2021
PERIODIC REPORT

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

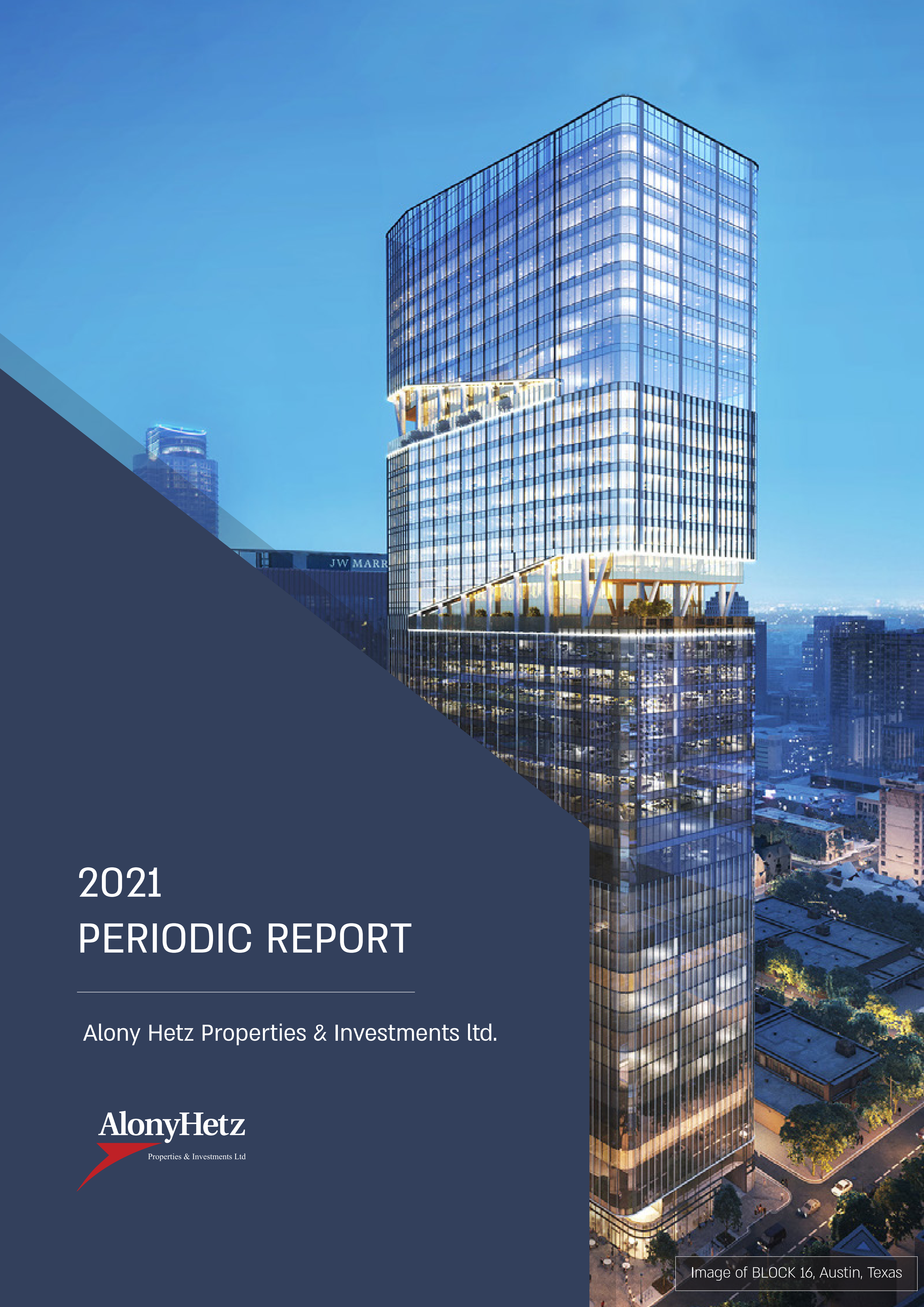


Image of BLOCK 16, Austin, Texas

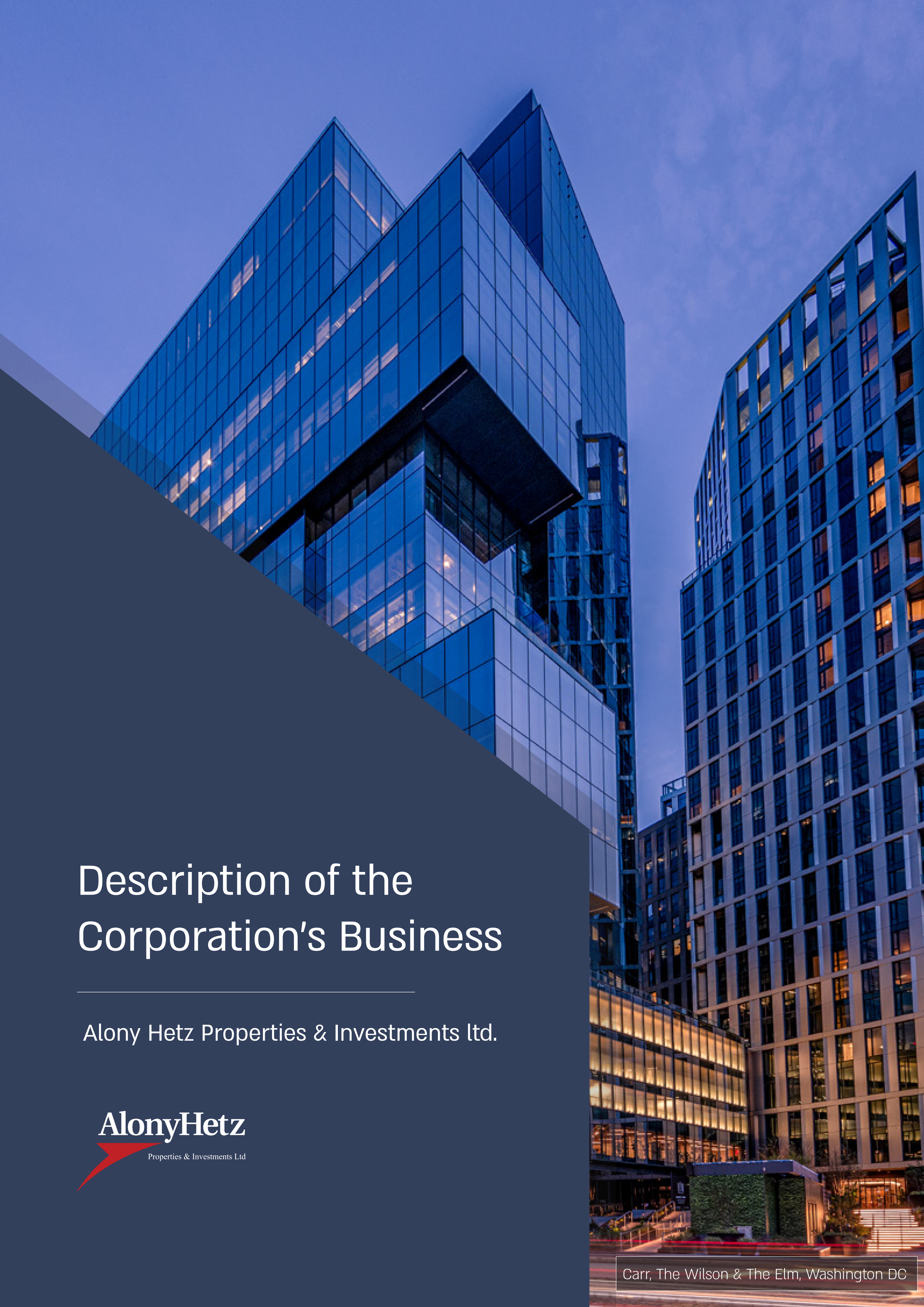
2021 PERIODIC REPORT

AlonyHetz

Properties & Investments Ltd

Description of the Corporation's Business

Alony Hetz Properties & Investments ltd.



