance and operation costs of electricity-generating facilities	27,965	27,474	10,639	7,024	37,565
Depreciation and amortizations	62,983	63,648	22,755	28,592	82,598
Administrative and general	104,763	90,210	29,013	30,462	125,024
Financing expenses, net	313,253	207,781	119,164	74,670	270,529
	580,013	**443,816**	**209,776**	**159,818**	**590,338**
Profit before taxes on income	**866,064**	**493,179**	**123,648**	**257,118**	**660,135**
Income tax expenses	174,286	101,192	7,924	36,973	194,650
Net profit for the period	**691,778**	**391,987**	**115,724**	**220,145**	**465,485**
Distribution of net profit for the period:					
Company shareholders' share	519,602	265,523	100,837	157,827	302,998
Non-controlling interests' share	172,176	126,464	14,887	62,318	162,487
	691,778	**391,987**	**115,724**	**220,145**	**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 716 million NIS in the reported period, compared to 676 million NIS in the corresponding period last year, a 5.9% increase. The increase is due to a change in Amot's revenues (approx. NIS 22 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 18 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 329 million, in respect of Brockton Everlast's properties and positive property revaluations in the amount of NIS 20 million in respect of Amot's properties, as follows:

A. Brockton Everlast – The Group recorded positive revaluations in the amount of NIS 386 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 57 million in respect of the amortization of acquisition expenses for properties acquired by Brockton Everlast in the reporting period. For more information on this topic, see Section 2.3.7 above.

B. Amot – In the reporting period, a fair value adjustment of Amot's assets was recorded in the amount of approx. NIS 134 million, mainly due to the increase in the CPI during the period. In addition, an amortization of transaction costs was recorded in respect of the property acquisitions (mainly from the Tzrifin Logistic Center) in the amount of NIS 114 million.

In the corresponding period last year, Amot recorded a negative value adjustment by Amot in the amount of NIS 134 million, mainly due to the effect of the Corona crisis on commercial properties, and also due to the decline in the CPI in that period. In addition, it recorded a negative value adjustment in the amount of NIS 45 million in respect of Brockton Everlast properties, mainly for the amortization of acquisition expenses for properties acquired in the same period.

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 73 million was recorded in the reporting period, compared to a profit of NIS 101 million in the corresponding period last year. The decrease in Carr's profits was mainly 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 59 million was recorded in the reporting period, compared to a loss of NIS 26 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 (loss) in the reporting period and in the corresponding period last year stems from the fair value adjustment of securities measured at fair value through profit or loss (including Brockton funds). The loss in the reporting period is mainly due to the decline in value of the investments classified in this section.

The profit in the reporting period amounted to approx. NIS 49 million and stems mainly from the fair value adjustment of the Brockton Funds in the amount of approx. NIS 36 million, and 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 (approx. NIS 16 million).

The loss in the corresponding period last year amounted to approx. NIS 19 million and was mainly due to the decline in the value of the Brockton Funds.

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 197 million, stemmed from the sale of 3 million PSP shares during the same period.

Revenues from the sale of electricity and Green Certificates – The NIS 5 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 24 million, due to a decrease in the capacity generated in Poland due to low wind conditions and due to a decrease in the effective price (including the exchange rate) of electricity in the reporting period compared to the corresponding period last year. This decrease was partially offset by revenues from new photovoltaic projects in the US in the amount of approx. NIS 15 million, and from revenues from new facilities that have been connected in Israel (approx. NIS 4 million).

Financing expenses – There was a NIS 105 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 141 million in financing expenses resulting from the effect of the CPI, which rose by a rate of 2.2%, compared to a decline at a rate of 0.6% in the corresponding period last year. On the other hand, there was a decrease in financing expenses in the amount of NIS 19 million due to the adjustment of the stock market value of short-term tradable securities (a profit of NIS 5 million in the reporting period compared with a loss of NIS 14 million in the corresponding period last year).

Tax expenses – There was a NIS 73 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):

	1-9/2021	1-9/2020	Q3/2021	Q3/2020	2020
			NIS thousands		
Net profit for the period:	**691,778**	**391,987**	**115,724**	**220,145**	**465,485**
Profit (loss) from investment in Carr (1) (2)	29,607	(44,384)	(15,683)	(14,664)	(135,706)
Profit (loss) from investment in PSP	(2,147)	13,071	-	6,773	10,919
Loss from investment in AH Boston properties (1)	(1,476)	(9,660)	(4,871)	(4,649)	(34,748)
Profit (loss) from investment in BE (1) (3)	(27,836)	(25,805)	(42,711)	19,213	(30,408)
Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax)	(1,628)	(35,026)	-	(18,183)	(36,335)
Profit (loss) from other investments (4)	(71,559)	(12,891)	(75,539)	16,551	(40,354)
Tax effects	(3,199)	15,710	(6,497)	10,779	1,999
Other comprehensive income (loss) for the period	**(78,238)**	**(98,985)**	**(145,301)**	**15,820**	**(264,634)**
Total comprehensive income (loss) for the period	**613,540**	**293,002**	**(29,577)**	**235,965**	**200,851**
Distribution of comprehensive income (loss) for the period:					
Company shareholders' share	475,614	172,059	(7,830)	165,251	56,119
Non-controlling interests' share	137,926	120,943	(21,747)	70,714	144,732
	613,540	**293,002**	**(29,577)**	**235,965**	**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 (or an appreciation) of the NIS by a rate of 0.44% and (1.18)% against the USD and the GDP, respectively. In the corresponding period last year, there was a devaluation (or an appreciation) of the NIS by a rate of (0.43)% and (3.27%) 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 corresponding period last year – A loss of NIS 3 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 6 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE (in the corresponding period last year – a loss of NIS 4.5 million).

(4) In the reporting period in respect of exchange rates and fixed electricity price transactions in Energix.

2.6 Cash flows

	1-9/2021	1-9/2020	2020
	NIS millions		
Total cash provided by operating activities	**481**	**448**	**754**
Cash flows used in investing activities			
Investment in investment property and in fixed assets	(3,293)	(1,050)	(1,139)
Investment in electricity-generating facilities	(760)	(528)	(628)
Investment in AH Boston properties	(36)	(16)	(28)
Proceeds from the sale of PSP (net of tax)	187	1,255	1,359
Proceeds (payment) in respect of repaid hedging transactions	89	22	25
Provision of loans	(95)	-	-
Acquisition of consolidated companies	(133)	-	-
Investment in Carr	-	(151)	(151)
Investment in Brockton Funds	(16)	(12)	(12)
Repayment of investment from Brockton Funds	-	22	10
Net decrease (increase) in pledged deposits and restricted cash in Energix	-	126	137
Other	87	9	(39)
Total cash used in investing activities	**(3,970)**	**(323)**	**(466)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	1,824	428	428
Proceeds from the issue of bonds and bond options	857	2,130	2,300
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(923)	(1,582)	(1,705)
Capital raised by the Company	26	1	4
Capital raised by Amot (net of the Company's investment in Amot in the issue)	469	7	18
Capital raised by Energix (net of the Company's investment in Energix in the issue)	5	475	598
Acquisition of Amot and Energix shares from non-controlling interests	-	(12)	(22)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(356)	(328)	(457)
Other	(11)	-	-
Total cash provided by financing activities	**1,891**	**1,119**	**1,164**
Total increase (decrease) in cash balances in the period	**(1,598)**	**1,244**	**1,452**
Other influences	**(4)**	**5**	**(9)**
Cash and cash equivalents at end of period	**613**	**2,021**	**2,215**

2.7 Equity

2.7.1 Equity per share

	As of September 30 2021	As of December 31 2020
	NIS millions	
Equity	10,677	9,913
Less non-controlling interests	(3,931)	(3,511)
Equity attributable to Company shareholders	**6,746**	**6,402**
NAV per share	**38.84**	**37.04**
NNAV per share[24]	**46.59**	**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 344 million. The main changes are as follows:

- Net profit attributable to the Company shareholders in the amount of NIS 520 million – see additional details in Section 2.5.2 above.
- Other comprehensive loss attributable to the Company shareholders in the amount of NIS 44 million – see additional details in Section 2.5.3 above.
- A reduction in capital following dividends declared and paid to the amount of NIS 192 million.
- An increase due to the raising of capital (in connection with the exercise of employee option warrants) in the amount of NIS 26 million.
- Increase in capital reserves due to the profit created in the capital issue of consolidated companies and others in the amount of NIS 34 million.

[24] 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.

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

The following is the composition of the surplus of assets over liabilities based on the Company's statements (expanded solo) divided by currency as of September 30, 2021 (in NIS millions)[25]:

Currency	Assets	Liabilities	Assets, net	%
USD	4,150	(2,594)	1,556	24%
GBP	2,515	(1,541)	974	14%
Other (mainly PLN and CAD)	109	(24)	85	1%
Excess assets over liabilities in foreign currency	**6,774**	**(4,159)**	**2,615**	**39%**
Excess assets over liabilities in NIS	4,559	(427)	4,132	61%
Equity as of September 30, 2021	**11,333**	**(4,586)**	**6,747**	**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.

For details regarding the General Meeting's decision of October 6, 2021 to approve the remuneration policy for the years 2022-2024, to approve the management agreement with the Company's CEO, Mr. Natan Hetz, for the years 2022-2024, to approve the management agreement with Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, for the years 2022-2024 and to approve the decision regarding the framework for granting options to directors between the years 2022-2024, see Note 12(b) to the financial statements, as well as an immediate report for convening the above-mentioned General Meeting published by the Company on August 25, 2021 (Ref: 2021-01-137562) and an immediate report regarding the results of the above General Meeting published by the Company on October 6, 2021 (Ref: 2021-01-152283).

[25] Including the effect of forward transactions and cross currency swaps (CCS) on the foreign currency.

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 September 30, 2021, see Section 2.7.3 above and Appendix B.

4. Aspects of Corporate Governance

4.1. The Company's Board of Directors

As of the date of publication of this report, the Company's Board of Directors has 8 directors, of which:

5 directors meet the definition of an independent director (Prof. Zvi Eckstein - External Director, CPA Shlomi Shuv - External Director, Ms. Gittit Guberman, Mr. Amos Yadlin and Ms. Mia Likvernik) and 6 directors have accounting and financial expertise (Mr. Natan Hetz, Mr. Aviram Wertheim, Prof. Zvi Eckstein, CPA Shlomi Shuv, Ms. Gittit Guberman and Ms. Mia Likvernik).

On November 15, 2021, the Company's Board of Directors decided to appoint Adv. Mia Likvernik as an independent director of the Company (this classification was approved at the Audit Committee meeting of November 8, 2021). The Company's Board of Directors also determined that Ms. Mia Likvernik has accounting and financial expertise.

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 implements the provision.

4.2 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.

At the Audit Committee meeting of November 8, 2021, it approved a work plan for 2022 that includes the following topics: (1) an internal enforcement plan; (2) information systems – backups; (3) insurance; and (4) salaries (including executive salaries).

5. Special Disclosure for Bondholders

5.1 The following are data as of September 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 September 30, 2021	415,821	1,056,355	1,315,153	200,932	803,319	**3,791,580**
Par value linked as of September 30, 2021	438,867	1,056,355	1,315,153	200,932	803,319	**3,814,626**
Value in the financial statements as of September 30, 2021 (at amortized cost)	449,296	1,079,524	1,330,040	198,335	806,198	**3,863,393**
Stock market value as of September 30, 2021	472,082	1,174,878	1,378,806	211,782	828,543	**4,066,091**
Accrued Interest as of September 30, 2021	11,632	23,780	2,523	3,140	11,373	**52,448**

Regarding the expansion of bonds (Series L) in the reporting period and subsequent to the balance sheet date, 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 September 30, 2021
Net financial debt to value of holdings26	%	Less than 80	33.81
Minimum equity (Series H, I, J, K and L)[27]	NIS billions	More than 2.1	6.7

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

[26] 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.
[27]n order for there to be grounds for early repayment, the breach of the financial ratio must exist for four consecutive quarters. For Series H – the minimum equity is NIS 1.2 billion, For Series I and J – the minimum equity is NIS 1.8 billion.

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

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

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

Appendix A - Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

Appendix A – Financial Information, Expanded Solo

1. Financial Statements – Expanded Solo

The Company's expanded solo financial statements are the Company's condensed financial statements presented in accordance with IFRS principles, except for the investments in Amot, in Energix and in Brockton Everlast, which are presented on an equity basis instead of consolidating their financial statements with those of the Company (all other investments are presented unchanged from the statements presented in accordance with IFRS principles). These Statements do not constitute separate financial statements as defined in International Accounting Standard IAS 27, and are not part of the information whose publishing is required in accordance with the securities laws. Nevertheless, the Company's management believes that analysts, investors, shareholders and bondholders may obtain valuable information from the presentation of this data.

1.1 Condensed expanded solo balance sheet (NIS thousands):

	As of September 30 2021	As of December 31 2020
	באלפי ש"ח	
Current assets		
Cash and cash equivalents	19,764	602,932
Tradable securities	-	39,537
Investment in investee held for sale	-	200,311
Loan to a consolidated company	157,666	-
Other accounts receivable	76,937	105,791
Total current assets	254,367	948,571
Non-current assets		
Securities measured at fair value through profit or loss	157,951	186,335
Investments in investees	10,876,428	9,589,274
Others	43,912	67,334
Total non-current assets	11,078,291	9,842,943
Total assets	**11,332,658**	**10,791,514**
Current liabilities		
Short term credit and current maturities of non-current liabilities	453,712	347,541
Other accounts payable	88,431	123,069
Total current liabilities	542,143	470,610
Non-current liabilities		
Bonds	3,411,490	3,461,797
Loans from banking corporations and others	73,504	593
Deferred taxes	554,591	446,365
Others	4,264	10,283
Total non-current liabilities	4,043,849	3,919,038
Equity	6,746,666	6,401,866
Total liabilities and equity	**11,332,658**	**10,791,514**

Financial Data, Expanded Solo

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

	1-9/2021	1-9/2020	Q3/2021	Q3/2020	2020
	NIS thousands				
Revenues					
Group share in the profits of associates, net	682,492	206,223	117,705	145,203	306,656
Profit from decrease in rate of holding and from realization of investees	5,075	196,576	(62)	45,847	200,953
Net profits (losses) from investments in securities measured at fair value through profit or loss	49,694	(19,491)	35,812	1,220	(15,250)
Dividend income from investments in available-for-sale tradable securities	4,278	-	-	-	-
Other revenues, net	11,037	10,644	3,777	3,650	14,134
	752,576	393,952	157,232	195,920	506,493
Expenses					
Administrative and general	26,982	23,886	5,068	8,291	32,757
Financing expenses, net	72,389	85,964	26,822	22,520	96,659
	99,371	109,850	31,890	30,811	129,416
Profit before taxes on income	**653,205**	**284,102**	**125,342**	**165,109**	**377,077**
Income tax expenses	133,603	18,579	24,505	7,282	74,079
Net profit for the period	**519,602**	**265,523**	**100,837**	**157,827**	**302,998**

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

	Bonds	Bank Loans	Total	%
	NIS thousands			
Current maturities	449,356	(**) 75,314	524,670	13
Second year	448,492	-	448,492	12
Third Year	523,621	-	523,621	14
Fourth Year	524,104	-	524,104	13
Fifth Year	525,814	-	525,814	14
Sixth year onward	1,329,708	-	1,329,708	34
Total repayments	**3,801,095**	**75,314**	**3,876,409**	**100**
Others			**64,966**	
Asset balance in connection with foreign currency forward transactions			**(90,187)**	
Total financial debt (taking foreign currency forward transactions into account)			**3,851,188**	

(*) 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.

(**) Paid subsequent to the balance sheet date.

(***) Regarding bonds issued after the balance sheet date, which are not included in the above table, see Note 11(1) to the Company's financial statements.