Carr, The Wilson & The Elm, Washington DC

Description of the Corporation's Business

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

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

Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") was incorporated on December 20, 1989, and on November 14, 1990 it changed its name to its current name. In November 1990, the Company commenced operations and in January 1993, the Company's shares were first listed for trading on the Tel Aviv Stock Exchange Ltd. ("**the TASE**").

The Company does not have a controlling shareholder.

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

2. Area of Activity

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

Main area of activity – long-term investments in income-generating property companies in Israel and in western countries. As of the publication date of this report, the Group operates mainly in the following markets: Israel, the United States, and the United Kingdom.

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

2.1 The following is a description of the Group's main investments as of December 31, 2021

Main investments in the income-generating property segment:

Activity in Israel

Holdings of 55.5% in Amot Investments Ltd. (hereinafter: "**Amot**"). Amot is a public company listed for trading on the Tel Aviv Stock Exchange Ltd. ("**the TASE**") that operates directly and indirectly through corporations under its control, renting, managing and maintaining income-generating properties in Israel, as well as initiating, developing and establishing real estate for rental purposes. Amot owns, directly and indirectly, property that includes office buildings, logistics and industry, malls and commercial centers, independent supermarkets and others. The Company's holding rate in Amot close to the date of publication of the report is 54.0%. For additional information regarding Amot, see Chapter B below.

Activity in the United States

Carr – 44.2% holdings in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, a private income-generating property company (REIT) whose assets are located in the Washington D.C. area, in Boston, Massachusetts and in Austin, Texas. Carr engages directly and indirectly, through wholly or partly owned companies, in investments in income-generating properties for rental purposes, including the management and maintenance of office buildings under its ownership in the Washington D.C. and Boston metropolitan areas, and in Austin, Texas, as well as in the initiation, development and establishment of real estate for rental purposes in those areas.[1] For additional information on Carr see Chapter C1 below.

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

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

Activity in Europe

In the UK – Holdings of 97.3% in **Brockton Everlast Inc. ("BE")**, a private company that engages directly and indirectly through corporations under its control, in the leasing, management and maintenance of income-generating properties, as well as in the initiation and development of income-generating property for rental purposes mainly in the London metropolitan area, Oxford and Cambridge in the UK. For information regarding the investment in properties in London, Oxford and Cambridge, see Chapter D below and Notes 4(b) and 6(d) to the financial statements.

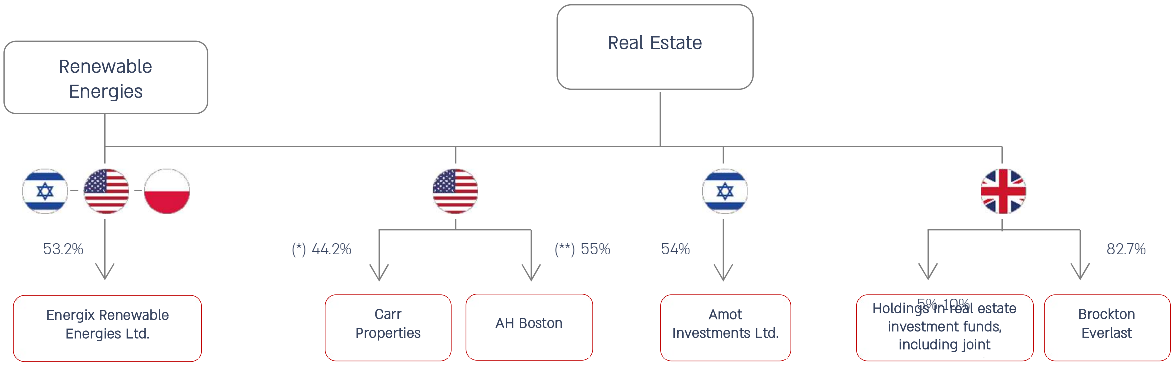
Subsequent to the balance sheet date, on February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations from the Menora Mivtachim Group (hereinafter: "**Menora**"), under which Menora invested the amount of GBP 112 million in BE's capital, which gives Menora a holding of 13.6% in BE's capital. In addition, Menora was granted an option to invest additional capital in BE in the amount of GBP 75 million until May 23, 2023 (hereinafter: the "option"). If and to the extent that the option is exercised, Menora's holding rate in BE will increase to 20%. For additional information, see Note 6d.1 to the financial statements.
The Company's holding rate in BE close to the date of publication of the report is 82.7%.

In addition, the Group holds two British real estate funds from the Brockton Group that are engaged in the initiation, development, improvement and management of real estate investments in the UK. The funds (Funds II, III) are in the process of realizing the balance of their portfolio, which is expected to be completed in the coming years. For additional information, see Chapter D below and Note 5(1) to the financial statements.

Renewable Energy Investments:

Holdings of 53.3% in Energix Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose shares are listed for trading on the stock exchange. Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix operates in Israel, Poland and the United States. The Company's holding rate in Energix close to the date of publication of the report is 53.2%. For additional information regarding Energix, see Chapter E below.

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



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

** Joint holdings with Oxford Properties in income-generating properties companies that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

3 The above holding structure does not include corporations wholly or partly owned by the Company through which the Company holds the corporations listed in the chart.

The following are the Company's main investments (expanded solo)[4] as of December 31, 2021:

(*) Excludes cash.

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

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

The following is the amount of investments (realizations) carried out by the Company (expanded solo) in the main investees in the field of income-generating property in the years 2019-2021 (in NIS millions):

Year		2021	2020	2019	Total 2019-2021
Investment in Amot	(1)	288	342	162	**792**
Investment in BE	(2)	671	194	1,008	**1,873**
Investment in Carr	(3)	-	151	246	**397**
Investment in AH Boston		39	28	44	**111**
Investment in PSP	(4)	(216)	(1,359)	(440)	**(2,015)**

(1) In the years 2019-2021 the amount of the Group's investments in income-generating property and in land for development in Israel through Amot (not including property revaluations) increased by approx. NIS 4.5 billion. For additional information see Section 4 of Chapter B below.

(2) In the years 2019-2021 the amount of the Group's net investments in income-generating property in the UK (through BE) (not including property revaluations) increased by approx. GBP 0.9 billion. For additional information, see Sections 4 and 5 of Chapter D below.

(3) In the years 2019-2021 the amount of the Group's net investments in income-generating property and in land for development in Washington D.C., in Boston and in Austin, Texas (through Carr) (not including property revaluations) increased by approx. USD 0.5 billion. For additional information, see Sections 4 and 5 in Chapter C1 below.

4 For the definition of expanded solo, see Appendix A to the Board of Directors' Report.

(4) After the sales, the Company no longer held PSP shares.

In 2021, the Group recorded property revaluations, in which the Company's share (after tax) amounts to NIS 1.3 billion. For additional information, see Section 2.3.4 of the Board of Directors' Report.

For a summary of the Group's main data for the years 2019-2021, see Section 1.6 of the Board of Directors' Report.

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

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

Energix Renewable Energies Ltd.	
Date (year):	**Investment Amount (in NIS millions):**
2019	36
2020	59
2021	-

Subsequent to the balance sheet date, the Company invested an amount of NIS 205 million in Energix.

In the years 2019-2021, Energix strengthened and expanded its activities and increased its portfolio of projects in all three of its activity locations – Israel, Poland and the United States. For information regarding Energix's business development in 2021, see Chapter E below.

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

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

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

4. Distribution of Dividends

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

For additional information regarding the Company's dividend policy, for details regarding the amounts of dividends distributed by the Company in the reporting periods and for the balance of the distributable profits as of December 31, 2021 – see Note 16d to the financial statements.

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

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 BE, 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 IFRSprinciples). **Expanded solo statements do not constitute separate statements within the meaning of International Accounting Standard 27 and Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 and are not part of the information required to be published under securities law..**

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

	December 31, 2021		December 31, 2020	
	NIS thousands	%	NIS thousands	%
Israel – investment in Amot	4,198,566	38	3,586,540	39
UK – investment in Brockton Everlast	2,854,231	26	1,386,009	15
U.S. – investment in Carr	2,989,792	27	3,004,322	33
U.S. – investment in AH Boston	828,347	8	778,229	9
UK – investment in Brockton Funds	157,196	1	160,197	2
Switzerland – investment in PSP	-	-	200,311	2
Other	145	-	25,653	-
Total	**11,028,277**	**100**	**9,141,261**	**100**

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

	December 31, 2021		December 31, 2020	
	NIS thousands	%	NIS thousands	%
Israel – investment property (including property in development) (**)	16,938,093	65	13,783,839	66
UK – Brockton Everlast investment property (**)	4,997,123	19	2,963,727	14
U.S. – investment in Carr	2,989,792	12	3,004,322	14
U.S. – investment in AH Boston	828,347	3	778,229	4
UK – investment in Brockton Funds	209,575	1	160,197	1
Switzerland – investment in PSP	-	-	200,311	1
Other	145	-	25,653	-
Total	**25,963,075**	**100**	**20,916,278**	**100**

(*) The balances presented above do not include cash, deposits and tradable securities, which, as of December 31, 2021, amounted to NIS 1.2 billion (consolidated) and NIS 113 million (expanded solo) and as of December 31, 2020, they amounted to NIS 2.3 billion (consolidated) and NIS 603 million (expanded solo).

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

5.3 Information regarding investments in the renewable energies segment

Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to 600 MW in commercially operated projects, approx. 665 MW in projects in development or pre-construction, approx. 860

MW in projects in advanced initiation stages, approx. 6 GW in projects in the initiation stage[5] and approx. 7 GW in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 3.4 billion – for details, see Chapter E below.

The balance of the Company's investment (expanded solo) in Energix as of December 31, 2021 is NIS 769 million.

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

	December 31, 2021		December 31, 2020	
	NIS thousands	**%**	**NIS thousands**	**%**
Photo-voltaic systems	1,411,700	41	1,048,594	43
Wind farm	503,228	15	586,734	24
Projects in development	1,491,890	44	781,818	33
Total	**3,406,818**	**100**	**2,417,146**	**100**
Right-of-use asset and others	287,260		207,370	
	3,694,078		**2,624,516**	

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

	December 31, 2021		December 31, 2020	
	NIS thousands	**%**	**NIS thousands**	**%**
Israel	1,381,029	37	1,072,951	41
Poland	1,091,138	30	748,188	28
USA	1,221,911	33	803,377	31
Total	**3,694,078**	**100**	**2,624,516**	**100**

For additional information regarding Energix, see Chapter E below.

5.4 Result data based on the Statement of Income

See Section 2.5.2 of the Board of Directors' Report.

5.5 Result data based on the Expanded Solo Statement of Income

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

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

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

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

2021 was characterized by a global recovery from the Corona pandemic crisis, given the high immunization rates in most countries of the Western world, despite additional waves of morbidity and periodic restrictions on some of the activities in these countries. Public debt has risen and financial conditions have remained expansive, especially in developed markets. According to estimates by the Global Monetary Fund, GWP rose by approx. 5.9% in 2021, by 5.7% in the United States and by 5.2% in the eurozone.

Unemployment rates in the United States and in the eurozone have fallen and are close to pre-crisis levels. The household sector has maintained its resilience and in view of the gradual improvement in labor markets, many countries have stopped supporting the employment of workers they provided during the crisis.

The business sector in most Western countries continued to maintain stability and during 2021, the margin ratio in corporate bonds remained low and allowed business firms to finance their operations on favorable terms.

Difficulties in global production chains and rising energy and commodity prices have created an inflationary environment in Western countries. Central banks have started reducing their expansionary monetary policy, including by raising interest rates and reducing the rate of purchase of government bonds.

During 2021, inflation in the United States rose by 7% and in the eurozone by 5%. The U.S. Fed indicated its intention to raise interest rates rapidly and in March 2022 raised the interest rate for the first time in several years to 0.25%.

2021 was also characterized by high volatility in stock markets around the world. At the end of 2021, the S&P 500 index rose by 27%, the Nasdaq by 21% and the TA-125 by 31%. As of mid-November 2021, there have been declines in global stock markets, led by the U.S. Technology Stock Index, which has fallen from its peak by almost 20% until the date of publication of this report.

Tensions between Russia and Ukraine, which stemmed in part from Russia's fears of Ukraine's future accession to the NATO alliance, led to the Russian army's invasion of Ukraine during February 2022. In response to the invasion, large parts of Western countries, led by the United States, imposed economic restrictions on Russia. As of the date of publication of this report, the fighting between the countries is in full swing, and there is uncertainty as to the global economic effects of the war beyond the jump already recorded in the prices of energy and agricultural commodities.

In the opinion of the Company's management, its financial strength and that of all the Group companies (Amot, Energix, Carr and Brockton Everlast), as well as the mix of tenants, the average duration of lease agreements and the quality of their properties, will enable them to face a global recession. In addition, the Company estimates that the status of the Group's liquidity, cash balances and credit facilities, the average duration of its debts, leverage level, current cash flows and access to bank credit and to the capital market will enable it to continue its operations and meet its obligations.

The Company's 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.

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6 Sources of Information in this section:
1. Bank of Israel – Research Division Macroeconomic Forecast, 2022
2. Bank of Israel – Financial Policy Report, H2/2021, January 2022
3. Bank of Israel – Financial Stability Report – H2/2021, February 2022.

B. Investments in Israel – Amot Investments Ltd.

1. General Information regarding Amot

As of December 31, 2021, the Company holds 55.5% of Amot's capital.

In 2021, the Company invested NIS 288 million in Amot as part of an issue carried out by Amot.

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

Amot's income-generating properties in Israel, owned or leased, as of December 31, 2021, include 175 income-generating properties[7] with a total area of 1.8 million sq.m. (Amot's share), of which 1.1 million sq.m. are above-ground rental areas and 0.7 million sq.m. are open storage and parking. In addition, Amot has 8 projects in advanced planning and construction stages amounting to 276 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiating stages amounting to 64 sq.m. above-ground (Amot's share).

Amot owns property that includes office buildings, logistics and industry, malls and commercial centers, independent supermarkets and others. Most of Amot's properties are located in the major cities in the center of the country and in high-demand areas. The properties are leased to 1,750 tenants, through contracts of varying durations.

The total fair value of Amot's assets as of December 31, 2021 is over NIS 17 billion, of which the fair value of income-generating property as of December 31, 2021 (not including assets in development) is NIS 14.7 billion and the occupancy rate as of that date was 98.0%. In addition, Amot holds investment property in development and rights in land designated for development at a fair value of NIS 2.4 billion.

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

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

Regarding dividends received by the Company from Amot in the reporting period and dividend receipts projected for 2022 – see Section 2.3.10 of the Board of Directors' Report.

7 As of this financial statement, Amot's assets are presented by individual assets and not by complexes.

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

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

Economic activity in 2021 was characterized by a relatively rapid recovery from the Corona crisis. Despite the fourth wave of morbidity, the relatively low level of restrictions made possible by the population's vaccination enabled continuity and an increase in economic activity to the level of GDP and employment identical to the level that would have been expected without the Corona crisis.

During 2021, the GDP grew by approx. 6.5%9, compared with a contraction of approx. 2.2% in 2020. According to Bank of Israel forecasts (which were published before the Russia-Ukraine war began in February 2022), the GDP is expected to grow in 2022 and by approx. 5.5% and in 2023 by approx. 5.0%.

Since the exit from the third closure in February 2021, the adjusted employment rate (according to which Corona absentees are not considered employed) has risen and the broad unemployment rate has fallen. The number of job vacancies continued to rise during 2021 along with the reduction in support for Corona victims. This phenomenon characterizes other developed countries that experienced a rapid increase in the number of unemployed in the context of the government policy of unpaid leave. The unemployment rate declined at the end of 2021 to approx. 4.3% compared to approx. 5.0% at the end of 2020.