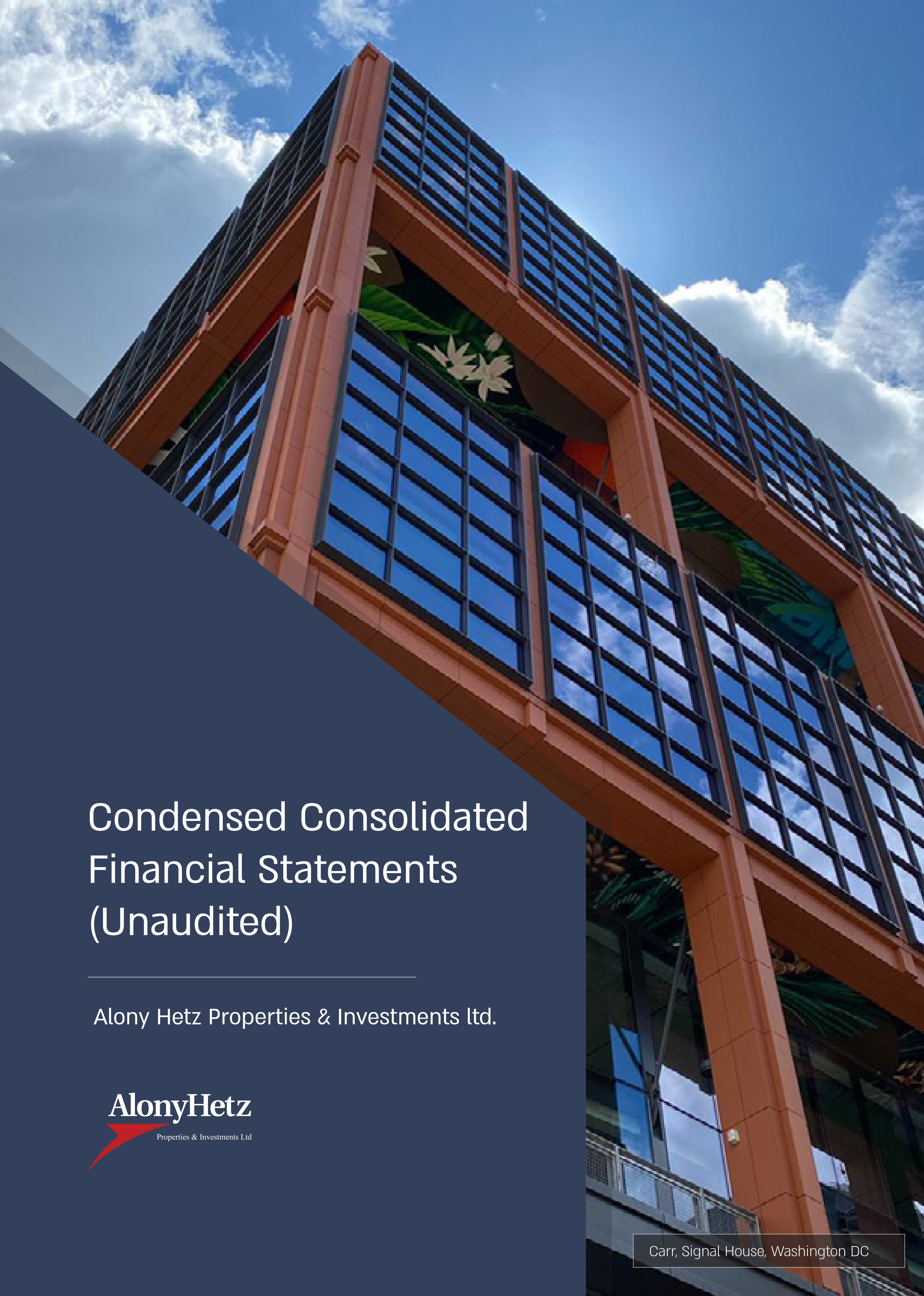
Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of September 30, 2021 NIS thousands	In NIS without Linkage	In NIS Linked to the CPI	In USD	In GBP	Other (Mainly PLN and CAD)	Total	Adjustments - Non-Monetary Items	Total
Current assets								
Cash and cash equivalents	9,036	-	10,560	21	147	19,764	-	19,764
Loan to a consolidated company	-	-	-	157,666	-	157,666	-	157,666
Other accounts receivable	71,586	-	129	-	30	71,745	5,192	76,937
Total current assets	80,622	-	10,689	157,687	177	249,175	5,192	254,367
Non-current assets								
Securities measured at fair value through profit or loss	298	-	-	157,653	-	157,951	-	157,951
Investments in associates	-	-	-	-	-	-	10,876,428	10,876,428
Others	40,470	-	-	-	-	40,470	3,442	43,912
Total non-current assets	40,768	-	-	157,653	-	198,421	10,879,870	11,078,291
Total assets	**121,390**	**-**	**10,689**	**315,340**	**177**	**447,596**	**10,885,062**	**11,332,658**
Current liabilities						-		
Short term credit and current maturities of non-current liabilities	233,485	219,433	794	-	-	453,712	-	453,712
Other payables	49,773	12,864	3	-	32	62,672	25,759	88,431
Total current liabilities	283,258	232,297	797	-	32	516,384	25,759	542,143
Non-current liabilities						-		
Bonds	3,181,628	229,862	-	-	-	3,411,490	-	3,411,490
Loans from banking corporations and others	73,504	-	-	-	-	73,504	-	73,504
Deferred tax liabilities	-	-	-	-	-	-	554,591	554,591
Others	3,291	-	808	-	-	4,099	165	4,264
Total non-current liabilities	3,258,423	229,862	808	-	-	3,489,093	554,756	4,043,849
Total liabilities	**3,541,681**	**462,159**	**1,605**	**-**	**32**	**4,005,477**	**580,515**	**4,585,992**
Excess assets over liabilities (liabilities over assets)	**(3,420,291)**	**(462,159)**	**9,084**	**315,340**	**145**	**(3,557,881)**	**10,304,547**	**6,746,666**
Financial derivatives	**3,667,987**	**-**	**(2,245,382)**	**(1,422,605)**	**-**	**-**	**-**	**-**
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**247,696**	**(462,159)**	**(2,236,298)**	**(1,107,265)**	**145**	**(3,557,881)**	**10,304,547**	**6,746,666**
Distribution of non-monetary assets (liabilities), net – by linkage basis	**(77,174)**	**4,424,217**	**3,791,907**	**2,080,931**	**84,666**	**10,304,547**	**(10,304,547)**	**-**
Excess assets over liabilities (liabilities over assets)	**170,522**	**3,962,058**	**1,555,609**	**973,666**	**84,811**	**6,746,666**	**-**	**6,746,666**

Appendix C – Rating Reports[28]

- 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 October 27, 2021 (Ref: 2021-01-160302).
- 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) and the immediate report dated October 28, 2021 (Ref: 2021-01-160905).

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



Condensed Consolidated Financial Statements (Unaudited)

Alony Hetz Properties & Investments ltd.

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

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 13% of the total consolidated assets as of September 30, 2021, and whose revenues included in consolidation constitute approximately 13% and 20% of the total consolidated revenues for the periods of nine and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,153 million NIS as of September 30, 2021 and the share of the results of which for the periods on nine and three months ended that date, amounted to a gain of approximately 86 million NIS and profit of 47 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, November 15, 2021

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	Note	As of September 30		As of December 31
		2021	2020	2020
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)		
Assets				
Current assets				
Cash and cash equivalents		613,041	2,020,726	2,214,781
Deposits, tradable securities and blocked cash		-	44,389	90,340
Trade receivables		66,483	63,609	60,565
Current tax assets, net		9,597	16,490	11,462
Other receivables		677,515	253,198	258,811
		1,366,636	2,398,412	2,635,959
Investment in investee held for sale (*)	9	-	242,981	200,311
Total current assets		1,366,636	2,641,393	2,836,270
Non-current assets				
Investment property	4.5	18,142,490	15,297,034	15,100,135
Investment property in development	4	1,562,474	876,788	1,149,644
Long-term investments:				
Securities measured at fair value through profit or loss		210,719	170,415	186,335
Investments in associates	8 ,7	4,558,131	4,646,132	4,301,655
Deferred tax assets		33,268	18,643	10,646
Electricity-generating facilities:	6			
Connected electricity-generating facilities		1,905,509	1,694,098	1,635,328
Electricity-Generating Facilities in Development		1,212,233	636,881	781,818
Right-of-use asset		267,453	172,182	198,657
Restricted Deposits		46,832	41,000	47,768
Fixed assets, net		103,067	92,187	94,257
Other assets		120,360	104,889	157,861
Total non-current assets		28,162,536	23,750,249	23,664,104
Total assets		29,529,172	26,391,642	26,500,374

(*) See Note 9 below.

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

	Note	As of September 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		1,264,449	149,884	148,333
Current maturities of bonds		1,040,756	984,574	876,816
Current maturities of lease liabilities		7,661	4,819	4,722
Current tax liabilities, net		127,190	89,344	118,333
Other payables		834,046	517,059	628,087
Total current liabilities		3,274,102	1,745,680	1,776,291
Non-current liabilities				
Bonds	11	10,108,088	10,191,001	10,334,792
Loans from banking corporations and financial institutions	10	2,844,649	2,264,368	2,245,626
Lease liability		273,795	151,813	179,557
Deferred tax liabilities		1,959,841	1,743,527	1,809,154
Provisions		16,483	16,484	16,483
Other liabilities		374,764	279,368	225,641
Total non-current liabilities		15,577,620	14,646,561	14,811,253
Equity				
Equity attributable to Company shareholders		6,746,666	6,551,683	6,401,866
Non-controlling interests		3,930,784	3,447,718	3,510,964
Total equity		10,677,450	9,999,401	9,912,830
Total liabilities and equity		29,529,172	26,391,642	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

November 15, 2021

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

	Note	For the Nine Month Period ended September 30		For the Three Month Period ended September 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)		
Revenues and profits						
Revenues from rental fees and management of investment property		716,391	676,356	252,928	231,652	891,632
Fair value adjustment of investment property		520,409	(139,835)	39,784	16,464	(148,649)
Fair value adjustment of investment property - amortization of transaction costs		(171,275)	(39,162)	(121,999)	(6,024)	(39,133)
Group share in the profits of associates, net		121,429	67,053	61,598	64,337	99,670
Dividend revenues from investments in securities measured at fair value through profit or loss	9	4,278	-	-	-	-
Net profits (losses) from investments in securities measured at fair value through profit or loss		48,898	(19,491)	36,464	1,220	(15,250)
Profit from decrease in rate of holding and from realization of investees		17,437	196,576	(63)	45,848	200,953
Revenues from sale of electricity and green certificates		189,499	194,277	65,330	62,812	261,803
Other revenues (expenses), net		(989)	1,221	(618)	627	(553)
		1,446,077	936,995	333,424	416,936	1,250,473
Costs and expenses						
Cost of investment property rental and operation		71,049	54,703	28,205	19,070	74,622
Development, maintenance and operation costs of electricity-generating facilities		27,965	27,474	10,639	7,024	37,565
Depreciation and amortizations		62,983	63,648	22,755	28,592	82,598
Administrative and general		104,763	90,210	29,013	30,462	125,024
Financing income		(23,072)	(8,122)	(5,245)	(778)	(9,270)
Financing expenses		336,325	215,903	124,409	75,448	279,799
		580,013	443,816	209,776	159,818	590,338
Profit before taxes on income		866,064	493,179	123,648	257,118	660,135
Income tax expenses		174,286	101,192	7,924	36,973	194,650
Net profit for the period		691,778	391,987	115,724	220,145	465,485
Company shareholders		519,602	265,523	100,837	157,827	302,998
Non-controlling interests		172,176	126,464	14,887	62,318	162,487
		691,778	391,987	115,724	220,145	465,485
Net earnings per share attributable to Company shareholders (in NIS):						
Basic		3.00	1.54	0.58	0.91	1.75
Fully diluted		2.98	1.53	0.58	0.91	1.74
Weighted average of share capital used in calculation of earnings per share (thousands of shares)						
Basic		173,359	172,775	173,689	172,787	172,784
Fully diluted		173,556	173,076	173,816	172,907	173,060

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	691,778	391,987	115,724	220,145	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	(98,108)	(32,917)	(191,658)	54,134	(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	(16,830)	-	(11,970)	(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	8,688	-	3,226	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)	(13,201)	-	(2,466)	(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	41,335	(34,784)	82,892	(28,469)	122,483
Profit (loss) from exchange rate differentials and changes in fair value of instruments used for cash flow hedging, net of tax	(48,405)	(7,065)	(37,115)	(537)	11,112
Company share in other comprehensive income (losses) of associates, net of tax	25,877	(2,876)	580	1,902	(1,050)
Other comprehensive income (loss) for the period, net of tax	(78,238)	(98,985)	(145,301)	15,820	(264,634)
Total comprehensive income for period	613,540	293,002	(29,577)	235,965	200,851
Distribution of comprehensive income (loss) for the period					
Company shareholders	475,614	172,059	(7,830)	165,251	56,119
Non-controlling interests	137,926	120,943	(21,747)	70,714	144,732
	613,540	293,002	(29,577)	235,965	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 Nine-Month Period ended September 30, 2021 (Unaudited) (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Equity 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	-	-	(71,397)	27,409	-	519,602	475,614	137,926	613,540
Dividend paid to Company shareholders	-	-	-	-	-	(192,372)	(192,372)	-	(192,372)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(164,208)	(164,208)
Exercise of employee options	855	28,583	-	(3,025)	-	-	26,413	-	26,413
Transaction with non-controlling interests and exit from consolidation				(5,259)			(5,259)	(9,349)	(14,608)
Issuance of capital in consolidated companies	-	-	-	37,863	-	-	37,863	439,954	477,817
Allocation of benefit in respect of options to employees and others	-	-	-	2,541	-	-	2,541	15,497	18,038
Balance as of September 30, 2021	191,787	2,501,165	(635,762)	304,652	(589)	4,385,413	6,746,666	3,930,784	10,677,450

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

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

	Share Capital	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Equity Attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of July 1, 2021	191,754	2,499,806	(526,515)	265,265	(589)	4,338,420	6,768,141	3,607,783	10,375,924
Total comprehensive loss for the period	-	-	(109,247)	580	-	100,837	(7,830)	(21,747)	(29,577)
Dividend paid to Company shareholders	-	-	-	-	-	(53,844)	(53,844)	-	(53,844)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(57,472)	(57,472)
Exercise of employee options	33	1,359	-	(153)	-	-	1,239	-	1,239
Allocation of benefit in respect of employee options	-	-	-	849	-	-	849	4,580	5,429
Issuance of capital in consolidated companies	-	-	-	38,111	-	-	38,111	397,640	435,751
Balance as of September 30, 2021	191,787	2,501,165	(635,762)	304,652	(589)	4,385,413	6,746,666	3,930,784	10,677,450

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

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

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

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

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

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 the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Equity 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)
Dividend 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
Issuance of capital in consolidated companies	-	-	-	203,873	-	-	203,873	407,522	611,395
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(1,242)	-	-	(1,242)	(21,048)	(22,290)
Change in non-controlling interests	-	-	-	-	-	-	-	(1,578)	(1,578)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	46,158	46,158
Balance as of December 31, 2020	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830

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

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

	Note	For the Nine Month Period ended September 30 2021 NIS thousands	For the Nine Month Period ended September 30 2020 NIS thousands	For the Three Month Period ended September 30 2021 NIS thousands	For the Three Month Period ended September 30 2020 NIS thousands	For the Year ended December 31 2021 NIS thousands
		(Unaudited)		(Unaudited)		
Cash flows - Operating activities						
Net profit for the period		691,778	391,987	115,724	220,145	465,485
Net income not entailing cash flows (Appendix A)		(307,779)	68,864	6,682	(121,373)	240,159
		383,999	460,851	122,406	98,772	705,644
Changes in working capital (Appendix B)		97,600	(12,958)	50,101	33,776	48,681
Net cash provided by operating activities		481,599	447,893	172,507	132,548	754,325
Cash flows - Investing activities						
Investment in investment property funds		(16,361)	(11,941)	(16,361)	-	(12,024)
Proceeds from the repayment of investments in investment property funds		-	22,409	-	-	10,468
Proceeds from realization of investment in associates and in securities presented at fair value against profit or loss, net of tax	9	210,873	1,254,938	(9,113)	532,642	1,359,305
Investment in fixed assets and investment property (including investment property in development)	4,5	(3,293,358)	(1,049,854)	(2,390,035)	(249,308)	(1,139,492)
Investment in electricity-generating facilities	6	(760,763)	(527,818)	(325,736)	(85,767)	(627,883)
Investment in associates		(77,684)	(164,205)	(21,484)	(5,217)	(179,588)
Increase in pledged deposit and restricted cash		(322)	(35,398)	-	(35,000)	(35,658)
Decrease in pledged deposit and restricted cash		654	161,038	-	52,593	172,981
Provision of loans		(95,084)	-	-		-
Repayment of loans provided to associates, net		3,600	5,077	888	2,446	6,312
Repayment of investment in associate		164	-	-	-	3,250
Decrease (increase) in deposits and tradable securities, net		95,054	942	-	-	(48,966)
Cash provided by forward transactions and options designated for hedging		89,407	21,854	34,704	20,907	25,070
Proceeds from sale of consolidated partnership (Appendix D)		6,644	-	-	-	-
Acquisition of consolidated companies (Appendix E)		(133,388)	-	(133,388)	-	-
Provision of loans				-	-	-
Others		95	393	95	393	330
Net cash provided by (used in) investing activities		(3,970,469)	(322,565)	(2,860,430)	233,689	(465,895)
Cash flows – Financing activities						
Proceeds from the Group's issue of bonds and bond options, net	11	856,743	2,130,431	-	653,887	2,299,631
Repayment of bonds		(879,932)	(764,909)	(421,823)	(415,580)	(874,411)
Receipt of long-term loans, less capital raising expenses	10	1,234,356	427,892	775,115	155,622	427,769
Repayment of long-term loans		(43,356)	(653,107)	(17,149)	(25,816)	(664,092)
Proceeds from the issue of shares and options		26,413	1,437	1,239	-	3,687
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies		474,229	482,171	431,277	5,029	616,352
Purchase of shares and options from non-controlling interests in consolidated companies, net		(9,833)	(12,492)	-	(12,492)	(22,290)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks		589,631	(164,253)	690,153	1,614	(165,270)
Dividend paid to Company shareholders	12	(192,372)	(150,319)	(53,844)	(50,108)	(200,446)
Dividend paid to non-controlling interests in consolidated companies	12	(163,899)	(177,782)	(57,163)	(42,578)	(256,507)
Others		(380)	(260)	-	-	-
Net cash provided by financing activities		1,891,600	1,118,809	1,347,805	269,578	1,164,423
Increase (decrease) in cash and cash equivalents		(1,597,270)	1,244,137	(1,340,118)	635,815	1,452,853
Cash and cash equivalents at beginning of period		2,214,781	771,749	1,962,185	1,381,110	771,749
Effect of changes in exchange rates on foreign currency cash balances		(4,470)	4,840	(9,026)	3,801	(9,821)
Cash and cash equivalents at end of period		613,041	2,020,726	613,041	2,020,726	2,214,781