2021 was characterized by a high inflationary environment compared to recent years and amounted to an annual level of approx. 2.8%. The rise in inflation is due to global processes. The increase in disposable income brought with it significant waves of demand. On the other hand, there have been disruptions in global economic activity, which are accompanied by rising energy prices and delays in the various production and supply chains. These two processes – a sharp increase in demand and difficulties on the supply side, have led to inflationary pressures around the world and to a lesser extent in Israel as well. The Bank of Israel is of the opinion that despite the increase in 2021, the inflationary environment is within the target range, as are expectations, and therefore, there is no fear of an inflationary outbreak in Israel. The Bank of Israel's inflation forecast for 2022 is an annual rate of approx. 1.6%. The Bank of Israel has left the interest rate unchanged at 0.1%. The average interest rate forecast is approx. 0.25% for 2022.

The budget deficit recorded a sharp decline in 2021 and amounted to only approx. 4.5% compared to approx. 11.4% at the end of 2020, thanks to a continued significant increase in tax collection (even in relation to the long-term trend) along with a decrease in government spending. The decrease in government spending was due to a reduction in Corona spending alongside an under-execution of the continuing budget quota, and a relatively slow increase in spending, even after the budget approval for 2021-2022. The deficit target for 2022 is approx. 3.9%.

With regard to foreign currency, the NIS remained stable until mid-2021, both against the effective nominal exchange rate and against the USD and the EUR, in the context of the purchases carried out by the Bank of Israel. Later in 2021, the NIS was appreciated against the USD by a rate of 3.3% and against the currency basket by 7.9%. The strengthening of the NIS was influenced by several factors, such as the sale of foreign currency by institutional entities as part of the policy of hedging the profits of their investments abroad, large foreign investments in Israeli technology companies and a sharp increase in Israel's exports of services.

8 Sources of Information in this section:
Bank of Israel – Research Division Macroeconomic Forecast, January 2022.
Bank of Israel – Monetary Policy Report, H2/2021, January 2022.
Central Bureau of Statistics – Data from the Labor Force Survey for December, Q4 and 2021.
CBRE Market Survey, Q4/2020, February 2022.
9 Based on the Bank of Israel's forecast for Q4/2021.

The following are macroeconomic characteristics pertaining to Israel:[10]

		Israel		
For the Year ended	**Units**	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Macroeconomic parameters	-	-	-	-
GDP (PPP)	USD Billions	422	380	384
Per capita GDP (PPP)	USD	44,966	41,271	42,429
GDP growth rate (PPP)	%	10.92%	0.97%-	5.63%
Per capita GDP growth rate (PPP)	%	8.95%	2.73%-	6.10%
Inflation rate	%	2.80%	0.69%-	0.60%
Yield on long-term domestic government debt	%	1.44%	0.89%	2.14%
Rating of long-term government debt	-	AA-/A1	AA-/A1	AA-/A1
Unemployment rate	%	4.3%	5.0%	3.7%

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

The office market in 2021 presented an impressive recovery, especially in the Tel Aviv, Ramat Gan and Herzliya areas, which stemmed from the boom in the high-tech industry, which expanded significantly during the period, following the raising of capital in public high-tech companies and venture capital in private companies. The capital raising enabled the recruitment of workers, which led to an increase in demand for offices, an increase in occupancy rates and a rise in rental prices. At the same time, there is a differentiation in the performance of the office market between major cities such as Tel Aviv, Ramat Gan and Herzliya, where there is a high concentration of high-tech companies, in relation to the performance in other cities. In 2021, the occupancy rate in Tel Aviv climbed to approx. 97%, in Herzliya to approx. 94% and in Ramat Gan to 93%. In contrast, in other cities occupancy rates at the end of 2021 were in the range of 85%-89%. During 2021, rental prices in most cities rose after several quarters of decline. In Tel Aviv there was an increase of 28%, in Herzliya approx. 13% and in Ramat Gan approx. 10%. 2021 was characterized by a decrease in construction starts alongside a significant increase in construction completion. The discount rate for offices decreased to approx. 6.0%.

The logistics sector continued to be attractive for investment by real estate companies. The sharp increase in demand for online purchases has continued to support the logistics sector over the past year. Land prices for logistics continue to rise consistently, which has led to a decline in the rates of return on logistics assets. The discount rates of logistics centers decreased to approx. 5.75%. Another trend is the shift of demand for logistics space to peripheral areas due to the rise in land prices.

Commerce has suffered the greatest damage among the sectors, and especially the malls, due to the closures and restrictions. On the other hand, the decline in Israeli travel abroad has contributed to an increase in purchases in all types of stores in Israel. It should be noted that despite the accelerated need for online purchases, the rate of online purchases in Israel is low in an international comparison at approx. 15% compared to approx. 29% on average in European countries. The discount rate of commercial space remained unchanged in 2021 at approx. 7.0%.

10 In this table, unless otherwise stated, the source of the data is the IMF - World Economic Outlook Database from October 2021. Data for 2021 are estimated data; inflation data in Israel as of the last day of each year from the Central Bureau of Statistics website CBS.GOV.IL; data on the nominal rate of return on long-term government debt in Israel refers to 10-year bonds. The source of the data on the stats.oecd.org website is based on data transmitted from the Bank of Israel; long-term Israeli government debt rating data is based on Moody's and Standard & Poor's publications; Unemployment rate data are based on the Central Bureau of Statistics website (the unemployment rate from the total population aged 15 and over, adjusted for seasonality).

3. Financial Information regarding Amot's Activity

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

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

	Unit of Measurement	2021	2020	2019
Number of properties (*)	Unit	175	156	156
Value of investment property (not including property in development)	NIS thousands	14,678,447	12,718,390	12,847,643
Weighted capitalization rate deriving from investment property	%	6.08	6.52	6.44
Occupancy rate at end of period	%	98.0	97.2	97.7
Value of investment property in development	NIS thousands	2,447,443	1,222,883	620,954
Equity	NIS thousands	7,600,588	6,316,093	6,103,298
Ratio of net financial debt to total balance sheet	%	43	43	42.5
Revenues from rent and management fees	NIS thousands	873,827	798,356	793,123
Fair value adjustments of investment property	NIS thousands	748,014	(162,915)	890,768
NOI	NIS thousands	779,818	734,204	727,552
From identical properties – NOI (***)	NIS thousands	695,406	670,070	704,529
FFO (**)	NIS thousands	582,965	511,618	520,270
Net profit	NIS thousands	932,189	289,457	1,070,425
FFO per share	NIS	1.389	1.315	1.437
Ordinary dividend per share	NIS	1.00	0.98	0.94
NAV per share	NIS	17.17	15.42	16.02
NNAV per share	NIS	20.63	18.73	19.46
Share price at end of period	NIS	25.28	17.99	25.07
Company's Share of Amot NOI				
NOI – Corporation's share	NIS thousands	440,718	408,717	412,707
From identical properties Corporation's share – NOI	NIS thousands	393,012	342,561	368,508

(*) From this periodic report, the Company's assets are counted according to individual assets and not complexes. The number of properties in 2020 and 2019 is re-presented according to the new counting method.

(**) In 2019, the FFO is without one-time financing expenses in the amount of NIS 18 million.

(***) The results of 2021 and 2020 are presented after the Corona relief given by Amot.

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

4. Information regarding Amot's Assets

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

4.1 Information regarding Amot's assets, by use:

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

Use	31.12.2021	%	31.12.2020	%
Offices	381,905	35%	382,398	40%
Logistics and industry	503,034	47%	380,811	40%
Commercial centers	131,918	12%	131,918	14%
Supermarkets	37,694	3%	37,694	4%
Others	23,553	2%	23,553	**2%**
Total above-ground area	**1,078,104**	**100%**	**956,374**	**100%**
Open storage area	96,870		-	
Parking area	581,400		553,000	
Total area	**1,756,374**	**100%**	**1,509,374**	**100%**
Total Company share in above-ground area according to rate of holdings at end of period	**598,534**		**545,707**	

(*) The areas detailed above include 44 thousand sq.m. in 2021 and 35 thousand sq.m. in 2020 of jointly controlled companies presented according to the equity method in Amot's financial statements.

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

Use	31.12.2021	%	31.12.2020	%
Offices	6,754,843	46%	6,507,342	51%
Logistics and industry	4,255,707	29%	2,577,256	20%
Commercial centers	2,692,644	18%	2,612,321	21%
Supermarkets	737,006	5%	718,377	6%
Others	238,247	2%	235,934	2%
Total (*)	**14,678,447**	**100%**	**12,651,230**	**100%**
Total Company share of fair value according to rate of holdings for the period	**8,149,069**		**7,218,792**	

(*) Of the above in 2021 and 2020, properties with a value of NIS 542 million and NIS 467 million, respectively, belong to jointly controlled companies presented according to the equity method in the financial statement.

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

Use	2021	%	2020	%	2019	%
Offices	389,666	50%	407,249	55%	391,451	54%
Logistics and industry	185,244	24%	156,594	21%	127,488	18%
Commercial centers	149,174	19%	113,480	15%	148,311	20%
Supermarkets	45,189	6%	45,970	6%	44,010	6%
Others	13,440	2%	12,754	2%	16,569	2%
Total (*)	**782,713**	**100%**	**736,047**	**100%**	**727,829**	**100%**
Total Company share in NOI according to rate of holdings in the period	**442,354**		**409,870**		**412,864**	

(*) The data does not include non-attributable expenses in the amount of approx. NIS 5 million in 2021, NIS 4 million in 2020 and NIS 3 million in 2019.

(**) Of the above, NOI in the amount of approx. NIS 29 million in 2021, NIS 28 million in 2020 and NIS 30 million in 2019 belong to jointly controlled companies presented according to the equity method in the financial statement.

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

Use	2021	2020	2019
Offices	245,573	(72,799)	576,618
Logistics and industry	364,373	22,079	222,905
Commercial centers	72,894	(119,838)	73,213
Supermarkets	21,019	1,596	79,925
Others	2,477	(2,368)	8,202
Transaction costs in respect of the purchase of new properties	(97,463)	-	(59,375)
Total (*)	**608,873**	**(171,330)**	**901,488**
Adjustment of the value of properties in development and others	139,141	8,415	(10,720)
Total	**748,014**	**(162,915)**	**890,768**
Total Company share of revaluation profits/losses (not including property in development) according to rate of holdings for the period	**340,933**	**(95,406)**	**511,372**

(*) Of the above, a revaluation profit of NIS 5 million in 2021 and revaluation losses of NIS 21 million in 2020 and NIS 40 million in 2019 belong to jointly controlled companies presented according to the equity method in the financial statement.

(**) Most of the reduction in fair value in 2020 is due to the effect of the decline in the CPI and to the effect of the Corona crisis, mainly on commercial properties. Most of the increase in value in 2021 is due to the rise in the CPI and changes in property discount rates.

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

Use	2021 - Standardized for Corona	2021	2020 - Standardized for Corona	2020
Offices	86	86	83	83
Logistics and industry	39	39	39	39
Commercial centers	114	102	117	79
Supermarkets	100	100	99	99
Others	58	48	57	45

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

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

Use	2021	2020
Offices	95.8%	94.3%
Logistics and industry	100%	99.7%
Commercial centers	96.1%	96.8%
Supermarkets	100%	100%
Others	100%	100%
Total	**98.0%**	**97.2%**

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

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

Use	2021	New Counting Method 2020 (**)	2020 as Originally Presented
Offices	47	47	31
Logistics and industry	56	37	17
Commercial centers	34	34	19
Supermarkets	35	35	35
Others	3	3	2
Total (*)	**175**	**156**	**104**

(*) Of the above, 6 income-generating properties in Israel belong to jointly controlled companies presented according to the equity method in the financial statements.

(**) From this periodic report, Amot's assets are counted according to individual assets and not complexes, according to the current count, the number of properties in 2020 is 156.

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

Use	2021 - Standardized for Corona	2021	2020 - Standardized for Corona	2020
Offices	5.9%	5.9%	6.1%	6.1%
Logistics and industry	5.4%	5.4%	6.4%	6.4%
Commercial centers	6.3%	5.5%	6.6%	4.4%
Supermarkets	6.1%	6.1%	6.2%	6.2%
Others	6.9%	5.6%	7.0%	5.4%
Total	**5.8%**	**5.6%**	**6.3%**	**5.8%**

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

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

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

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

4.1.9 Segmentation of information regarding office properties by geographic area:

Geographic Area	Above-Ground Area as of December 31, 2021	2021 NOI	Fair Value of Income-Generating Property as of December 31, 2021	Percent of Total Properties	Average Monthly Rental Fees 2021 (in NIS/sq.m.)
Greater Tel Aviv (*)	183,095	225,982	4,256,969	63%	108
Gush Dan cities	151,595	130,226	1,981,481	29%	68
Other areas	47,215	33,458	516,393	8%	61
Total	**381,905**	**389,666**	**6,754,843**	**100%**	**86**

(*) Tel Aviv, Ramat Gan and Givataim.

Geographic Area	Above-Ground Area as of December 31, 2020	2020 NOI	Fair Value of Income-Generating Property as of December 31, 2020	Percent of Total Properties	Average Monthly Rental Fees 2020 (in NIS/sq.m.)
Greater Tel Aviv (*)	183,587	246,926	4,026,868	62%	104
Gush Dan cities	151,595	128,612	1,968,557	30%	65
Other areas	47,216	31,711	511,917	8%	61
Total	**382,398**	**407,249**	**6,507,342**	100%	**83**

(*) Tel Aviv, Ramat Gan and Givataim.

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

The following is data regarding expected rental revenues in respect of rental agreements signed in Israel for Amot properties as of December 31, 2021, by date of completion:

	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Contracts Ending
	In NIS millions	Unit	In sq.m. thousands
Q1	193	86	12
Q2	189	93	24
Q3	184	104	37
Q4	179	80	25
Total 2022	**745**	**363**	**98**
2023	565	536	241
2024	432	316	161
2025	322	176	111
2026 onward	977	274	438
Total	**3,041**	**1,665**	**1,049**

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

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

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

4.3 Main Tenants

Amot does not have tenants from whom the rental fee revenues constitute 10% or more of all of its rental fee and property management revenues.

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

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

Amot manages its office buildings itself and through the apartment building representatives.

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
ToHa1 (Totzeret Ha'aretz Complex) **(Amot's share – 50%)**	Intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd., Tel Aviv	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status. In 2021, the tower was voted the best office tower in the world in a competition by the Council on Tall Buildings
Amot Investments Tower	Ramat Gan City Complex, Jabotinsky St.	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Amot Investments Tower, Europe House	Shaul Hamelech St., central Tel Aviv	Due to their proximity to the court complex, the buildings constitute prime properties due to excess demand from professionals and government ministries for rental space in the area of the complex.
Amot Mishpat Complex (Beit Amot Mishpat, Amot Hakirya and 10 Dubnov)	In the center of the city's court complex adjacent to the Tel Aviv Museum and the Tel Aviv Performing Arts Center	
Amot Insurance Complex (Buildings A, B and C)	Menachem Begin Rd., Tel Aviv	A complex consists of 3 office buildings, one of which is rented in full to the Fattal Hotel chain. The complex enjoys a high level of transportation access, on Menachem Begin