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	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 adjustments of investment property, net	(520,409)	139,835	(39,784)	(16,464)	148,649
Fair value adjustment of investment property - amortization of transaction costs	171,275	39,162	121,999	6,024	39,133
Losses (profits) from changes in holding rate and realization of investments in investees, net	(17,437)	(196,576)	63	(45,848)	(200,953)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	56,968	(116,076)	20,262	(49,661)	(83,993)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(56,442)	22,919	(36,513)	(7,210)	18,342
Company share in results of associates, less dividends and capital reductions received	(136,511)	47,432	(61,213)	(43,227)	131,507
Net loss (profit) from tradable securities	(5,358)	14,524	-	(2,671)	146
Deferred taxes, net	120,124	38,748	(26,043)	3,624	81,935
Depreciation and amortizations	62,983	63,648	22,755	28,527	82,598
Allocation of benefit in respect of share-based payment	16,932	15,934	5,116	5,497	22,537
Others, net	96	(686)	40	36	258
	(307,779)	68,864	6,682	(121,373)	240,159
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in trade receivables and in other receivables	17,410	(16,241)	3,155	(4,039)	(5,906)
Decrease (increase) in current tax assets, net	2,008	(11,057)	(2,860)	3,568	(6,028)
Increase (decrease) in other payables	61,381	(13,292)	29,141	17,578	7,052
Increase in current tax liabilities, net	16,801	27,632	20,665	16,669	53,563
	97,600	(12,958)	50,101	33,776	48,681
c. Non-cash activity					
Dividend declared for non-controlling interests in a consolidated company	309	-	309	-	-
Proceeds receivable for realization of investment in associate	-	62,774	-	62,774	-
Exercise of employee options against receivables	4,793	446	4,793	446	1,205
Investment in electricity-generating systems against supplier credit and accounts payable	-	-	-	-	30,399
Increase in right-of-use asset against right-of-use liabilities	49,272	24,392	3,762	24,062	57,691
Investment in real estate and fixed assets against right-of-use liability and other payables	76,961	12,651	47,569	12,651	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 Nine Month Period ended September 30		For the Three Month Period ended September 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. Acquisition of companies consolidated for the first time					
1. Acquisition of building through the acquisition of a property company					
Cash and cash equivalents	1,890	-	1,890	-	-
Investment property	45,457	-	45,457	-	-
Other payables	(273)	-	(273)	-	-
Net assets consolidated	47,074	-	47,074	-	-
Net cash flow					
Total consideration	47,074	-	47,074	-	-
Less - deferred consideration	(1,364)	-	(1,364)	-	-
Less cash and cash equivalents consolidated	(1,890)	-	(1,890)	-	-
	43,820	-	43,820	-	-
2. Acquisition of NCRE (see Note 6.2.c)					
Working capital (including cash and cash equivalents)	2,038	-	2,038	-	-
Projects in development	74,772	-	74,772	-	-
Inventory of projects for third parties	48,434	-	48,434	-	-
Goodwill	422	-	422	-	-
Net assets consolidated	125,666	-	125,666	-	-
Net cash flow					
Total consideration	125,666	-	125,666	-	-
Less - deferred consideration	(35,478)		(35,478)	-	-
Less cash and cash equivalents consolidated	(618)	-	(618)	-	-
	89,570	-	89,570	-	-
e. Sale of consolidated partnership					
Working capital (including cash and cash equivalents)	1,497	-	-	-	-
Pledged deposit and restricted cash	2,015	-	-	-	-
Connected electricity-generating systems	23,693	-	-	-	-
Other payables	(220)	-	-	-	-
Long-term loans, including current maturities	(27,148)	-	-	-	-
Non-controlling interests	(4,395)	-	-	-	-
Net assets sold	(4,558)	-	-	-	-
Profit from realization of consolidated company	12,363	-	-	-	-
Total consideration	7,805	-	-	-	-
Net cash flow					
Total consideration	7,805	-	-	-	-
Less cash and cash equivalents previously consolidated	(1,161)	-	-	-	-
	6,644	-	-	-	-
f. Additional information					
Interest paid (*)	301,096	344,555	121,718	142,417	398,748
Interest received	2,604	10,938	789	2,931	17,022
Taxes paid (**) (***)	78,283	45,524	13,749	11,948	63,109
Taxes received	24,266	334	302	13	2,586
Dividends and receipts for reductions of capital received	28,019	156,899	9,405	31,397	283,888

(*) Interest paid in 2020 and in the nine-month period ended September 30, 2020 includes early repayment fee - see Note 12c.(1) to the annual consolidated financial statements.

(**) The taxes paid in the nine- and three-month periods ended September 30, 2021 include tax payments in the amount of NIS 29 million and NIS 9 million, respectively, 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 – "**Interim Financial Statements**") have been prepared as of September 30, 2021 and for the nine- 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.

Note 2 – Significant Accounting Policies (continued):

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

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

	As of September 30 / For the Month of September		For December 31/Month of December	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2021	2020	2020	2021	2020	2021	2020	2020
				%	%	%	%	%
Consumer Price Index (2000 base)								
In Israel (in lieu CPI)	135.955	132.634	132.634	2.50	(0.69)	0.89	0.10	(0.69)
In Israel (known CPI)	135.690	132.766	132.766	2.20	(0.60)	0.79	0.10	(0.60)
Exchange Rate against the NIS								
USD	3.229	3.441	3.215	0.44	(0.43)	(0.95)	(0.72)	(6.97)
GBP	4.340	4.411	4.392	(1.18)	(3.27)	(3.94)	3.69	(3.68)
PLN	0.890	0.893	0.854	4.22	(1.95)	4.09	2.71	(6.17)

d. Seasonal factors:

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

Note 3 – The Corona Crisis

Further to Note 1b to the annual financial statements, the 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 income-generating real estate markets in which the Company operates around the world (Greater London, Washington DC and Boston) 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 fully vaccinated ranges between 58% and 67%[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 immediately prior to the publication of this report was 55.6%.

In September 2021, Amot issued a public offering, through a shelf offer report, in which Amot issued 29,900 thousand ordinary shares and 7,176 thousand option warrants (Series 11) for a total immediate consideration (gross) in the amount of approx. NIS 718 million. The options are exercisable for Amot's ordinary shares until December 22, 2022, for an exercise price of NIS 27 (adjusted for dividends, benefits and rights). The future consideration to be received by Amot, given the full exercise of the options (Series 11) for ordinary shares, amounts to a total of approx. NIS 194 million (subject to adjustments). In this context, the Company invested NIS 288 million in Amot in exchange for 12 million of Amot's ordinary shares and 2,880 thousand options (Series 11) that can be converted (each) into Amot's ordinary shares.

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

1. 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) (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).

[1] Source: Our World in Data

Note 4 – Amot (consolidated company) (continued):

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.

3. **Acquisition of the complex known as the "Tzrifin Logistics Park"**
   In September 2021, Amot acquired the full rights in the complex known as the "Tzrifin Logistics Park" (hereinafter – "**the Complex**") for the amount of NIS 1,518 million (not including transaction costs). The complex has a total area of 274 dunams, of which 224 dunams are designated for storage and crafts, storage and offices and approx. 50 dunams are designated for roads, open private space and open public space, on which there are 18 logistics buildings in a total built up area of approx. 113 thousand sq.m.

   The existing logistics buildings in the complex are fully leased in various lease agreements to 28 tenants. The aggregate rent received in respect of the lease agreements is a total annual amount of approx. NIS 56 million (an amount that includes management fees).

4. **ToHa 2**

   In August 2021, Amot and Gav Yam Lands Corp. Ltd. (hereinafter – "the Partners"), joint owners of the rights in equal parts in Toha1, purchased, in equal parts, from the Tel Aviv Municipality, the rights to establish the ToHa2 project and leased the land for a period that will end in 2108 (including the extension of the lease period in respect of the ToHa 1 project land until that date).
   Subsequent to the balance sheet date, in October 2021, the Amot Board of Directors decided on the establishment and marketing of the ToHa2 project in Tel Aviv. The project will be built by the partners, on the real estate located at the intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd. in Tel Aviv, adjacent to the ToHa1 project, which is also owned by the partners.
   ToHa2 includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI adjustment work) will reach a total of approx. NIS 3 billion (Amot's share - NIS 1.5 billion), of which a total of approx. NIS 700 million has been paid so far (Amot's share - NIS 350 million).

   The construction of ToHa2 will begin in the coming months, following the completion of the construction of the partial underground parking and it is expected to be completed during 2026. The expected income from ToHa2 upon its completion and full occupancy, based on the rental prices customary at present in the area, is estimated at approx. NIS 280 million (Amot's share -50%).

   For details regarding the raising of equity and foreign capital by Amot to finance the purchase of the complex - see Notes 4a and 11, respectively.

Note 4 – Amot (consolidated company) (continued):

The aforesaid in this section regarding the starting and ending dates of the ToHa 2 project construction, regarding the total construction cost and regarding the expected revenues from the project are forward-looking information.

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

A. Non-binding agreement of principles for adding an investor to BE:

Subsequent to the balance sheet date, in November 2021, the Company and BE signed a non-binding document of principles with corporations from the Menora Mivtachim Group (hereinafter – "Menora"), regarding Menora's investment at a rate of 10% of BE's capital (and to the extent possible, subject to that stated below - up to 20%) based on a company value of GBP 700 million (before Menorah's investment) which constitutes an investment by Menora of GBP 78 million and up to GBP 175 million (approx. NIS 325 million and up to approx. NIS 730 million, respectively).

Insofar as the transaction is completed and on its completion date (February 22, 2022), Menora will invest only 10% in BE's capital, it will be granted an option to invest up to an additional 10% in BE's capital based on a company value of GBP 775 million (before adjustments and before Menora's investment) until May 22, 2023.

As of September 30, 2021, BE's equity amounted to GBP 516 million.

Completion of the transaction is subject, among other things, to Menorah carrying out due diligence, to legal reviews, to obtaining approval from the parties' competent bodies, to restrictions under any law, including under the Law for the Promotion of Competition and the Reduction of Concentration, 2013 ("the Concentration Law") and to the signing of a binding agreement.

B. The Company's holdings in BE:

During the reporting period, the Company invested approx. GBP 126 million (approx. NIS 572 million) in BE's capital. As of the date of publication of the report, the Company holds approx. 97.1% 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 36 million (approx. NIS 151 million). The loans are expected to be repaid over the coming months.

C. 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 238 million (approx. NIS 1.1 billion) (not including transaction costs) with a total area of 100 dunams. In view of the expected demand for substantial expansion of 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 at the two complexes, as follows:

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

1) The "**Inner Complex**" in the heart of the Science Park – nine properties located on a **60-dunam** area leased for a period of 160 years and with a purchase cost of **GBP 177 million (of which GBP 142 million is in the reporting period)** (not including acquisition expenses). The inner complex includes two evacuated buildings and seven fully leased buildings with a rental area of 256 thousand sq.ft. and are expected to yield an annual NOI of GBP 6 million. In accordance with the existing planning policy at Cambridge in the Science Park area, upon the expiry of the existing lease agreements, BE's management intends to establish office buildings and research laboratories with an area of approx. one million sq.ft. in the internal complex.
2) The "**Outer Complex**" adjacent to the main entrance to the Science Park – private land for development with an area of **40 dunams** and a purchase cost of **GBP 61 million** (not including acquisition expenses). The outer complex includes three buildings designated for demolition, with a rental area of 127 thousand sq.ft. that yield an annual NOI of GBP 1 million. In accordance with the existing planning policy at Cambridge in the Science Park area, BE's management estimates that the outer complex has development potential of approx. half a million sq.ft.

BE's management anticipates a significant increase in the value of the properties in the Science Park over the coming years in parallel with the progress in the development procedures.

BE took, and is expected to take, bank credit at a rate of 60% of the total acquisition cost, as stated above, against the encumbrance of the acquired properties. For details regarding a loan taken by BE in the reporting period to finance the acquisition of the "inner complex" properties that were acquired during the reporting period, see Note 10.6 below.

That stated in this section regarding the realization of the building rights potential and the expected increase in the value of the Science Park properties is forward-looking information, which is based on the BE management's assessments.

D. 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%.

E. Fair value adjustments of investment property:

In the reporting period, BE recorded a profit in the amount of approx. GBP 72 million in respect of fair value adjustments of investment property. The profit is mainly due to progress in the development plan and expansion of the project area for a building located in the London City (Devonshire Quarter) and complexes in the Cambridge Science Park offset by a loss of approx. GBP 13 million in respect of the amortization of the acquisition expenses of the properties acquired by BE during the reporting period.

Note 6 – Energix (consolidated company):

A. Company holdings in Energix:

Immediately prior to the publication of this report, the Company's rate of holdings is 53.3%.

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

United States:

Photovoltaic projects in the United States -

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

   Further to that stated in Note 8c to the annual statements, Energix is in the midst of construction work on the Virginia 2 projects – a backlog of 6 photovoltaic projects with a combined capacity of approx. 140 MWp, of which, as of the date of approval of the report, facilities with a capacity of approx. 90 MWp have commenced commercial operation.
   For information regarding agreements for ensuring electricity prices and revenues from green certificates for the Virginia 2 projects, see Note 6b.2 to the annual statements.
   Regarding the project's financing, see Note 10.11 below.
   As of the reporting date, Energix has recognized assets in the amount of approx. NIS 409 million in respect of these projects.

2. **Projects in advanced development and in 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.

   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. **Expanding the backlog of projects in the development stage with an additional capacity exceeding 4.7 GWp in photovoltaic projects and exceeding 5.5 GWh in energy storage projects**

      - **Acquisition of a backlog of photovoltaics and energy storage projects with a capacity of 1.8 GWp and 1,680 MWh (acquisition of NCRE):** On August 12, 2021, Energix (through a wholly owned American subsidiary) acquired 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"), which operates in the state of Virginia and in neighboring states.

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

The acquisition transaction was made in exchange for a consideration of USD 33 million (the amount of USD 28 million was paid upon signing the agreement, and the balance will be paid in November 2021).
The acquisition of NCRE was made for the purpose of acquiring the backlog of projects that NCRE owned at the time of the acquisition, which included photovoltaic projects in development with a capacity of approx. 1.8 GWp; energy storage projects in development with a capacity of approx. 1,680 MWh, as well as additional rights that matured after the acquisition of NCRE into entrepreneurial projects in the field of photovoltaics and energy storage with a significant capacity.

Also, at the time of acquisition, NCRE had signed agreements to provide entrepreneurial services for development projects sold to third parties ("Third Party Projects"), and these may generate additional revenue if and to the extent that the projects are established and/or reach commercial operation. As of the date of approval of the report, Energix is in negotiations with one of the previous shareholders in NCRE for the sale of Energix's rights in "Third Party Projects" for an amount estimated at approx. USD 9 million.

The acquisition transaction is treated in the financial statements as a business combination.

Poland:

Wind energy projects in Poland

3. **2 wind farms operating commercially:**

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	86%	255
2024	86%	291

(*) Expected volume of electricity generation in Energix's 2 wind farms operating commercially 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	71%	144
2022	80%	143
2023	97%	162
2024	7%	243

(*) Expected volume of green certificates issued in Energix's 2 wind farms operating commercially 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)**

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 property in development in the amount of NIS 212 million.

Project financing- Regarding the signing of an agreement for the project financing, see Note 10.12 below.

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

B. **Establishment of the Banie Project Stage 4 with a capacity of 56 MW:**

(1) **Project status**: 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), the wind farm is in development after completing the set of engagements with the turbine supplier (Vestas) and the construction contractors during the reporting period. As stated, the wind farm is entitled to a guaranteed tariff for 15 years, in accordance with its winning the tariff tender published by the Polish regulator.

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 the ownership rights in the project.

(2) **Financing the construction of the project:** See Note 10.8 below.

As of the reporting date, Energix has recognized properties in development in the amount of NIS 60 million.

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	80%	297
2024	84%	348

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

(**) Fixing the price of electricity to a rate of 73% of expected electricity generation in the second half of 2022. Revenues from electricity generation as a result of the expected advances in the schedules for connection to the grid are not fixed.

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

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:

Photovoltaic projects in Israel -

6. **Projects operating commercially -**

The winning projects in the second competitive procedure (62 MWp): Regarding the financing transaction in respect of these projects, see Note 10.9.

7. **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. 94 MWp has been completed, of which, as of the date of approval of the report, facilities with a total capacity of approx. 26 MWp have commenced commercial operation.

As of the reporting date, Energix has recognized property in development in the amount of NIS 310 million in respect of these projects, which were recorded under 'connected electricity-generating systems' and 'systems in development'.

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 10.10 below.

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

8. **Wind energy projects in Israel - ARAN project**
Further to Note 8b to the annual statements, as of the date of approval of the report Energix continues to promote the development of the project in order to obtain the necessary approvals as a condition for its construction and is in an advanced stage of obtaining a building permit. In addition, Energix is preparing to complete the conditions required for approval of a tariff and promotion of financial closure (see Note 10.7 below). In addition, Energix signed a binding memorandum of understanding with a turbine supplier for the project.