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

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Amot Tzrifin Park	On Road 44 (Ramla-Beit Dagan) adjacent to Moshav Nir Zvi and near Assaf Harofeh Hospital and the Tzrifin Junction	A complex of approx. 274 dunams, on which 18 logistics buildings are built with a total built-up area of approx. 113 thousand sq.m. The complex has substantial unutilized building rights.
Si'im Park Netanya **Poleg Park Netanya**	Poleg Industrial Zone, Netanya South	The properties provide a solution in an area where there is a growing demand for a combination of uses for both the needs of the high-tech industry and for logistics and storage needs.
Logistic center – Shoham	Hevel Modi'in Industrial Zone – Shoham	**The property is rented in full to SLE - Salomon, Levin and Elstein Ltd. (a Teva subsidiary) and serves as a sophisticated logistic center for automatic storage of raw materials for the pharmaceutical industry, and for the storage and distribution of pharmaceuticals.**
Cargal Park	Lod North Industrial Zone	A complex with an area of approx. 106 dunams and a built-up area of approx. 47 thousand sq.m., rented to 35 tenants. The complex has substantial unutilized building rights.
Rehovot Park	Rehovot Industrial Zone	Industrial park that includes a 3-wing building spread over an area of 33 thousand sq.m., used by high-tech companies, logistic and operational centers, warehouses and medical laboratories.
A Group of Logistics Buildings, Modi'in	Ligad, Modi'in	Several logistics centers rented to high-quality tenants, such as Fox, Novolog, Shufersal Ltd.

Amot has rights in several malls and commercial centers.

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Kiryat Ono Mall	Kiryat Ono city center	The mall is located in the city center, in an area that enjoys a residential construction boom and as a result there is expected to be a significant increase in the population that the mall is expected to serve. The mall combines a commercial center with two office buildings offering modern and innovative systems.
Arim Mall, Kfar Saba	Kfar Saba city center	The mall is partially open and is comprised of two sections connected by pedestrian bridges. Located in the city center and constituting part of the city's urban fabric.
B7 Commercial Center	Beersheba	Shopping and entertainment center, located in a commercial center of the city.
Central Mall, Jerusalem	Jerusalem Central Bus Station (Amot's share – 50%)	A complex consisting of a central bus station, commercial center and office building at the entrance to Jerusalem.

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

Amot owns 35 properties serving as supermarkets, spread nationally, rented to the Shufersal Ltd. group, Mega Retail Ltd., Co-Op Jerusalem and others. The supermarkets' occupancy rate as of December 31, 2021 is 100%.

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

4.5 Significant income-generating property

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

Parameters	December 31, 2021
Property name	Amot Atrium
Property location	2 Jabotinsky St., Ramat Gan City Complex
Area (sq.m.)	55,334
Parking area (sq.m.)	22,600
Amot's share in the property	100%
Appraiser	Rafael Conforti
Valuation model	Discounted representative future cash flows
Encumbrance on the property	None

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

Parameters	31/12/2021	31/12/2020	31/12/2019
Fair value / book value at end of year	1,496,482	1,442,933	1,472,562
Total revenues after accounting averaging	78,396	79,344	81,365
NOI after accounting averaging	78,402	79,519	82,533
Return on equity rate	5.24%	5.51%	5.6%
Adjusted yield rate / discount rate	6%	6.1%	6.1%
Revaluation profits or losses	56,470	(29,642)	149,176
Occupancy rate (%) as of December 31	100%	95.0%	99.5%
Average rental fees per sq.m. (**)	122	120	122

(*) An adjusted rate of return takes into account a representative NOI and therefore constitutes a reliable estimate of the discount rate used in the valuation of the asset.

(**) Actual rental fees/NOI per sq.m./value, without revenue from parking and without vacant areas / value of vacant areas as of December 31, 2021.

(*) The data presented below are after the neutralization of the Amot office floor which is presented under the fixed assets item in the amount of approx. NIS 39 million.

The data presented do not include the neutralization of the areas leased in the Atrium Tower by the Company and by Energix. As of December 31, 2021, the Company and Energix are renting a total of 1,800 sq.m. together (in 2020 - 1,800 sq.m. and in 2019 - 1,350 sq.m.). The value of the leased areas as of December 31, 2021 amounted to approx. NIS 58 million (in 2020 - NIS 55 million and in 2019 - NIS 42 million). The revenues from these areas for 2021 amounted to approx. NIS 3.8 million (in 2021 - approx. NIS 3.4 million and in 2019 - NIS 2.5 million) and the revaluation gains in 2021 and 2019 do not include the amount of NIS 2.6 million and NIS 4.1 million, respectively, in respect of these areas.

4.6 Investment property in construction and development [11]

Amot has several properties in construction and development.

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

For a central table regarding Amot's investment property projects in development – see Section 2.3.5 of the Board of Directors' Report.

4.6.1 Projects in development as of December 31, 2021

Amot has 8 projects under construction, in which Amot's share is 276 thousand sq.m. above ground. The total expected investment in the projects is approx. NIS 3.8 billion (Amot's share). The cost of construction includes the land component, parking garages, tenant improvements and capitalizations.

Amot Holon

The project includes a 22-story office tower with a total above-ground space of approx. 60 thousand sq.m., and a 5-level underground parking garage, (Amot's share - 77.8%). The tower will be built and operated as an income-generating rental property that will be managed by a joint Amot and Municipality management company. As of the date of the report, the project has received Form 4 for the public spaces and is in the final stages of completion of the upper structure and of the parking basements. Amot estimates the amount of its investment in the project at NIS 570 million. Until the date of the Statement of Financial Position, NIS 470 million have been invested in the property.

Amot Modi'in

The project includes a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period, at annual rental fees calculated according to an 8% return on the total investment cost. The logistics center began generating income starting in mid-July 2020. The expected investment amount for the partnership in the construction of the project was estimated at NIS 420 million (Amot's share of the investment, 75%, is estimated at NIS 320 million, Shufersal's share is 25%). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the reporting date, the project is in the finishing work stage at the logistic center with an emphasis on the work of the automation contractor and at the start of the finishing work on the office building. Until the reporting date, NIS 383 million was invested in the property (Amot's share – 75%).

Halehi Complex – Bnei Brak

The lot is located in the northern business complex of Bnei Brak, adjacent to the Yarkon Park and the Ramat Hachayal complex and close to the Ayalon Mall. Amot and its partner in the project (Allied Real Estate Ltd.) are working together to plan, develop and build an office and commercial project, which will include 82 thousand sq.m. of above-ground space, including 42 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,200 million (Amot's share is 50%). As of the reporting date, the project is in advanced stages of the reinforcement and excavation.

11 The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2021, December 31, 2020 and December 31 2019, the Company's share in the data presented is 55.5%, 57.06% and 55.22%, respectively.

K Complex – Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project has an above ground area amounting to approx. 79 thousand sq.m. according to the City Building Plan in effect and approx. 103 sq.m. above ground area according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%). The investment in the project's construction, including the land component, is estimated by the parties at approx. NIS 1.1 billion (Amot's share – NIS 550 million). At this stage, the project is carrying out excavation work.

Beit Shemesh Logistic Center

In June 2021, Amot purchased 60% of a 40-dunam plot of land in Beit Shemesh from Y.D.E. Menivim Ltd. for the establishment of a logistics center, for a consideration of NIS 53 million. Amot is currently leading a city building plan to increase the built-up areas on the lot to approx. 50 thousand sq.m. As part of the agreement between the parties, it was agreed that the companies will jointly establish an advanced logistics center, which will be built on two high floors of approx. 15 meters each floor at a total cost of approx. NIS 300 million, with Amot's share being NIS 180 million. As of the date of the report, the project is at the beginning of the excavation and quarrying work.

Amot Denisra - Park Afek

A joint project for Amot and Denisra Ltd. (each party has a 50% share) for the construction of a fourth office building above an existing commercial floor in the Amot Park Afek complex in Rosh HaAyin. The entire complex is jointly owned by the parties.