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

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 stage of document disclosure, after in August 2021 Energix filed a letter of defense.

As of the reporting date, Energix has recognized the property in the amount of approx. NIS 66 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 September 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 September 30, 2021 and as of the date of publication of the report is 44.2%.

During 2022, some of the non-controlling interests in Carr are expected to exercise their redemption right in relation to the redeemable shares which they hold. The cost of redeeming the above shares amounts to USD 63 million. To the extent that the redemption right is exercised, the Company intends to acquire the redemption rights in full. For additional information, see Note 6h(4) to the Company's 2020 Financial Statements.

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 28.3 million (approx. NIS 91 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) <u>Sale of 49% of Midtown Center</u>

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 received by Carr for the sale (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 second 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).

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

(2) Expanding activity in Austin, Texas

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**") for the amount of USD 189.9 million.

The transaction was carried out 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 94% as of September 30, 2021.

In September 2021, Carr added a partner, at a rate of 49%, to a designated company that holds the property and a loan, for a consideration in the amount of USD 86.4 million. The transaction was carried out according to a building value of USD 316.7 million (similar to the acquisition value).

In addition to the above, Carr is working to increase its property base in Austin, Texas and is currently in negotiations to purchase two plots of land in Austin, Texas for development.

(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, 2021).

D. Fair value adjustment of investment property

In the reporting period, Carr recorded a net positive revaluation in the amount of USD 26 million in its financial statements, consisting of positive revaluations of USD 34 million in respect of projects in development, which were partially offset by negative revaluations of USD 8 million in respect of income-generating properties (the Group's share in the negative revaluation before tax is approx. USD 11.5 million, (NIS 37 million)).

E. Re-signing a credit facility:

In July 2021, 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 in effect until the years 2025-2026 and bears interest derived from Carr's LTV rate (currently an interest rate of Libor + 1.5% -1.6%).

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

F. The following is concise information on Carr:

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	USD thousands				
Revenues (not including real estate valuations)	167,437	178,358	58,089	59,029	247,596
Adjustment of investment property value (*)	26,636	6,249	29,667	22,259	(2,039)
Net profit from continuing operations	49,553	62,168	45,591	38,887	80,535
Other comprehensive income (loss)	22,419	(2,626)	670	1,555	(186)
Total comprehensive income (including share of non-controlling interests in profit)	71,972	59,542	46,261	40,442	80,349
Company share in Carr's net income in USD thousands	22,597	29,374	21,514	18,168	37,694
Company share in Carr's comprehensive income in USD thousands	32,838	28,400	21,787	18,902	37,763
Company share in Carr's net income in NIS thousands	73,231	101,382	69,642	62,086	129,118
Company share in Carr's comprehensive income in NIS thousands	106,653	97,906	70,527	64,595	129,120

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

	As of September 30	As of September 30	As of December 31
	2021	2020	2020
	USD thousands	USD thousands	USD thousands
Investment property	2,378,349	2,856,482	2,796,120
Property in development and land for development	226,050	624,722	646,316
Investment in investees	678,021	282,026	318,983
Other non-current assets	136,247	176,372	179,037
Current assets	49,272	53,547	87,976
Total assets	3,467,939	3,993,149	4,028,432
Current liabilities	193,333	474,138	226,565
Non-current liabilities	1,224,844	1,484,231	1,818,074
Total liabilities	1,418,177	1,958,369	2,044,639
Equity attributable to shareholders	1,903,800	1,889,564	1,840,754
Non-controlling interests	145,962	145,216	143,039
Equity (including non-controlling interests)	2,049,762	2,034,780	1,983,793
Total liabilities and equity	3,467,939	3,993,149	4,028,432
Company share in net assets - in USD thousands	966,471	959,244	934,470
Book value of investment – in NIS thousands	3,120,737	3,300,759	3,004,321

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

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, collectively – "**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 financial statements as of September 30, 2021 is USD 265 million (NIS 856 million).

During the reporting period, the Group received dividends and capital recoveries from the Boston partnerships totaling USD 6 million (approx. NIS 20 million).

In early March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD, hereinafter – "**the Building**"), which accounts for 76% of the total rental space in that building, decided to leave the building.

The Company and Oxford have decided to 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, in this subsection – "**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 (hereinafter, in this subsection – "**the Utilization Period**") to be repaid by the end of two years from the end of the utilization period (hereinafter, in this subsection – "**the New Facility Agreement**"). The rest of the facility conditions remained the same as the expired facility. The facility agreement replaces and cancels the facility agreement with the bank that expired in January 2021. The new facility agreement, as its predecessor, is not guaranteed by liens.
2. Further to Note 12.b (3) to the 2020 annual financial statements, 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.
3. In September 2021, the Company engaged in a credit facility agreement with an Israeli bank (hereinafter, in this subsection – "**the Bank**") in the amount of NIS 150 million (hereinafter, in this subsection – "**the Agreement**") for a utilization period of one year from date of signing the agreement (hereinafter, in this subsection – "**the Utilization Period**") to be repaid by the end of three years from the date of signing the agreement (i.e. until September 29, 2024). The facility agreement is not guaranteed by liens. The interest that the utilized fund will bear will be the cost of the bank plus 1.85% per year. The non-utilization fee for the facility will be 0.285% calculated on an annual basis from the amount of the credit facility that is not utilized during the period from the date of signing until September 29, 2022.
   In a letter of commitment signed at the same time as the agreement, the Company committed, among other things, to financial ratios, the main ones being:
   a.) Minimum equity for four consecutive calendar quarters will not be less than 30% of the total balance sheet (based on expanded solo reports) (20% at any given time);
   b.) The ratio between dividend receipts and total interest payments in relation to a period of one calendar year will not be less than 1.2;
   c.) The ratio of net financial debt to FFO will not exceed 25;
   d.) The Company's equity will not be less than NIS 2.1 billion (based on expanded solo reports) for four consecutive calendar quarters.

Amot (consolidated company) –

4. 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. For additional information, see Note 12c(2) to the financial statements.

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

5. Subsequent to the balance sheet date, in October 2021, Amot signed an agreement with a banking institution (hereinafter, in this subsection – "**the Bank**"), according to which the bank provided Amot with a loan to the amount of approx. NIS 500 million with an average duration of 8.5 years (hereinafter, in this subsection – "**the Loan**"). The loan is not secured with any encumbrance, it is CPI-linked and bears 0.6% annual interest. The loan principal will be repaid by Amot in 4 equal annual payments during the years 2029 to 2032. As part of the loan agreement, Amot undertook to meet financial covenants similar to the criteria determined in Amot's bonds (Series H). The loan's average duration and the principal repayment dates are similar to those of the bonds.
   Amot used the loan funds to repay some of the short-term credit facilities that it used to pay for the purchase of the Tzrifin Logistics Park (see Note 4b.3 above).

BE (consolidated company) –

6. In order to finance the acquisition of the "inner complex" properties in the Cambridge Science Park that were acquired in the reporting period in the amount of NIS 142 million, as detailed in Note 5.c(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.

   In addition, BE entered into transactions with the lending 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.

   BE is expected to take additional bank credit such that the total financing amount in respect of the properties at the Science Park will be at a rate of 60% of the total acquisition cost, as detailed in Note 5.d, against the encumbrance of the acquired properties.

Energix (consolidated company) –

7. **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.
8. **Financing for the Banie project, Stage 4** – In September 2021, Energix, through a local subsidiary, signed a memorandum of understanding with a consortium of 2 lenders - the European Bank for Reconstruction and Development (EBRD) and a leading local financial institution for the receipt of financing for the construction of the project in the total amount of up to PLN 300 million (up to NIS 240 million).

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

In the context of rising inflation and rising interbank interest rates in Poland, in November 2021 Energix entered into a transaction to hedge the Wibor interest rate to a rate of up to 2% for a period of 5 years (from the expected commercial operation date), which will provide protection for the interest rate to be used as the base interest in the financing transaction for the construction of the Banie 4 project.

9. **Financing of the winning projects in the second competitive procedure** – Further to Note 12d(3) to the annual statements, during the reporting period, Energix made withdrawals from the credit facility. The total financing provided to the Company under the financing agreement is NIS 190 million.
10. **Financing for the winning projects in the third and fourth competitive procedures (up to 139 MWp):** In addition, further to Note 12.d(4) to the annual statements regarding a project financing agreement in the amount of up to NIS 380 million. As of the date of approval of the report, Energix, through the joint venture - Israel, made withdrawals under the financing framework in the amount of approx. NIS 155 million in respect of projects that met the conditions for the withdrawal.
11. **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. During the second quarter, 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, the Company will take advantage of the tax benefits for its own use.
12. **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 (up to NIS 440 million). As of the date of approval of the report, Energix has withdrawn an amount of approx. NIS 45 million from the financing facility.
    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% in relation to 70% of the loan amount, the Wibor interest rate will not exceed 2% for a period of 7 years (from the expected date of commercial operation). This is in accordance with the Wibor interest rate hedging transaction made by Energix in October 2021.
Repayment schedule (principal and interest)	Semi-annual repayments
Financial ratios	Breach event occurrence: The historical or expected debt service coverage ratio (DSCR) is from 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

13. 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, during the reporting period, the Company issued a total of NIS 402.5 million PV bonds (Series L) by way of series expansion in a private placement and through a shelf offer report for a total gross consideration in the amount of NIS 415 million. The above considerations incorporate effective interest at a rate of 2.16%. Subsequent to the balance sheet date, in November 2021, the Company issued NIS 238 million PV bonds (Series L) by way of series expansion through a private placement for the amount of NIS 242.5 million. The consideration for the above expansion includes an effective annual interest rate of 2.38%.

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%.
   In addition, subsequent to the balance sheet date, in October 2021, Amot issued NIS 800 million PV of bonds (Series H) as part of a private allotment to classified investors, for the amount of NIS 863 million. The bonds bear an effective CPI-linked interest rate of 0.4% and have an average duration of 8.4 years.

Energix –

3. Further to that stated in Notes 11.o and 11.p to the annual consolidated financial statements, subsequent to the balance sheet date, in November 2021, Energix issued to the public NIS 242,960 thousand PV of bonds (Series A) and NIS 66,602 thousand PV of bonds (Series B) by way of expansions of the two series, as part of a public offering according to a shelf offer report and for a total consideration of NIS 309 million (gross).

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 91 per share (NIS 158 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.

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

In November 2021, the Company announced a dividend distribution for fourth quarter of 2021 in the amount of NIS 0.31 per share (NIS 54 million), to be paid during December 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 March, May and August 2021, Amot declared that it would distribute a dividend for the first, second and third quarters of 2021 in the amount of NIS 0.25 per share each quarter (a total of NIS 308 million, the Company's share – approx. NIS 175 million). In November 2021, Amot announced that it would distribute a dividend for the fourth quarter of 2021 in the amount of NIS 0.25 per share (a total of approx. NIS 110.5 million, the Company's share – approx. NIS 61 million), which will be paid in November 2021.

Energix (consolidated company) – In March 2021, the Energix Board of Directors stated its intention to distribute an annual dividend in the amount of NIS 0.18 per share, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters – NIS 0.04 per share, and at the end of the third and fourth quarters – NIS 0.05 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

According to this policy, in March 2021, in March, May and August, Energix announced cumulative distributions in the amount of NIS 0.13 per share (a total of approx. NIS 63 million, the Company's share – approx. NIS 34 million).
In November 2021, Energix declared that it would distribute a dividend for the fourth quarter of 2021 in the amount of NIS 5 per share (approx. NIS 24 million, the Company's share – approx. NIS 13 million), to be paid in December 2021.

BE (consolidated company) – In 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 was distributed to its shareholders in a single payment in September 2021.

B. Employee and executive remuneration

1.) 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.

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

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 options (in years)	2.88
Risk-free interest rate	0.27%

2.) Further to that stated in Note 18 to the financial statements, in October 2021, the General Meeting approved, after approval by the Company's Remuneration Committee and the Board of Directors, the following resolutions:

   a) The remuneration policy for Company officers for the years 2022-2024, which is without significant change in relation to the Company's existing remuneration policy for the years 2019-2021;

   b) Management agreement with Mr. Natan Hetz, the Company's CEO and a director, for the years 2022-2024, unchanged in relation to the terms of the existing management agreement with Mr. Natan Hetz for the years 2019-2021 (except for the implementation of general provisions from the new remuneration policy that are the same for all officers);

   c) Management agreement with Mr. Aviram Wertheim, the Chairman of the Company's Board of Directors, for the years 2022-2024. The main changes in the management agreement for the years 2022-2024 compared to the terms of the existing management agreement with Mr. Aviram Wertheim for the years 2019-2021 are as follows:

      i. Mr. Wertheim's management fee will increase from NIS 50 thousand to NIS 60 thousand.

      ii. The annual bonus will increase to between NIS 430 thousand (the minimum bonus) and NIS 720 thousand. (instead of a bonus in the range between NIS 360 thousand and NIS 600 thousand).

      iii. The annual capital bonus that will be awarded to Mr. Wertheim will increase from NIS 300 thousand to NIS 360 thousand.

   d) A decision on a framework for granting options to directors between the years 2022-2024, which is unchanged in relation to the Company's existing framework for the years 2019-2021.

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).

D. Regarding the approval of the Company's remuneration policy for the years 2022-2024, the approval of the management agreement with the Company's CEO Mr. Natan Hetz for the years 2022-2024, the approval of the management agreement with Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, for the years 2022-2024 and the approval of the decision regarding the framework for granting options to directors between the years 2022-2024, see Note 12(b) above.

Note 14 – Financial Instruments:

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

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

	As of September 30, 2021		As of September 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)	1,322,768	1,447,653	994,505	1,055,023	980,091	1,086,759
Bonds (including maturities)	11,255,145	12,116,385	10,681,794	11,090,574	11,192,946	11,729,510
	12,577,913	13,564,038	11,676,299	12,145,597	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 near their book value, and therefore these loans are not presented in the above note.

Note 14 – Financial Instruments (continued):

- Bonds in the above table include only the liability component of convertible bonds (Series B) issued by Energix. The fair value of the bonds is determined by discounting the expected cash flows according to interest rates of similar debt instruments that do not include a conversion option and is in accordance with Level 2.

- The fair value of the traded bonds, except for Energix's convertible bonds (Series B), is determined based on prices quoted on the stock exchange in Israel and is in accordance with Level 1. The fair value of non-tradable bonds is determined by discounting the expected cash flows at a discount rate that reflects management's assessment of the level of risk inherent in the financial instrument and is in accordance with Level 2.

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

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

	As of September 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	-	20,474	-	20,474
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	5,250	-	5,250
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	25,807	-	25,807
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	131,957	-	131,957
Financial derivatives (CAP options for hedging interest)	-	2,546	-	2,546
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	2,567	-	2,567
Financial assets measured at fair value through profit and loss:				
Tradable securities	298	-	-	298
Real estate investment funds (1)	-	-	210,421	210,421
	298	188,601	210,421	399,320
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(106,299)	-	(106,299)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(838)	-	(838)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(57,242)	(57,242)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(931)	-	(931)
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	-	(12,770)	-	(12,770)
Financial liabilities measured at fair value through profit or loss (1)	-	-	(1,386)	(1,386)
	-	(120,838)	(58,628)	(179,466)

Note 14 – Financial Instruments (continued) :

A. Financial instruments at fair value measured according to Level 3:

	For the Nine Month Period ended September 30, 2021
	NIS thousands
Balance as of January 1, 2021	156,856
Investments	16,361
Amounts recorded to profit and loss in the period	34,731
Amounts recorded to other comprehensive income in the period	(56,155)
Balance as of September 30, 2021	151,793

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

	As of September 30, 2020			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	15,997	-	15,997
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	36,469	-	36,469
Financial derivatives (CAP options for hedging interest)	-	888	-	888
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	29,740	-	29,740
Financial assets measured at fair value through profit and loss:				
Tradable securities	46,983	-	-	46,983
Real estate investment funds (1)	-	-	148,842	148,842
	46,983	83,094	148,842	278,919
Financial liabilities at fair value				
Derivatives:				
Option warrants exercisable into bonds	(14,877)	-	-	(14,877)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(4,288)	-	(4,288)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(27,896)	(27,896)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(8,822)	-	(8,822)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(12,598)	-	(12,598)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(29,139)	-	(29,139)
	(14,877)	(54,847)	(27,896)	(97,620)

Note 14 – Financial Instruments (continued):

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

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

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

	As of 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 and loss:				
Tradable securities	115,835	-	-	115,835
Real estate investment funds (1)	-	-	160,197	160,197
	115,835	231,134	160,821	507,790
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (foreign currency swap options)	-	(1,012)	-	(1,012)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(3,899)	-	(3,899)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(3,965)	(3,965)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(4,196)	-	(4,196)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(7,523)	-	(7,523)
	-	(16,630)	(3,965)	(20,595)

Note 14 – Financial Instruments (continued):

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

	For the Year ended December 31, 2020
	NIS thousands
Balance as of January 1, 2020	153,961
Investments	27,302
Realizations	(25,745)
Amounts recorded to profit and loss in the period	(17,453)
Amounts recorded to other comprehensive income in the period	18,791
Balance as of December 31, 2020	156,856

C. Changes in investments in associates

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year Ending December 31
	2021	2020	2021	2020	2020
	NIS millions				
Investment in PSP	(200)	(1,138)	-	(416)	(1,181)
Investment in Carr	116	165	40	17	(132)
Investment in Boston	77	(32)	(5)	3	(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 mainly due to the Group's share in Carr's comprehensive income (an increase of NIS 107 million) and due to an increase in the USD exchange rate (an increase of NIS 12 million).
- Investment in Boston – The increase in the investment balance in the reporting period was mainly due to the accumulation of NIS 59 million in equity earnings resulting from an investment in the amount of NIS 36 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 20 million.

Note 15 – Operating Segments :

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

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

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Nine Month Period ended September 30, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	177,275	73,231	343,278	58,686	30,083	-	(561,124)	121,429
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	33,708	-	15,987	(797)	48,898
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	-	168	-	4,907	-	-	12,362	17,437
Other revenues, net (*)	6,827	-	-	-	4,210	-	1,242,998	1,254,035
	184,102	73,399	343,278	97,301	34,293	20,265	693,439	1,446,077
Administrative and general	-	-	-	-	-	26,982	77,781	104,763
Financing expenses, net	-	-	-	-	-	72,399	240,854	313,253
Other expenses, net (*)	-	-	-	-	-	-	161,997	161,997
	-	-	-	-	-	99,381	480,632	580,013
Profit before tax	184,102	73,399	343,278	97,301	34,293	(79,116)	212,807	866,064
Additional information for segment results:								
Revenues (in the investee's books) including revaluation profits	628,427	(**)631,351	441,212		190,508			
Revaluation profits (in the investee's books), before tax	21,082	(**)86,172	328,885		-			
Net profit (in the investee's books)	313,802	160,626	353,938		56,547			
Company share in net profits	177,275	73,231	343,278		30,083			

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.

Note 15 – Operating Segments (continued)

Segment revenues and results

	For the Three Month Period ended September 30, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	8,790	69,642	40,777	(9,259)	7,798	18	(56,168)	61,598
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	35,874	-	(61)	651	36,464
Revenues from decrease in holdings in investees	-	(62)	-	-	-	-	(1)	(63)
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	-	-
Other revenues, net (*)	2,298	-	-	-	1,479	-	231,648	235,425
	11,088	69,580	40,777	26,615	9,277	(43)	176,130	333,424
Administrative and general	-	-	-	-	-	5,068	23,945	29,013
Financing expenses, net	-	-	-	-	-	26,832	92,332	119,164
Other expenses, net (*)	-	-	-	-	-	-	61,599	61,599
	-	-	-	-	-	31,900	177,876	209,776
Profit before tax	11,088	69,580	40,777	26,615	9,277	(31,943)	(1,746)	123,648
Additional information for segment results:								
Revenues (in the investee's books) including revaluation profits	107,809	(**) 284,075	64,018		66,172			
Revaluation profits (in the investee's books), before tax	(106,293)	(**)96,035	24,078		-			
Net profit (in the investee's books)	15,774	147,583	41,995		14,766			
Company share in net profits	8,790	69,642	40,777		7,798			

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.

Note 15 – Operating Segments (continued) :

Segment assets and liabilities:

	As of September 30, 2021								
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees	3,917,479	3,120,737	-	2,199,679	855,513	770,510	12,510	(6,318,297)	4,558,131
Investment in securities measured at fair value through profit or loss	-	-	-	-	157,652	-	298	52,769	210,719
Other assets	-	-	-	-	-	-	298,280	24,462,042	24,760,322
	3,917,479	3,120,737	-	2,199,679	1,013,165	770,510	311,088	18,196,514	29,529,172
Liabilities	-	-	-	-	-	-	4,585,860	14,265,862	18,851,722

Note 15 – Operating Segments (continued) :

Segment revenues and results

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

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 49 million.

Note 15 – Operating Segments (continued):

Segment revenues and results

	For the Three Month Period ended September 30, 2020								
	Amot	Carr	PSP	BE	Others	Segment Energy Energix	Unattributed Results	Adjustments	Total
					NIS thousands				
Group share in investees' profits, net	66,813	62,086	-	(1,499)	7,760	10,064	-	(80,887)	64,337
Revenues from decrease in holdings in investees	-	(15)	45,863	-	-	-	-	-	45,848
Profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	-	1,236	-	(16)	-	1,220
Other revenues, net (*)	2,250	-	-	-	-	1,400	-	301,881	305,531
	69,063	62,071	45,863	(1,499)	8,996	11,464	(16)	220,994	416,936
Administrative and general	-	-	-	-	-	-	8,291	22,171	30,462
Financing expenses, net	-	-	-	-	-	-	22,419	52,251	74,670
Other expenses, net (*)	-	-	-	-	-	-	-	54,686	54,686
	-	-	-	-	-	-	30,710	129,108	159,818
Profit before tax	69,063	62,071	(***)45,863	(1,499)	8,996	11,464	(30,726)	91,886	257,118
Additional information for segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	215,518	(**) 277,794	327,424	27,574		63,409			
Revaluation profits (losses) (in the investee's books), before tax	14,395	(**)76,068	(11,715)	(3,955)		-			
Net profit (in the investee's books)	120,971	132,892	215,948	(1,560)		18,309			
Company share in net profits	66,813	62,086	-	(1,499)		10,064			

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 11 million.

Note 15 – Operating Segments (continued) :

Segment assets and liabilities:

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

Note 15 – Operating Segments (continued) :

Segment revenues and results

	For the Year ended December 31, 2020								
	Income-Generating Property Segment					Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Group share in 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 for segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	624,893	(**)841,062	1,564,687	82,788		263,069			
Revaluation profits (losses) (in the investee's books), before tax	(143,640)	(**)(7,344)	373,078	(44,090)		-			
Net profit (loss) (in the investee's books)	289,455	275,144	1,071,735	(3,519)		77,821			
Company share in net profits (loss)	160,596	129,118	12,631	(34,508)		43,222			

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

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

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

(***) The tax expenses recorded in the statement of income in respect of the investment in PSP amounted to NIS 53 million.

Note 15 – Operating Segments (continued) :

Segment assets and liabilities:

Segment assets and liabilities:

	As of December 31, 2020								
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees (including an investment in a company 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 Nine Month Period ended September 30, 2021							
	Income-Generating Property			Energy			Others and Unassigned Expenses	Total
	Israel	USA	The UK	Israel	Poland	USA		
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	604,064	-	112,327	-	-	-	-	716,391
Fair value adjustment of investment property	134,584	-	385,825	-	-	-	-	520,409
Fair value adjustment - amortization of transaction costs	(114,334)	-	(56,941)	-	-	-	-	(171,275)
Group share in profits (losses) of associates, net	10,507	131,916	(22,084)	1,090	-	-	-	121,429
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	-	-	-	90,238	80,259	19,002	-	189,499
Other	(3,807)	167	34,719	12,435	937	-	20,895	65,346
	631,014	132,083	453,846	103,763	81,196	19,002	25,173	1,446,077
Costs and expenses								
Cost of investment property rental and operation	61,590	-	9,459	-	-	-	-	71,049
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	11,980	12,745	3,240	-	27,965
Depreciation and amortizations	1,929	-	1,233	30,457	17,738	9,354	2,272	62,983
	63,519	-	10,692	42,437	30,483	12,594	2,272	161,997
Administrative and general expenses							104,763	104,763
Profit before financing	567,495	132,083	443,154	61,326	50,713	6,408	(81,862)	1,179,317

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended September 30, 2021							
	Income-Generating Property			Energy				
	Israel	USA	The UK	Israel	Poland	USA	Others and Unassigned Expenses	Total
	NIS thousands							
Revenues and profits								
Revenues from rental fees and management of investment property	212,988	-	39,940	-	-	-	-	252,928
Fair value adjustment of investment property	1	-	39,783	-	-	-	-	39,784
Fair value adjustment - amortization of transaction costs	(106,293)	-	(15,706)	-	-	-	-	(121,999)
Group share in profits (losses) of associates, net	4,557	60,382	(3,917)	576	-	-	-	61,598
Revenues from sale of electricity and green certificates	-	-	-	32,908	24,153	8,269	-	65,330
Other	(1,460)	(63)	36,524	(95)	937	-	(60)	35,783
	109,793	60,319	96,624	33,389	25,090	8,269	(60)	333,424
Costs and expenses								
Cost of investment property rental and operation	25,750	-	2,455	-	-	-	-	28,205
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	4,718	4,094	1,827	-	10,639
Depreciation and amortizations	668	-	548	11,122	5,057	4,558	802	22,755
	26,418	-	3,003	15,840	9,151	6,385	802	61,599
Administrative and general expenses							29,013	29,013
Profit before financing	83,375	60,319	93,621	17,549	15,939	1,884	(29,875)	242,812

Note 15 – Operating Segments (continued):

Geographic information:

	As of September 30, 2021							
	Income-Generating Property			Energy				
	Israel	USA (*)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands							
Main assets								
Investment property (including property in development)	15,514,979	-	4,189,985	-	-	-	-	19,704,964
Investments in associates	487,898	3,976,251	71,383	10,009	-	-	12,590	4,558,131
Connected electricity-generating facilities	-	-	-	730,058	537,165	638,286	-	1,905,509
Electricity-generating facilities in development	-	-	-	374,060	287,288	550,885	-	1,212,233
Right-of-use asset	-	-	-	152,140	68,121	47,192	-	267,453
Securities measured at fair value through profit or loss (**)	-	-	210,421	-	-	-	298	210,719
	16,002,877	3,976,251	4,471,789	1,266,267	892,574	1,236,363	12,888	27,859,009

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,120,737 thousand and for an investment in Boston in the amount of NIS 855,514 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 Nine Month Period ended September 30, 2020								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	581,986	-	-	94,370	-	-	-	-	676,356
Fair value adjustment of investment property	(121,288)	-	-	(18,547)	-	-	-	-	(139,835)
Fair value adjustment - amortization of transaction costs	(12,417)			(26,745)	-	-	-	-	(39,162)
Group share in profits (losses) of associates, net	7,717	75,408	12,631	(28,503)	(200)	-	-	-	67,053
Revenues from sale of electricity and green certificates	-	-	-	-	85,656	104,701	3,920	-	194,277
Other	(6,038)	(91)	196,667	(13,295)	674	521	-	(132)	178,306
	449,960	75,317	209,298	7,280	86,130	105,222	3,920	(132)	936,995
Costs and expenses									
Cost of investment property rental and operation	45,776	-	-	8,927	-	-	-	-	54,703
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	10,450	16,246	778	-	27,474
Depreciation and amortizations	1,696	-	-	297	38,481	18,421	3,000	1,753	63,648
	47,472	-	-	9,224	48,931	34,667	3,778	1,753	145,825
Administrative and general expenses								90,210	90,210
Profit before financing	402,488	75,317	209,298	(1,944)	37,199	70,555	142	(92,095)	700,960

Note 15 – Operating Segments (continued):

Geographic information:

	For the Three Month Period ended September 30, 2020								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	200,123	-	-	31,529	-	-	-	-	231,652
Fair value adjustment of investment property	19,993	-	-	(3,529)	-	-	-	-	16,464
Fair value adjustment - amortization of transaction costs	(5,597)	-	-	(427)	-	-	-	-	(6,024)
Group share in profits (losses) of associates, net	3,837	69,849	-	(8,428)	(921)	-	-	-	64,337
Revenues from sale of electricity and green certificates	-	-	-	-	33,224	26,637	2,951	-	62,812
Other	1,966	(15)	45,863	(700)	486	111	-	(16)	47,695
	220,322	69,834	45,863	18,445	32,789	26,748	2,951	(16)	416,936
Costs and expenses									
Cost of investment property rental and operation	16,597	-	-	2,473	-	-	-	-	19,070
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	4,102	2,172	750	-	7,024
Depreciation and amortizations	(17)	-	-	107	19,167	5,594	2,546	1,195	28,592
	16,580	-	-	2,580	23,269	7,766	3,296	1,195	54,686
Administrative and general expenses								30,462	30,462
Profit before financing	203,742	69,834	45,863	15,865	9,520	18,982	(345)	(31,673)	331,788

Note 15 – Operating Segments (continued):

Geographic information:

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

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,300,763 thousand and for an investment in Boston in the amount of NIS 812,892 thousand.

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

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

Note 15 – Operating Segments (continued):

Geographic information:

	For the Period ended December 31, 2020								
	Income-Generating Property				Energy			Others and Unassigned Expenses	Total
	Israel	USA	Switzerland	The UK	Israel	Poland	USA		
	NIS thousands								
Revenues and profits									
Revenues from rental fees and management of investment property	764,754	-	-	126,878	-	-	-	-	891,632
Fair value adjustment of investment property	(131,275)	-	-	(17,374)	-	-	-	-	(148,649)
Fair value adjustment - amortization of transaction costs	(12,417)	-	-	(26,716)	-	-	-	-	(39,133)
Group share in profits (losses) of associates, net	(994)	125,316	12,631	(36,539)	(141)	-	-	(603)	99,670
Revenues from sale of electricity and green certificates	-	-	-	-	106,796	148,352	6,655	-	261,803
Other	(3,298)	(82)	201,035	(13,620)	724	542	-	(151)	185,150
	616,770	125,234	213,666	32,629	107,379	148,894	6,655	(753)	1,250,474
Costs and expenses									
Cost of investment property rental and operation	61,898	-	-	12,724	-	-	-	-	74,622
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	14,785	21,739	1,041	-	37,565
Depreciation and 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)	(128,365)	930,665

Note 15 – Operating Segments (continued):

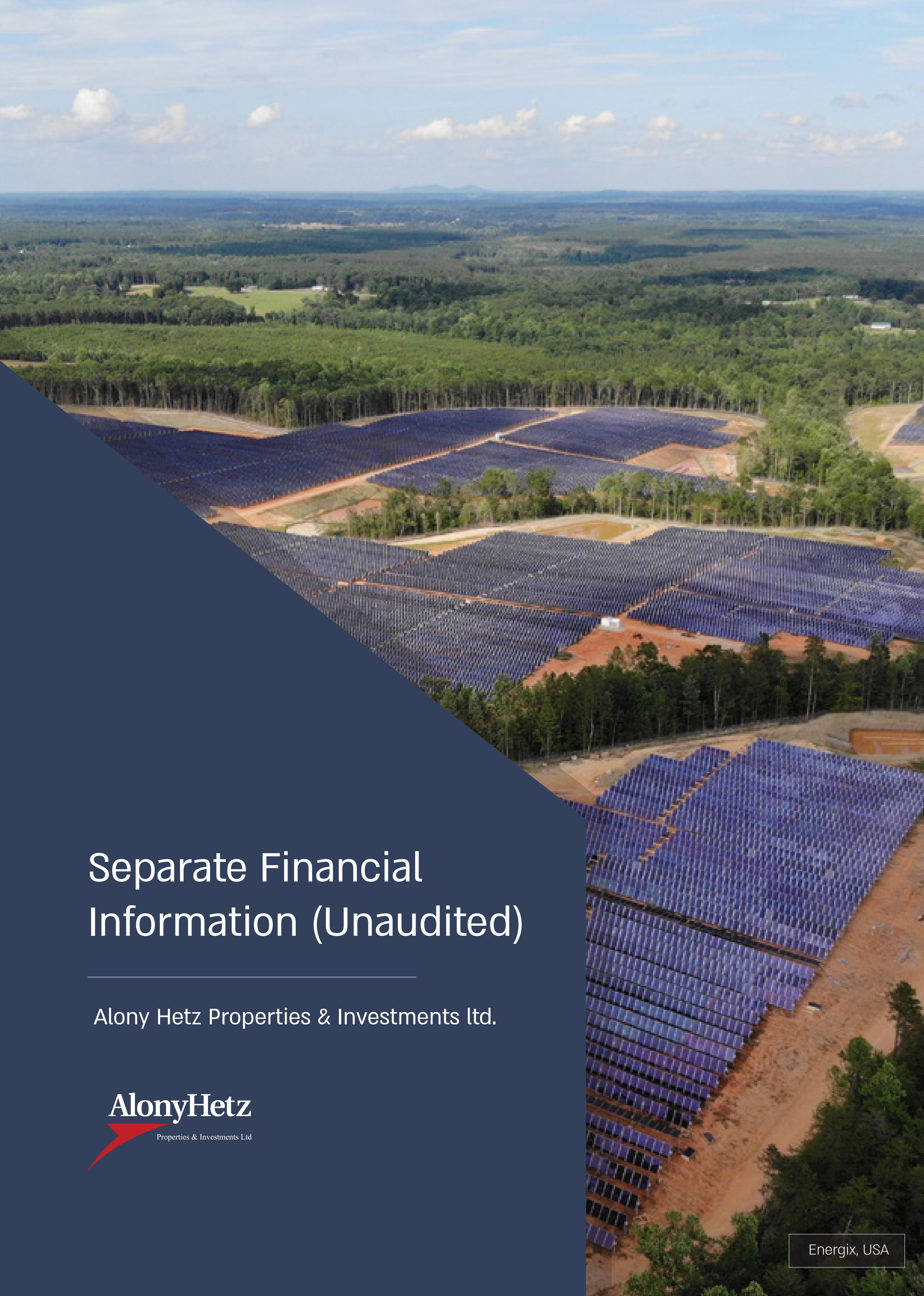
Geographic information:

	As of December 31, 2020								
	Income-Generating Property				Energy				
	Israel	USA (*)	Switzerland (**)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands								
Main assets									
Investment property (including property in development)	13,346,438	-	-	2,903,341	-	-	-	-	16,249,779
Investment in associates (including investment in associate held for sale)	437,401	3,782,552	200,311	60,386	8,713	-	-	12,603	4,501,966
Connected electricity-generating facilities	-	-	-	-	710,475	586,697	338,156	-	1,635,328
Electricity-generating facilities in development	-	-	-	-	244,649	110,643	426,526	-	781,818
Right-of-use asset	-	-	-	-	109,114	50,848	38,695	-	198,657
Securities measured at fair value through profit and loss (***)	25,653	-	-	160,197	-	-	-	485	186,335
	13,809,492	3,782,552	200,311	3,123,924	1,072,951	748,188	803,377	13,088	23,553,883

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,004,322 thousand and for an investment in Boston in the amount of NIS 778,230 thousand.