The building will include 6 floors above the ground floor with a total area of 11,000 sq.m. The building rights for the construction of the building were obtained under a city building plan promoted by the parties and which took effect in 2020. The investment amount for the project's construction is estimated at NIS 65 million (Amot's share - 50%).

ToHa2 (Totzeret Ha'aretz Complex)

In August 2021, Amot and Gav-Yam Lands Corp. Ltd. (hereinafter: "the partners"), in equal parts, acquired from the Tel Aviv Municipality the rights for the construction of the ToHa2 project and leased the land for a period ending in 2108 (including an extension of the lease period in respect of the ToHa1 project land to the same 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 established by Amot and Gav-Yam, on real estate located at the intersection of Totzeret Ha'aretz, Yigal Alon and Derech Hashalom streets in Tel Aviv, adjacent to the ToHa1 project, which is also owned by the partnership. The ToHa2 project includes approx. 160 thousand sq.m. above ground for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI work) will amount to approx. NIS 3 billion (Amot's share - NIS 1.5 billion), of which a total of approx. NIS 660 million has been paid so far (Amot's share - NIS 330 million).

The construction of ToHa2 will begin in the coming months, following the partial completion of the construction of the underground parking and it is expected to be completed during 2026. The expected revenue from ToHa 2 upon its completion and full occupancy, based on current rental prices in the area, is estimated at approx. NIS 280 million. (Amot's share - NIS 140 million).

For additional information regarding projects constructed by Amot, see Section 2.3.5 of the Board of Directors' Report.

4.6.2 Projects in initiation stages as of December 31, 2021

Amot has 3 projects in planning and development stages. Amot's share in them is an above-ground area of 63.5 thousand sq.m. and the total investment expected for these projects in the coming years is NIS 630-690 million (Amot's share). For additional information, see Section 2.3.5 of the Board of Directors' Report.

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

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

		For the Year ended		
Location	**Parameters**	**31/12/21**	**31/12/20**	**31/12/19**
Use – Offices (Holon Campus / Toha2 Tel Aviv / Lehi Complex Bnei Brak / Amot Shufersal Modiin / Amot Givatayim / K Complex Jerusalem / Park Afek)	Number of properties in development at end of period	7	4	4
	Total above-ground areas in development (planned) at end of period	248,930	94,550	100,068
	Total underground parking areas	101,282	70,803	73,923
	Total costs invested in the current period	418,131	386,631	138,095
	The amount at which the properties are presented in the financial statements (including parts considered income-generating)	1,522,910	613,967	270,280
	Construction budget in the consecutive period (estimate)	362,719	201,912	414,172
	Expected construction budget (estimate)	3,652,000	1,403,000	1,475,000
	Portion of the built up area for which leases have been signed as of December 31	11.00%	4.00%	2.67%
	Portion of the built up area for which leases have been signed close to the signing of the report	-	-	-
	Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area (in NIS millions)	26	-	-
Use – Logistics, Beit Shemesh / Amot Shufersal Modi'in (in 2019) (*)	Number of properties in development at end of period	1	-	1
	Total above-ground areas in development (planned) at end of period	27,000	-	39,000
	Total costs invested in the current period	56,898	-	43,928
	The amount at which the properties are presented in the financial statements (including parts considered income-generating)	53,690	-	111,259
	Construction budget in the consecutive period (estimate)	58,991	-	189,000
	Expected construction budget (estimate)	180,000	-	300,000
	Portion of the built up area for which leases have been signed and/or are in final signing stages as of December 31	-	-	(**)100%
	Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area (in NIS millions)	-	-	24

(*) The Logistic Center presented in 2019 started generating revenue from mid-July 2020, the Company classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

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

4.7 Additional land and building rights that were classified as investment property and investment property in development [12]

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

		2021			2020	2019
		Amount Presented in the Financial Statements (in NIS thousands)	**Area / Potential Building Rights (in sq.m.)**	**Area (in sq.m.)**	Amount Presented in the Financial Statements (in NIS thousands)	Amount Presented in the Financial Statements (in NIS thousands)
Additional Building Rights	Offices	263,443	101,959	14,484	62,394	62,394
	Logistics and industry	266,000	140,000	-	67,401	67,835
	Commerce	9,539	2,753	-	9,739	7,601
	Other	2,624	29,443	-	-	-
Land (without building rights)	Offices	107,211	54,000	13,223	281,339	137,750
	Logistics and industry	80,970	-	97,000	-	-
	Commerce	10,000	-	8,650	9,900	9,900
	Other	115,500	-	18,062	-	-
Total		**855,287**	**328,155**	**151,419**	**430,773**	**285,480**

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

Use	**Parameters**	**Unit of Measurement**	**For the Year ended 31/12/21**	**31/12/20**	**31/12/19**
Purchase - Offices	Number of properties purchased in the period	Unit	-	-	(**)
	Cost of properties purchased in the period (*)	NIS millions	-	-	134
	Expected NOI from properties purchased in the period	NIS millions	-	-	8.5
	Area of properties purchased in the period	Thousands of sq.m.	-	-	9
Purchase - Logistics	Number of properties purchased in the period	Unit	2	-	1
	Cost of properties purchased in the period (*)	NIS millions	1,589	-	452
	Expected NOI from properties purchased in the period	NIS millions	58	-	22
	Area of properties purchased in the period	Thousands of sq.m.	122	-	50
Purchase - Commerce	Number of properties purchased in the period	Unit	-	-	(**)
	Cost of properties purchased in the period (*)	NIS millions	-	-	404
	Expected NOI from properties purchased in the period	NIS millions	-	-	25.5
	Area of properties purchased in the period	Thousands of sq.m.	-	-	12

(*) Not including transaction costs.

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

[12] The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2021, December 31, 2020 and December 31, 2019, the Company's share in the data presented is 55.5%, 57.06% and 55.22%, respectively.

4.9 Reconciliation with the Consolidated Statement – Items in respect of Amot [13]

		As of December 31	
		2021	2020
		NIS thousands	NIS thousands
Fair value adjustment of investment property to values in the financial statements (4.1.2 above)			
Presentation in the Description of the Corporation's Business	Total value of investment property from income-generating properties in Israel	**14,678,447**	**12,651,230**
Adjustments –	Land for development and betterment classified as investment property	-	67,160
	Classification of income-generating properties belonging to jointly-controlled companies for investment on an equity basis.	(541,969)	(466,221)
Presentation in the Statement of Financial Position	**'Investment property' item in the Statement of Financial Position – in respect of Amot**	**14,136,478**	**12,252,169**
Adjustment of NOI profits from income-generating properties to Statement of Income values (4.1.3 above)			
Presentation in the Description of the Corporation's Business	Total NOI profits from income-generating properties	**782,713**	**736,047**
Adjustments –	Operating expenses that cannot be attributed directly to a specific property	(5,154)	(3,934)
	NOI in respect of properties classified to 'property in development' that still generate income	2,392	2,255
	Classification of NOI in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (before equity profits)	(29,099)	(27,733)
Presentation in the Statement of Income	**The 'profit from the rental and operation of properties' item in the Statement of Income – in respect of Amot**	**750,852**	**706,635**
Adjustment of revaluation profits from income-generating properties to Statement of Income values (4.1.4 above)			
Presentation in the Description of the Corporation's Business	Total revaluation profits from income-generating properties	**748,014**	**(165,565)**
Adjustments –			
	Classification of revaluation losses (profits) in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(5,373)	21,925
Presentation in the Statement of Income	**The 'fair value adjustment of investment property and profit from its sale" item in the Statement of Comprehensive Income – in respect of Amot**	**742,641**	**(143,640)**

5. Property Management and Operation

In 2021, Amot began to manage, through a management company under its ownership, all the relevant properties in which Amot has full ownership. For 2022, Amot plans to expand the services offered to its customers. Operations management includes, among other things, the building management, maintenance, cleaning, preventive maintenance, monitoring of

13 The reconciliation presented is with Amot's financial statements, prepared in accordance with IFRS. In this section, no adjustment was made to the Company's statements for intercompany balances in respect of the office lease transaction between Amot and the Company and Energix, for which the balance in the statement of financial position as of December 31, 2021 and December 31, 2020 amounts to NIS 58 million and NIS 55.3 million, respectively; its impact on the NOI for the years 2021, 2020 and 2019 amounts to NIS 3.8 million, NIS 3.4 million and NIS 2.5 million per year, respectively, and its impact on the revaluation amount in 2021, 2020 and 2019 amounts to approx. NIS 2.6 million, NIS 0 million and NIS 4.1 million, respectively.

problems, insurance, collection of property taxes and other issues handled by the management company with various authorities. The activity includes billing tenants, collection, preparing balance sheets, managing the account system between Amot and its suppliers and tenants, tenders, legal treatment, public relations and advertising.