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

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



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

Introduction

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

We did not review the separate interim financial information included in the financial information of associates, that the investment in them is amounted to approximately 6,161 Million NIS as of September 30, 2021 and the share of the company in their results for the periods of nine and three months ended on that date, is amounted to approximately 86 Million NIS and 73 Million NIS, respectively. The financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

Tel Aviv, November 15, 2021

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

	As of September 30		As of December 31
	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	8,214	717,602	596,119
Deposits and tradable securities	-	25,409	39,537
Current tax assets, net	4,264	10,100	3,903
Related party receivables	169,913	12,668	4,681
Other receivables	62,319	82,817	100,018
	244,710	848,596	744,258
Investment in investee held for sale (*)	-	242,981	200,311
Total current assets	244,710	1,091,577	944,569
Non-current assets			
Long-term investments in securities:			
Securities designated at fair value through profit or loss	157,950	170,415	186,335
Investments in investees	8,017,475	7,607,950	7,372,212
Loans and capital notes to investees	2,707,471	2,097,438	2,097,386
Fixed assets, net	3,442	4,052	3,904
Other assets	40,470	17,443	63,430
Total non-current assets	10,926,808	9,897,298	9,723,267
Total assets	11,171,518	10,988,875	10,667,836

(*) See Note 2e below

	As of September 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	1,809	846	791
Current maturities of bonds	451,903	346,750	346,750
Current tax liabilities	8,751	21,785	26,546
Related party payables	64,414	204,716	13,859
Other payables	75,424	82,187	94,800
Total current liabilities	602,301	656,284	482,746
Non-current liabilities			
Bonds and options convertible into bonds	3,411,490	3,468,763	3,461,797
Long-term loans and credit facilities from banking corporations	73,504	846	593
Deferred tax liabilities	334,101	286,101	311,356
Other liabilities	3,456	25,198	9,478
Total non-current liabilities	3,822,551	3,780,908	3,783,224
Equity	6,746,666	6,551,683	6,401,866
Total liabilities and equity	11,171,518	10,988,875	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

November 15, 2021

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	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	571,706	174,710	90,344	157,695	283,982
Dividend revenues from investments in securities measured at fair value against profit and loss	4,278	-	-	-	-
Net profits (losses) from investments in securities at fair value through profit or loss	49,694	(19,491)	35,812	1,220	(15,250)
Net profits from changes in holding rate and from realization of investments in investees	4,907	196,667	-	45,863	201,035
Management fee revenues from investees	11,037	11,354	3,777	3,651	15,090
Other revenues, net	-	61	-	-	62
	641,622	363,301	129,933	208,429	484,919
Costs and Expenses					
Administrative and general	25,599	21,985	4,732	7,553	29,975
Administrative and general for investees	1,169	1,160	388	383	1,552
Financing expenses (income) in respect of investees	(11,606)	(27,731)	(17,410)	23,097	5,854
Financing income	(5,672)	(1,523)	(10)	(16)	(726)
Financing expenses	83,203	87,836	27,745	22,682	97,312
	92,693	81,727	15,445	53,699	133,967
Profit before taxes on income	548,929	281,574	114,488	154,730	350,952
Income tax expenses (income)	29,327	16,051	13,651	(3,097)	47,954
Net profit for the period	519,602	265,523	100,837	157,827	302,998
Net earnings per share (in NIS):					
Basic	3.00	1.54	0.58	0.91	1.75
Fully diluted	2.98	1.53	0.58	0.91	1.74
Weighted average of share capital used in calculation of earnings per share (thousands of shares)					
Basic	173,359	172,775	173,689	172,787	172,784
Fully diluted	173,556	173,076	173,816	172,907	173,060

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

	For the Nine Month Period ended September 30		For the Three Month Period ended September 30		For the Year ended December 31
	2021	2020	2021	2020	2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net profit for the period	519,602	265,523	100,837	157,827	302,998
Other comprehensive loss					
Amounts to be classified in the future to profit or loss, net of tax					
Profit from translation of financial statements for foreign activities, net of tax	6,475	31,869	14,458	14,241	28,276
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	4,949	(30,460)	47,968	(25,526)	89,051
Profit (loss) from exchange rate differentials in respect of cash flow hedging, net of tax	295	-	(57)	-	(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	(16,830)	-	(11,970)	(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	6,423	-	3,226	8,977
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate	(3,557)	(13,201)	-	(2,466)	(13,250)
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	-	(533)	-	-	-
Company share in other comprehensive income (losses) of associates, net of tax	(56,770)	(70,732)	(171,036)	29,919	(341,722)
	(43,988)	(93,464)	(108,667)	7,424	(246,879)
	475,614	172,059	(7,830)	165,251	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 Nine Month Period ended September 30		For the Three Month Period ended September 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	519,602	265,523	100,837	157,827	302,998
Revenues (expenses) not involving cash flows (Appendix A)	(452,315)	(132,947)	(33,563)	(159,066)	126,847
	67,287	132,576	67,274	(1,239)	429,845
Changes in working capital (Appendix B)	34,468	196,986	13,837	67,367	181,631
Net cash provided by operating activities	101,755	329,562	81,111	66,128	611,476
Cash flow - Investing activities					
Investment in investment property funds	(16,361)	(11,941)	(16,361)	-	(23,965)
Proceeds from the repayment of investments in investment property funds	-	22,409	-	-	22,409
Investment in consolidated companies	-	(47,007)	-	(12,492)	(401,312)
Proceeds from realization of investment in associates and in securities presented at fair value against profit or loss, net of tax	210,873	1,254,938	(9,113)	532,642	1,359,305
Provision of loans and capital notes to investees	(995,959)	(193,935)	(191,885)	-	(193,935)
Decrease in deposits and tradable securities, net	44,507	942	-	-	942
Repayment of loans provided to investees	312,560	-	-	-	-
Investment in investees, net	(287,999)	(151,215)	(287,999)	-	(244,573)
Repayment of investment in investees	164	3,250	-	3,250	3,250
Cash provided by forward transactions designated for hedging	70,026	22,177	21,057	15,248	22,177
Others, net	(60)	(1,517)	(12)	(79)	(1,542)
Net cash provided by (used in) investing activities	(662,249)	898,101	(484,313)	538,569	542,756
Cash flows – Financing activities					
Proceeds from the issue of bonds	408,854	-	-	-	-
Receipt of long-term loan	73,504	-	73,504	-	-
Repayment of long-term loans	(599)	(363,458)	(202)	(213)	(363,666)
Proceeds from issues of shares and options	26,413	1,436	1,239	-	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	(1,115)	-	(6)	(1,109)
Dividends paid to Company shareholders	(192,372)	(150,319)	(53,843)	(50,108)	(200,446)
Net cash provided by (used in) financing activities	(29,505)	(860,634)	20,698	(50,327)	(908,712)
Increase (decrease) in cash and cash equivalents	(589,999)	367,029	(382,504)	554,370	245,520
Effect of changes in exchange rates on foreign currency cash balances	2,094	(403)	432	927	(377)
Cash and cash equivalents at beginning of year	596,119	350,976	390,286	162,305	350,976
Cash and cash equivalents at end of year	8,214	717,602	8,214	717,602	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 Nine Month Period ended September 30		For the Three Month Period ended September 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	(46,007)	(57,499)	10,554	21,230	(52,638)
Company share in profits of associates, less dividends and reductions of capital received	(362,766)	78,883	(18,953)	(104,901)	350,053
Losses (profits) relating to investments in long-term securities and assets intended for sale	(53,817)	22,919	(35,811)	(7,210)	18,342
Profit from change in holding rate and from realization of investments in investee, net	(4,907)	(196,667)	-	(45,863)	(201,035)
Net loss (profit) from tradable securities	(4,971)	14,524	-	(2,671)	398
Deferred taxes, net	16,645	1,774	8,723	(20,604)	7,679
Miscellaneous, net	3,508	3,119	1,924	953	4,048
	(452,315)	(132,947)	(33,563)	(159,066)	126,847
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in other receivables	(30,599)	(7,903)	(19,999)	(6,258)	155,065
Decrease (increase) in current tax assets, net	(361)	(7,014)	56	1,123	(817)
Decrease in other payables	54,110	202,744	29,014	56,378	13,432
Increase (decrease) in current tax liabilities, net	11,318	9,159	4,766	16,124	13,951
	34,468	196,986	13,837	67,367	181,631
c. Non-cash activity					
Dividend receivable from investees	-	1,400	-	1,400	157,345
Proceeds receivable from realization of investment in associate	-	62,774	-	-	-
c. Additional information					
Interest paid	112,644	122,627	8,314	7,776	130,307
Interest received	100	492	5	111	593
Taxes paid	30,707	12,146	10,651	16	5,485
Dividend and capital reductions received	213,416	253,581	71,448	52,797	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 September 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.

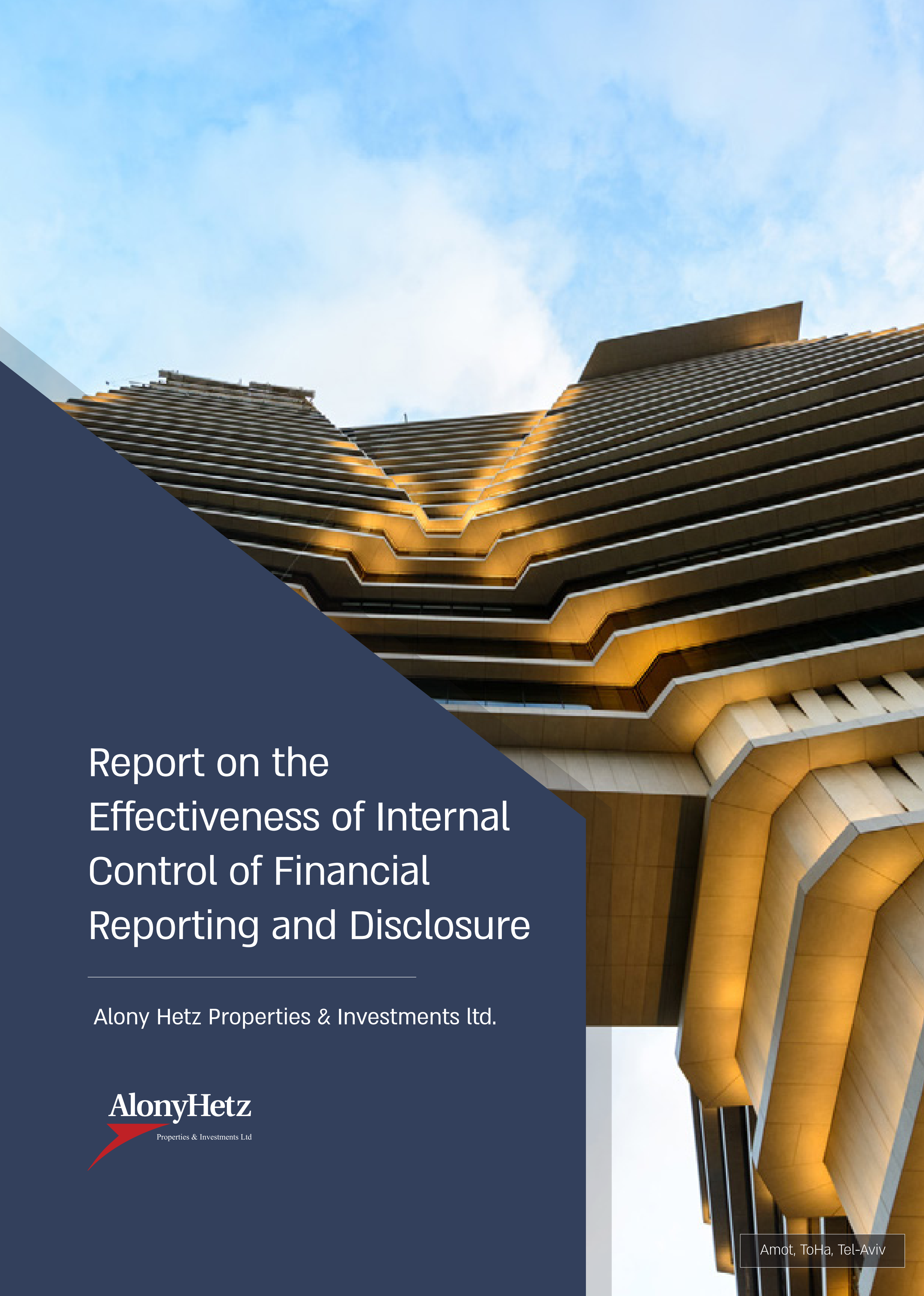
2. Additional information and events subsequent to the balance sheet date:

   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 signing of a new credit facility agreement between the Company and the Bank of Israel – see Note 10.3. to the Condensed Consolidated Financial Statements published with this financial information.
   I. 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.
   J. For information regarding the dividend policy and dividends declared – see Note 12a to the condensed consolidated financial statements published with this financial information.
   K. For information regarding the remuneration of employees and officers – see Note 12b to the condensed consolidated financial statements published with this financial information.
   L. For information regarding transactions with related parties – see Note 13 to the condensed consolidated financial statements published with this financial information.

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd



Amot, ToHa, Tel-Aviv

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

For the Third 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 June 30, 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 reports of Alony Hetz Properties and Investments Ltd. (hereinafter – "**the Corporation**") for the third 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.

November 15, 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 third 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.

November 15, 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

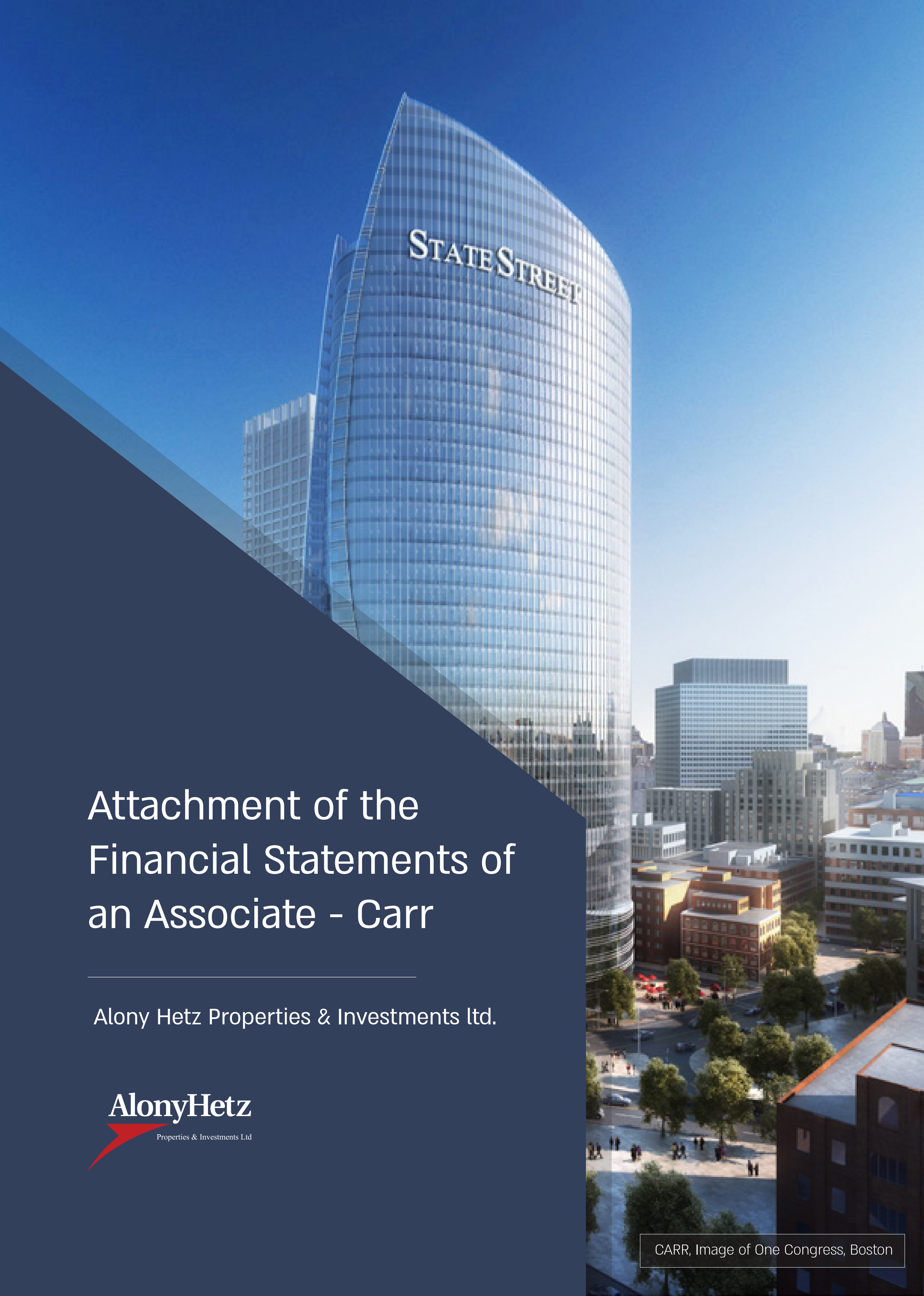
Report on the Status of Liabilities by Repayment Dates, as of September 30, 2021

Regarding the Report on the Status of Liabilities by Repayment Dates, as of September 30, 2021, see the immediate report dated November 16, 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 September 30, 2021
(Unaudited)

CARR PROPERTIES HOLDINGS LP

Table of Contents

Review Report of Independent Auditors	1
Condensed Consolidated Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	3
Condensed Consolidated Statements of Changes in Equity	4
Condensed Consolidated Statements of Cash Flows	5
Notes to the Condensed Consolidated Financial Statements	7-32

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Report of Independent Auditors

To the Management of Carr Properties Holdings LP

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings LP and its subsidiaries, which comprise the condensed consolidated balance sheet as of September 30, 2021, and the related condensed consolidated statements of operations and comprehensive income (loss) and of cash flows for the three-month and nine-month periods ended September 30, 2021 and 2020 and the condensed consolidated statement of changes in equity for the nine-month periods ended September 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
Washington, DC
November 5, 2021

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

	Notes	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,342,262 and $2,512,155)	4,11	$ 2,378,349	$ 2,796,120
Properties in development (cost of $207,165 and $577,019)	4,11	226,050	646,316
Investments in associates	5	678,021	318,983
Goodwill	8	9,326	9,326
Derivative asset	11	1,401	—
Straight line rent receivable		89,993	110,632
Deferred leasing costs and other, net		35,527	59,079
		3,418,667	3,940,456
Current assets			
Investment property held for sale		—	18,750
Trade receivables, net		6,529	13,039
Prepaid expense and other assets		13,609	9,906
Restricted cash	10	4,543	12,153
Cash and cash equivalents	2,10	24,591	34,128
		49,272	87,976
Total assets		$ 3,467,939	$ 4,028,432
EQUITY			
Equity attributable to common shareholders	17	$ 1,606,196	$ 1,606,196
Equity reserve from increase in CPP		9,857	9,756
Equity reserve for cash flow hedges	11	(17,881)	(38,054)
Retained earnings		305,628	262,864
Equity attributable to non-redeemable non-controlling interests	17	145,962	143,031
Total equity		2,049,762	1,983,793
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 562,621	$ 431,130
Notes payable, net of current portion and deferred financing fees	9,10	509,493	1,230,917
Lease liabilities, net of current portion	7,10	131,887	128,746
Redeemable non-controlling interests, net of current portion	17	2,245	2,997
Derivative liabilities, net of current portion	10	3,553	7,030
Security deposits		3,675	4,056
Other liabilities		11,370	13,198
		1,224,844	1,818,074
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	2,557	2,505
Derivative liabilities, current	10	—	39
Current portion of lease liabilities	7,10	545	335
Redeemable non-controlling interests, current	17	153,258	147,373
Rent received in advance		5,754	14,736
Trade and other payables	2	31,219	59,649
Liabilities of investment property held for sale		—	1,928
		193,333	226,565
Total liabilities		1,418,177	2,044,639
Total equity and liabilities		$ 3,467,939	$ 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	November 5, 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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues					
Rental revenue		$ 48,080	$ 47,570	$ 134,279	$ 142,759
Recoveries from tenants		6,401	9,362	24,483	28,104
Parking income		2,544	1,464	5,898	6,101
Property management fees and other	14	1,064	633	2,777	1,394
Total revenues		58,089	59,029	167,437	178,358
Operating expenses					
Property operating expenses					
Direct payroll and benefits		2,293	1,989	7,062	5,941
Repairs and maintenance		2,453	2,317	7,997	6,829
Cleaning		1,346	1,344	3,752	4,143
Utilities		1,616	1,654	5,309	4,990
Real estate and other taxes		9,839	10,450	31,152	30,726
Other expenses	13	4,152	4,868	12,828	14,003
Property operating expenses		21,699	22,622	68,100	66,632
Non-property general and administrative expenses	12	6,217	5,077	17,423	13,829
Total operating expenses		27,916	27,699	85,523	80,461
Other operating income					
Net gain (loss) from fair value adjustment of investment properties	4	21,851	15,696	11,236	(21,337)
Realized loss on sale of investment properties	4	(367)	—	(22,819)	—
Income from investments in associates	5	11,759	6,526	22,045	27,480
Total other operating income and expense		33,243	22,222	10,462	6,143
Operating income		63,416	53,552	92,376	104,040
Other income (expense)					
Loss on extinguishment of debt	9	(3,474)	—	(3,474)	(1,023)
Other income		95	55	329	151
Revaluation of redeemable non-controlling interests		(3,442)	(1,911)	(5,327)	(1,251)
Interest expense	9	(10,629)	(12,757)	(33,706)	(39,485)
Pre-tax income		45,966	38,939	50,198	62,432
Income and franchise tax expense		375	52	645	264
Net income		$ 45,591	$ 38,887	$ 49,553	$ 62,168
Attribution of net income					
Common shareholders		$ 42,379	$ 35,787	$ 44,513	$ 57,850
Non-redeemable non-controlling interests		3,212	3,100	5,040	4,318
		$ 45,591	$ 38,887	$ 49,553	$ 62,168
Other comprehensive income (loss)					
Items that may be subsequently reclassified to income or loss:					
Unrealized gain (loss) on cash flow hedges	11	$ 670	$ 571	$ 4,917	$ (5,578)
Less: Reclassification adjustments for losses included in net income	9	—	984	1,225	2,952
Less: Reclassification adjustments for disposition losses included in net income		—	—	16,277	—
Other comprehensive income (loss)		670	1,555	22,419	(2,626)
Total comprehensive income		$ 46,261	$ 40,442	$ 71,972	$ 59,542
Attribution of comprehensive income					
Common shareholders		$ 42,917	$ 37,233	$ 64,686	$ 55,931
Non-redeemable non-controlling interests		3,344	3,209	7,286	3,611
		$ 46,261	$ 40,442	$ 71,972	$ 59,542

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

	Notes	Common 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		—	—	—	—	—	—	120	120
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(4,213)	(4,213)
Change in equity reserve from increase in CPP		—	—	101	—	—	101	(101)	—
Net income		—	—	—	—	44,513	44,513	5,040	49,553
Unrealized gain on cash flow hedges	11	—	—	—	3,771	—	3,771	1,146	4,917
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	—	—	—	—	(1,749)	(1,749)	(161)	(1,910)
Balance as of September 30, 2021		1,393,348	$ 1,606,196	$ 9,857	$ (17,881)	$ 305,628	$ 1,903,800	$ 145,962	$ 2,049,762

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

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

	Notes	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities					
Net income		**$ 45,591**	**$ 38,887**	**$ 49,553**	**$ 62,168**
Adjustments to reconcile net income to net cash provided by operating activities					
Net (gain) loss from fair value adjustment of investment properties	4	(21,851)	(15,696)	(11,236)	21,337
Write off of previously terminated cash flow hedge		—	—	16,277	—
Income from investments in associates	5	(11,759)	(6,526)	(22,045)	(27,480)
Loss on extinguishment of debt	9	3,474	—	3,474	1,023
Income and franchise tax expense		375	52	645	264
Interest expense, net excluding amortization of deferred financing fees		10,018	12,683	32,011	39,074
Amortization of deferred financing fees		644	130	1,796	512
Amortization of equipment leases		58	136	201	399
Amortization of Equipment & Software		54	64	186	193
Amortization of deferred leasing costs and lease incentives		1,201	1,433	3,654	4,118
Amortization of note payable premium		(33)	(56)	(101)	(101)
Provision for bad debt expense		46	58	92	82
LTIP Compensation		1,980	1,815	5,232	2,116
Revaluation of redeemable non-controlling interests		3,442	1,911	5,327	1,251
Changes in assets and liabilities					
Trade receivables		(1,492)	(1,486)	6,418	(490)
Straight line rent receivable		(14,775)	(156)	(17,551)	(2,290)
Prepaid expense and other assets		(5,258)	(988)	(3,703)	(444)
Trade and other payables		1,057	(2,953)	(1,474)	(6,310)
Rent received in advance		(832)	(1,619)	(8,982)	(2,395)
Cash generated by operations		**$ 11,940**	**27,689**	**59,774**	**93,027**
Cash paid for interest		(8,753)	(13,192)	(29,097)	(41,225)
Net cash provided by operating activities		**3,187**	**14,497**	**30,677**	**51,802**
Cash flows from investing activities					
Proceeds from sale of investment property held for sale		—	—	18,496	—
Proceeds from sale of income generating property	4	83,174	—	302,930	155,281
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal	4	—	—	—	(102,664)
Acquisition of income generating property, including prepaid acquisition costs		—	—	(195,674)	—
Contributions to investment in associates	5	—	(19,983)	(24,564)	(40,485)
Return of investments in associates	5	5,869	—	5,869	1,578
Additions to deferred leasing costs		(2,039)	(433)	(5,637)	(2,873)
Additions to tenant improvements		(526)	(6,842)	(3,163)	(17,997)
Additions to construction in progress, including capitalized interest		(17,802)	(43,756)	(64,739)	(136,067)
Other capital improvements on income generating properties		(3,506)	(3,210)	(16,855)	(10,327)
(Increase) decrease in restricted cash		(701)	6,589	6,425	12,104
Net cash provided by (used in) investing activities		**64,469**	**(67,635)**	**23,088**	**(141,450)**
Cash flows from financing activities					
Redemption of redeemable non-controlling interest	17	(857)	(1,106)	(1,078)	(1,106)
Distribution to joint venture non-controlling interest partner	5	(1,574)	—	(4,213)	(4,840)
Principal portion of lease payments	8	(115)	(111)	(361)	(391)
Issuance of common shares, net of offering costs	17	—	(13)	—	92,447
Borrowings under credit facility	9	364,000	24,000	590,000	90,000
Repayments under credit facility	9	(185,000)	—	(454,000)	(213,500)
Borrowings on notes payable	9	7,265	28,811	67,606	240,764

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

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

	Notes	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Repayments of notes payable	9	(251,953)	(820)	(253,252)	(62,898)
Payment of deferred financing fees		(6,020)	(1,193)	(6,222)	(3,225)
Issuance of redeemable non-controlling interests		—	—	—	228
Distributions to common shareholders and non-redeemable non-controlling interests	17	(623)	(14,850)	(1,902)	(43,184)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		—	—	120	62
Net cash (used in) provided by financing activities		**(74,877)**	**34,718**	**(63,302)**	**94,357**
Net (decrease) increase in cash and cash equivalents		**(7,221)**	**(18,420)**	**(9,537)**	**4,709**
Cash and cash equivalents, beginning of the period		**31,812**	**43,852**	**34,128**	**20,723**
Cash and cash equivalents, end of the period		**$ 24,591**	**$ 25,432**	**$ 24,591**	**$ 25,432**
Supplemental disclosures of cash flow information:					
Capitalized interest		$ 112	$ 2,619	$ 3,831	$ 7,964
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		(3,003)	(1,044)	1,600	15,159
Lease liabilities arising from obtaining right-of-use assets		—	—	13	13
Non-cash interest expense	9	—	984	1,225	2,952
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	—
Debt and other liabilities deconsolidated due to disposition of Midtown Center	4	—	—	(525,000)	—
Debt and other liabilities deconsolidated due to disposition of 100 Congress	4	(140,560)	—	(140,560)	—
Issuance of redeemable non-controlling interests		—	—	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 10 operating properties, two properties in development, four properties owned through joint ventures, 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 September 30, 2021, were 50.77%, 40.16%, and 9.07%%, 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 nine months ended September 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 nine months ended September 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 leased space is or can be 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 September 30, 2021 are as follows:

Years Ending December 31,	Amount
Remainder of 2021	93,713
2022	121,176
2023	124,323
2024	105,765
2025	92,459
2026 Onward	318,161
	855,597

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		21,380
Net loss from fair value adjustment of income generating properties		(7,563)
Reclassification of The Wilson from properties in development		277,971
Reclassification of The Elm from properties in development		187,544
Reclassification of Signal House from properties in development		24,926
Midtown partial sale		(922,036)
Acquisition of 100 Congress		316,299
100 Congress partial sale		(316,292)
Balance, September 30 2021		2,378,349

Properties in Development

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

Balance, December 31, 2020	**$**	**646,316**
Capital expenditures additions and other		51,375
Net gain from fair value adjustment of development properties		18,800
Reclassification of The Wilson to income generating properties		(277,971)
Reclassification of The Elm to income generating properties		(187,544)
Reclassification of Signal House to income generating properties		(24,926)
Balance, September 30, 2021	**$**	**226,050**

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. The office space was 98% leased and 88% occupied as of September 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 42% leased as of September 30, 2021. The Partnership incurred $40.6 million and $101.5 million of capital expenditures for the nine months ended September 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 $11.0 million and $39.7 million of capital expenditures for the nine months ended September 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 Company is a joint venture partner in the ownership of 2311 Wilson, an approximately 178,000 square foot office building completed in February 2018 and placed it into service during the first quarter of 2019. As of September 30, 2021, the building was 98% leased. During the nine months ended September 30, 2021 and 2020, the JV Entity (Otter Wilson Boulevard LLC) distributed a total of $3.9 million and $12.0 million, of which $1.6 million and $4.8 million were distributed to the joint venture partner, and $2.4 million and $7.2 million to the Company, respectively. There were no capital contributions to 2311 Wilson during the nine months ended September 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.

On September 24, 2021, the Company executed the sale of 49% ownership interest in 100 Congress at a valuation of $316.7 million. The purchaser assumed its share of the property's debt totaling $68.9 million, leading to gross proceeds to the Company of $86.4 million. The Company used the proceeds to pay down the credit facility. The Company recognized a loss of $0.4 million upon disposition. Subsequent to disposition, the Company 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 94% leased as of September 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.

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

2020 Acquisitions

On March 12, 2020, the Partnership acquired an undivided 50% ownership interest in a two tower mixed use office and retail complex at 75-101 Federal Street in Boston. The property is a 853,773 square foot mixed use building that is 84% leased as of September 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 $3.1 million as of September 30, 2021. The fair value of the Partnership's proportionate interest in the investment property was $251.3 million as of September 30, 2021 and the carrying value of the assumed debt was $142.4 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 September 30, 2021						For the nine months ended September 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 %	2,446	124,006	904	80,502	45,046	6,507	4,911
		$ 3,221	$124,006	$ 904	$ 80,502	$ 45,821	$ 6,507	$ 4,877
Less interest held by non-controlling interests						(18,134)		(2,045)
Equity attributable to Partnership						$ 27,687		$ 2,832

	As of December 31, 2020						For the nine months ended September 30, 2020	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
2025 Clarendon	85.70 %	$ 176	$ 18,501	$ 8	$ 1,920	$ 16,749	$ —	$ (3,717)
2311 Wilson	60.00 %	3,531	120,553	914	81,331	41,839	5,616	983
		$ 3,707	$139,054	$ 922	$ 83,251	$ 58,588	$ 5,616	$ (2,734)
Less interest held by non-controlling interests						(19,403)		126
Equity attributable to Partnership						$ 39,185		$ (2,608)

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
Distributions	(5,869)
Share of unrealized gain on valuation of underlying properties	15,400
Share of net income (excluding unrealized gain on valuation)	6,645
Ownership interest in Midtown Center	231,275

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

Ownership interest in 100 Congress		87,023
Balance, September 30 2021	**$**	**678,021**

Midtown Center

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 nine months ended September 30, 2021 and 2020, the Partnership contributed $24.6 million and $40.5 million to the venture, respectively. The Partnership has contributed a total of $270.7 million to the venture as of September 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. As of September 30, 2021, the Company incurred $117.9 million million of borrowing under this facility.

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:

							For the nine months ended September 30, 2021	
	As of September 30, 2021							
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	50.99 %	$ 5,680	$ 989,621	$ 6,711	$ 532,753	$ 455,837	$ 31,746	$ 11,956
100 Congress	51.00 %	2,039	317,968	6,756	141,094	172,157	606	1,528
One Congress	75.00 %	422	637,824	37,105	122,073	479,068	—	20,237
		$ 8,141	$ 1,945,413	$ 50,572	$ 795,920	$1,107,062	$ 32,352	$ 33,721
Less: interest held by third-parties						(429,041)		(11,676)
Amounts per financial statements						$ 678,021		$ 22,045

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

		As of December 31, 2020					For the nine months ended September 30, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ 35
One Liberty	— %	—	—	—	—	—	—	(9)
One Congress	75.00 %	542	441,055	15,531	—	426,066	—	36,623
		$ 542	$ 441,055	$ 15,531	$ —	$ 426,066	$ —	$ 36,649
Less: interest held by third-parties						(107,083)		(9,169)
Amounts per financial statements						$ 318,983		$ 27,480

6. Assets Held for Sale

2021 Assets Held for Sale

There were no assets classified as Held for Sale for the nine months ended September 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:

	September 30, 2021	**December 31, 2020**
Non-current assets		
Income generating properties, net of ROUA	2,242,249	2,660,020
ROUA, at fair value	136,100	136,100
Income generating properties	2,378,349	2,796,120

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

	September 30, 2021	December 31, 2020
Properties in development	226,050	646,316
Total investment properties, at fair value	$ 2,604,399	$ 3,442,436
Current assets - CPH		
Prepaid expense and other assets	12,487	9,263
ROUA, net of accumulated depreciation and non-current portion	1,122	643
Prepaid expense and other assets	$ 13,609	$ 9,906

At September 30, 2021 and December 31, 2020, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $136.1 million and $136.1 million, respectively. "Prepaid expense and other assets" included ROUA of $1.1 million and $0.6 million, respectively, related to equipment and copier leases.

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

ROUA	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance at December 31, 2020	$ 136,100	$ 643	$ 136,743
Fair value adjustment, valuation	—	—	—
ROUA Additions, net	—	680	680
Accumulated Depreciation	—	(201)	(201)
Balance as of September 30, 2021	$ 136,100	$ 1,122	$ 137,222

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

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

	Discount		Carrying Value	
Property	**Rate**	**Maturity**	**September 30, 2021**	**December 31, 2020**
Columbia Center	3.79%	2114	$ 119,277	$ 119,396
1701 Duke Street(1)	5.20%	2107	7,695	4,656
2001 Penn	4.94%	2087	4,365	4,345
Other equipment leases	Various	Various	1,095	682
Total lease liabilities			132,432	129,079
Less current portion			545	335
Lease liabilities, net of current portion			$ 131,887	$ 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	September 30, 2021
Maturity analysis - contractual undiscounted cash flows	
Less than one year	5,609
One to five years	21,004
More than five years	473,867
Total undiscounted lease liabilities as of September 30, 2021	500,480

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

Lease liabilities		**September 30, 2021**
Current lease liabilities	$	545
Non-current lease liabilities		131,887
Total lease liabilities	$	132,432

Lease expense costs were as follows:

Lease Expense	**Nine Months Ended September 30,**			
		2021		**2020**
Amounts recognized in profit or loss				
Interest expense on lease liabilities	$	3,796	$	3,851
Equipment lease depreciation		201		399
Total lease expense	$	3,997	$	4,250

Interest expense recognized on leases totaled $3.8 million and $2.6 million for the nine months ended September 30, 2021 and 2020, respectively.

Cash Flows	**Nine Months Ended September 30,**			
		2021		**2020**
Amounts recognized in the statements of cash flows				
Principal portion of lease payments	$	361		391
Interest expense on lease liabilities		3,796		3,851
Total cash outflows related to leases	$	4,157	$	4,242

8. Goodwill and Intangibles

The carrying value of goodwill was $9.3 million as of September 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 nine months ended September 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**		**September 30, 2021**			**December 31, 2020**	
Credit facility [1]:								
Revolver	LIBOR +1.25% to 2.00%	7/1/25	$	268,500	[8]	$	232,500	[8]
Term Loan A	LIBOR +1.20% to 1.90%	7/1/26		300,000	[8]		50,000	[8]
Term Loan B	LIBOR +1.20% to 1.90%			—	[8]		50,000	[8]
Term Loan C	LIBOR +1.20% to 1.90%			—	[8]		100,000	[8]
75-101 Federal	LIBOR +1.50%	3/12/25		143,094	[6,7]		140,943	[6,7]
The Wilson and the Elm - Construction Loan	LIBOR +3.00%	8/15/23		—	[2]		200,943	
Midtown Center	3.09%	10/11/29		—	[9]		525,000	[3]
1700 New York Avenue	LIBOR +1.50%	4/25/24		63,825	[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		32,076	[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 September 30, 2021		Principal Balance as of December 31, 2020	
100 Congress	3.30%	11/1/26	—	(10)	—	(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			1,081,745		1,671,592	
Less unamortized deferred financing fees			7,074		7,040	
Total Debt, net of unamortized deferred financing fees			1,074,671		1,664,552	
Less current portion, net of unamortized deferred financing fees (5)			2,557		2,505	
Debt obligations, net of current portion			**$ 1,072,114**		**$ 1,662,047**	

(1) Interest under the credit facility is charged at the London Interbank Offer Rate ("LIBOR"), plus an additional premium, depending on the defined ratio of the Partnership’s total indebtedness to total asset value. In addition, effective 8/21/20 there is a LIBOR floor of 0.25%. As of September 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 September 30, 2021, and December 31, 2020, the one-month LIBOR was 0.08% 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 September 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 $667.3 million and $1,656.1 million as of September 30, 2021 and December 31, 2020, respectively.
(4) The carrying value of the Clarendon Square note payable as of September 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 September 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 $286.2 million note encumbering 75-101 Federal.
(8) On July 1, 2021, the Company amended its credit facility extending the maturity through July 1, 2025 for the Revolver, and July 1, 2026 for the Term Loans. As part of this amendment, Term Loan A was expanded to $300 million, Term Loan B and Term Loan C were extinguished, and the maximum capacity of the revolver was expanded from $450 million to $500 million.
(9) 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.
(10) On September 24, 2021, the Company sold 49% interest in 100 Congress, resulting in the 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 $3.1 million as of September 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 nine months ended September 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.

On September 3, 2021 the Company paid down The Wilson and the Elm construction loan, totaling $251.9 million, utilizing funds from the drawn on the Revolver. The Company wrote-off $3.1 million in unamortized deferred financing costs.

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.

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 $6.2 million associated with the agreement which were deducted from the carrying amount of the debt. The Partnership wrote off $0.3 million in unamortized deferred financing costs.

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

In addition, the credit agreement governing the Amended Credit Facility contains certain covenants which, among other things, require the Partnership to meet various financial covenants, including maximum leverage levels, minimum coverage levels and minimum tangible net worth, all as defined in the Amended Credit Facility. The Partnership was in compliance with all of its debt covenants as of September 30, 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 September 30, 2021, the Partnership had capacity to borrow an additional $244.7 million under the Credit Facility. Subsequent to September 30, 2021, the Partnership paid down $0.0 million of the revolver through November 5, 2021.

Construction Loan - The Wilson and the Elm

On August 15, 2018, the Partnership entered into a $300.0 million construction loan facility on the Wilson project. The loan bears an interest rate of LIBOR plus 3.00%, has a five-year term and matures in 2023 but can be extended by one year by the Partnership subject to terms and conditions. Transaction costs and related fees were $7.8 million. As of September 30, 2021, the Partnership repaid and closed 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 September 30,		Nine Months Ended September 30,	
Description	**2021**	**2020**	**2021**	**2020**
Credit facility	$ 2,131	$ 1,815	$ 6,064	$ 7,506
Notes payable	6,646	10,999	25,739	32,129
Distributions to redeemable non-controlling interests	47	1,141	143	3,452
Lease liabilities	1,274	1,292	3,796	3,851
Amortization expense of deferred financing fees	658	891	2,719	2,425
Gross interest expense	$ 10,756	$ 16,138	$ 38,461	$ 49,363
Capitalized interest expense				
Capitalized deferred financing fees	(14)	(761)	(924)	(1,913)
Capitalized interest	(113)	(2,619)	(3,831)	(7,964)
Total capitalized interest expense	(127)	(3,380)	(4,755)	(9,877)
Net interest expense	10,629	12,758	33,706	39,486

Future Maturities of Debt

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

Years Ending December 31,	Amount [(1)]
Remainder of 2021	$ 660
2022	2,684
2023	137,008

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

Years Ending December 31,	Amount (1)
2024	127,955
2025	713,215
Thereafter	99,355
Total Future Maturities	1,080,877

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

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the nine months ended September 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	55,868	362	56,230	(9,537)	46,693
New leases	—	(3,713)	(3,713)	—	(3,713)
Assumption of debt	(120,625)	—	(120,625)	—	(120,625)
Partial sale of Midtown Center	525,000	—	525,000	—	525,000
Partial sale of 100 Congress	140,560	—	140,560	—	140,560
Other changes	(10,922)	—	(10,922)	—	(10,922)
Net Debt, September 30 2021	(1,074,671)	(132,432)	(1,207,103)	24,591	(1,182,512)

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 September 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	$ 24,591	$ 24,591	Level 1
Restricted cash(1)	4,543	4,543	Level 1
Trade receivables, net	6,529	6,529	Level 3
Liabilities, including current portion			
Credit facility(2)	$ 568,500	$ 568,487	Level 3
Notes payable(2)	512,532	509,235	Level 3
Redeemable non-controlling interests(3)	155,503	155,503	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $4.1 million, and $0.4 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:

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

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 34,128	$ 34,128	Level 1
Restricted cash[(1)]	12,153	12,153	Level 1
Trade receivables, net	13,039	13,039	Level 3
Liabilities, including current portion			
Credit facility[(2)]	$ 432,500	$ 432,437	Level 3
Notes payable[(2)]	1,238,278	1,223,658	Level 3
Redeemable non-controlling interests[(3)]	150,370	150,370	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $11.6 million, and $0.6 million of 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 September 30, 2021:

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 278,825
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.

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

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $0.7 million and $4.9 million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $(5.6) million for the three and nine months ended September 30, 2020, respectively. There was no material hedge ineffectiveness recognized during the three and nine months ended September 30, 2021 and 2020, respectively. During the three and nine months ended September 30, 2021, the Company reclassified $(0.8) million and $(2.3) million, respectively, and $(0.8) million and $(1.4) million for the three and nine months ended September 30, 2020, respectively, of (losses) gains on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.”

As of September 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 September 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 September 30, 2021, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,378,349
Investments in properties in development	—	—	226,050
Derivative assets	—	1,401	—
Total Assets	$ —	$ 1,401	$ 2,604,399
Liabilities:			
Derivative liabilities, net of current portion	—	3,553	—
Total Liabilities	$ —	$ 3,553	$ —

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 September 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 September 30, 2021.

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

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,378,349	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% (5.56%)
Investments in properties in development	226,050	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.25% - 7.00% (6.48%) 4.75% - 6.00% (5.12%)
Total	$ 2,604,399			

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 September 30,		Nine Months Ended September 30,	
Description	2021	2020	2021	2020
Personnel and compensation	$ 4,200	$ 3,633	$ 12,287	$ 8,707
Professional fees	894	629	2,671	2,606
Information technology	306	238	692	985
Other corporate	817	577	1,773	1,531
Total non-property general and administrative	$ 6,217	$ 5,077	$ 17,423	$ 13,829

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $4.2 million and $12.8 million for the three and nine months ended September 30, 2021, respectively, and $4.9 million and $14.0 million for the three and nine months ended September 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 nine months ended September 30, 2021, totaled $1.0 million and $2.6 million, respectively, and $0.6 million and $1.2 million, for the three and nine months ended September 30, 2020, respectively. Construction management fees totaled $0.1 million and $0.2 million for the three and nine months ended September 30, 2021, respectively, and $0.2 million for each of the three and nine months ended September 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 September 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 September 30, 2021, the Partnership had $1.9 million in performance bonds outstanding with commitment terms expiring through January 1, 2025.

Repayment Guarantees

The Partnership and its subsidiaries have guaranteed certain construction work to be performed at the Partnership’s investment properties, payment of construction loans related to property development, ground lease payments and repayment of mortgage liabilities. Because the Partnership controls the investment properties and the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of September 30, 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 September 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	(3,241)
LTIP units outstanding, September 30, 2021	27,403

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

During the three and nine months ended September 30, 2021, the Partnership recognized $2.1 million and $5.7 million of LTIP-related expense, of which $0.2 million and $0.5 million was capitalized, respectively, and $1.8 million and $2.1 million of LTIP-related expense for the three and nine months ended September 30, 2020, of which less than $0.1 million was capitalized, respectively. For the nine months ended September 30, 2021 and 2020, there were 3,241 and 664 LTIP units forfeited, respectively.

16. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.6 million and $1.6 million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $1.4 million for the three and nine months ended September 30, 2020, respectively. Employee benefit expense for these officers was less than $0.1 million and $0.1 million for the three and nine months ended September 30, 2021, and 2020, respectively. For the three and nine months ended September 30, 2021, LTIP expense was $0.7 million and $2.7 million, respectively, and $1.0 million and $1.2 million for the three and nine months ended September 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 September 30, 2021, the value of these redeemable non-controlling interests were $153.3 million and $2.2 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 September 30, 2021 and December 31, 2020, the total value of these non-redeemable non-controlling interests was $146.0 million and $143.0 million, respectively.

The Partnership also maintained five additional subsidiary REITs as of September 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 August 5, 2021, the Partnership declared and paid its third 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 nine months ended September 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 nine months ended September 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.

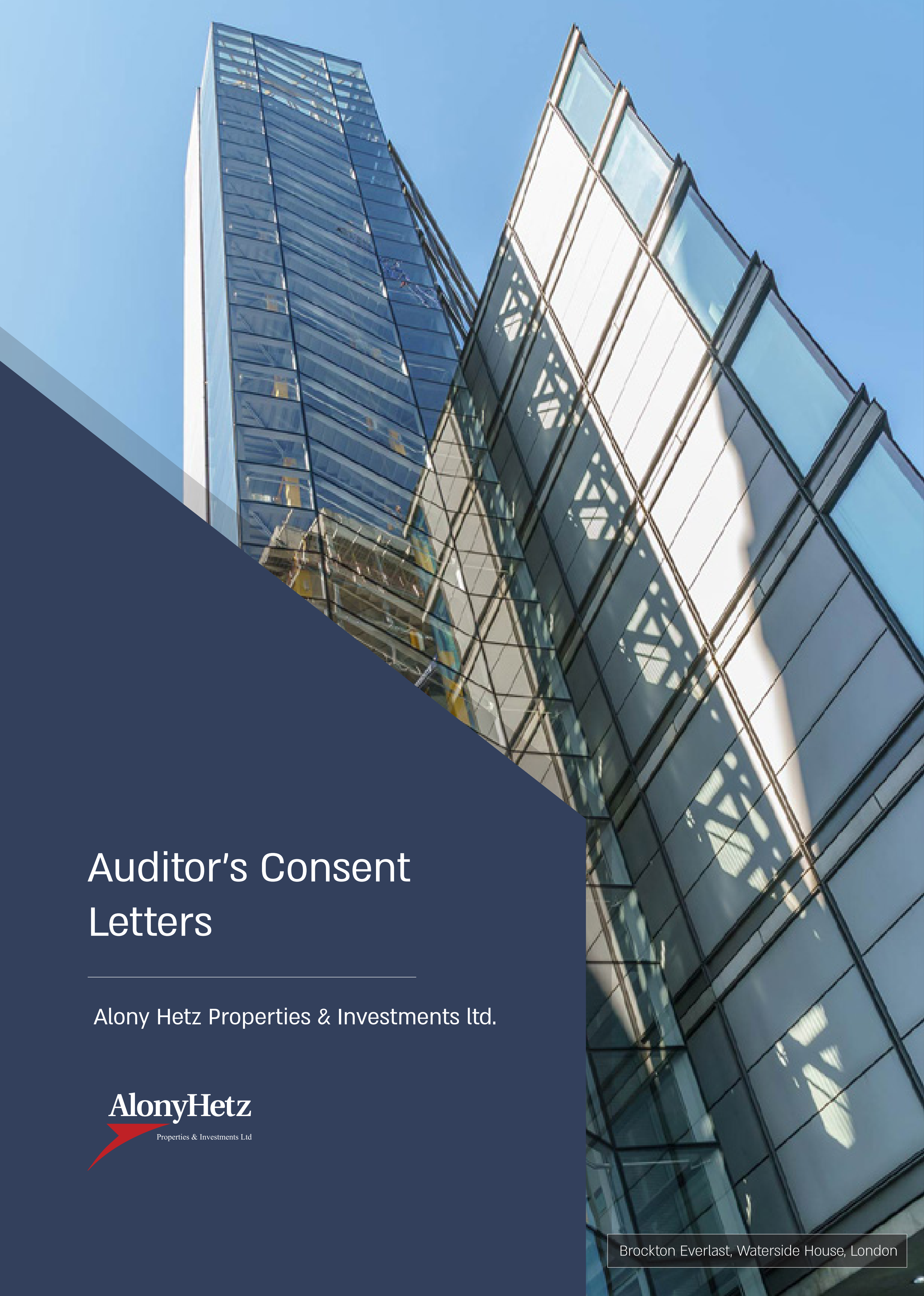
19. Subsequent Events

The Partnership evaluated subsequent events through November 5, 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

Deloitte.

Date: November 18, 2021

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

Dear Sir/Madam,

Re: <u>Consent letter in term of Alony Hetz Properties and Investments Ltd. Shelf Offering from May 2021</u>

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

(1) Review Report dated November 15, 2021 regarding the Consolidated Financial Statements of the company as of September 30, 2021 and for the nine and three months periods ended September 30, 2021.

(2) Review Report dated November 15, 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 September 30, 2021 and for the nine and three months periods ended September 30, 2021.

Respectfully,

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

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To: The Management of Carr Properties Holdings, LP and the Board of Directors of Alony-Hetz Properties and Investments Ltd.

Re: Consent letter in respect of Alony-Hetz Properties and Investments Ltd. shelf prospectus from May 2021

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

1) Review Report of Independent Auditors dated November 5, 2021 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of September 30, 2021 and for the three-month and nine-month periods ended September 30, 2021 and 2020.

PricewaterhouseCoopers LLP

Washington, DC
November 14, 2021

PricewaterhouseCoopers LLP, 655 New York Avenue NW, Washington, District of Columbia 20001
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