6. Properties with Development Potential

Amot has several properties with development potential. See Sections 4.6.1 above and 4.6.2 below.

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

7. Properties Leased through Non-Capitalized Lease

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

8. Marketing

Marketing is carried out in several main and area-focused channels, including activities in the various media: digital media with segmental and effective management, written media in the press, including the use of PR and content articles, billboards, use of Amot's properties for advertising, etc. It is important to note that before using any marketing communication channel, the effectiveness and profitability of the activity is analyzed. In addition, the marketing department employs several marketing and property managers who are responsible for managing and marketing Amot's properties while locating new customers and/or strengthening the activity with existing customers who are interested in continuing to grow within Amot's properties. Amot also operates various brokers nationwide, as well as brokers active with international corporations. The variety of different and extensive marketing channels gives Amot resilience and independence in any single marketing pipeline, and the loss of any of them will not adversely affect Amot's business operations.

9. Competition

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

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

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

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

1. Amot has an asset portfolio in a variety of uses: offices (46%), logistics and industry (29%), commerce (18%), supermarkets (5%). The variety of uses reduces Amot's exposure to volatility in the various markets.
2. Most of Amot's main properties are located in the country's center.
3. Most of Amot's properties are relatively large, enabling it to provide a response to the needs of large tenants, with the option of adapting the rental property to their needs.
4. Amot has a positive market reputation as a reliable company in terms of providing service both in meeting timetables for handing over rental properties to tenants and in adapting the units and/or buildings according to needs and specifications, at any level required by the tenant.
5. Amot's large tenants have a positive reputation and financial strength and tend to rent properties on a long-term basis.
6. The maintenance and management level of Amot's office buildings is high and provides a response to tenant needs that include, among other things, repairs, renovations and interior cleaning.
7. Positive reputation, financial strength and the ability to secure bank financing.
8. Its abilities in initiation and development give Amot an advantage in locating land for development and construction and in locating properties requiring betterment that have rental potential and enable it to meet market demand.
9. The properties in development are located in developing and high-demand areas that include other office and commercial buildings.

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

10. Human capital

As of the reporting date, Amot employs a HQ staff of 60 people, as follows:

Department	Number of Employees
Office of the CEO	2
Finance	24
Legal	3
Marketing and Operation	11
Engineering and Development	20

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

In addition, Amot employs (mainly through fully-owned subsidiaries), as of the date of this report, 52 employees at various sites outside its headquarters.

Department	Number of Employees
Property Managers	12
Finance and Administration	15
Maintenance	19
Marketing	6

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

Amot has no material dependence on any specific employee.

Amot has employee remuneration plans that include: (1) performance-based remuneration for employees (2) capital remuneration for employees, officers and directors, and (3) remuneration policies for officers.

11. Improvements in Rental Properties and Suppliers

From time to time, Amot carries out maintenance work, renovations and tenant improvements, beyond the regular operation of the properties. The amount of the capital expenditure (CAPEX) to preserve the existing condition, amounted to NIS 46 million in 2021 (including the upgrading of the facing of public areas, tenant improvements in populated properties), NIS 43 million in 2020 and NIS 69 million in 2019.

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

12. External Appraiser

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

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

The percentage of properties appraised by Mr. Zarnitzky constitutes, as of December 31, 2021, 63% of the value of investment property in Amot's statement of financial position (constituting approx. 34% of the total assets in the Group's consolidated statements), and therefore he meets the definition of an extremely essential appraiser according to Legal Staff Position 105-30 of the Securities Authority as of July 22, 2015.

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

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

13. Amot's forecast for 2022:

The following is Amot's forecast for its main operational results for 2022 as published in its 2021 Board of Directors' Report. The forecast is based on the following working assumptions:

- An expected increase of 2.5% in the CPI.
- No material changes will occur in the business environment in which Amot operates in Israel.
- Signed leases and Amot management's expectations regarding current lease renewals in 2022.

	Forecast	Actual	Updated Forecast
Data	**2022**	**2021**	**2021**
NOI (in NIS millions)	860-890	**780**	765-775
Real FFO (in NIS millions)	675-695	**583**	565-575
FFO per share (in NIS 0.01)	149-153	**138.9**	135-137

The information regarding Amot's forecast for 2022 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Amot management's work plan, which was approved by the Amot Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information referring to a future event or matter the materialization of which is uncertain and not under Amot's control since there is no certainty that all of the many variables comprising the work plan will be realized as planned.

14. Amot's Business Strategy

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

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

In accordance with Amot's business strategy to increase and develop the logistics field in its property portfolio, in the last six years Amot has acquired 8 logistics properties and land that will be used to build logistics buildings, and has invested in establishing a logistics center in Modi'in, in a total amount of NIS 2.8 billion. The value of the logistics and industrial income-generating properties as of December 31, 2021 is NIS 4.3 billion.

15. Projected Developments in the Coming Year

Amot will continue to develop its business, locate opportunities to purchase income-generating properties for rental purposes, with an emphasis on logistics, and it will continue in its entrepreneurial, development and construction activities in income-generating properties in Israel.

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

C. Investment in the United States

General

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

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

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

1. General Environment and Impact of External Factors – United States[14]

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

While 2020 was characterized by a sharp and brief decline in economic activity, 2021 had a series of corrections, with the leading factor in the return to activity being the progression of the pandemic. The GDP in the United States grew by approx. 5.7% in 2021, reaching a higher level than before the pandemic.

Along with the increases in commodity and energy prices that led to inflationary pressures in 2021, uncertainty was added due to the possible impact of Russia's invasion of Ukraine. Based on the January 2022 index, the rate of increase in inflation for 2022 amounts to approx. 7.5%, the highest in the last 40 years.

The Fed's inflation forecast for 2022 is approx. 4.1% and it expects a decline to a level of approx. 2.3% by 2024. The Fed's policymakers have lowered the growth forecast for the U.S. economy in 2022 to a level of 2.8% compared to the original forecast of 4%.

In response to these developments, for the first time since 2018, the Fed has raised the interest rate to 0.25% and has presented an aggressive plan to raise the interest rate to a restraining level of approx. 1.75% -2.0% by the end of 2022.

14 Sources of Information in this section:

Q4/2021 Global Economic Outlook – JLL – Jan 2022

Macro Matters – Reuters – Jan 2022

The following is macro data regarding the United States[15]:

For the Year ended	Units	31.12.21	31.12.20	31.12.19
			United States	
Macroeconomic parameters				
GDP (PPP)	USD Billions	24,009	21,478	21,747
Per capita GDP (PPP)	USD	72,231	64,750	66,075
GDP growth rate (PPP)	%	11.8%	(1.2%)	4.0%
Per capita GDP growth rate (PPP)	%	11.6%	(2.0%)	3.5%
Inflation rate	%	7.1%	1.3%	2.3%
Yield on long-term domestic government debt	%	1.52%	0.93%	1.92%
Rating of long-term government debt		AA+/Aaa	AA+/Aaa	AA+/Aaa
Unemployment rate	%	3.9%	6.7%	3.6%

2. General Environment and Impact of External Factors – Washington DC [16]

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

The economy of the Washington D.C. metropolitan area grew in 2021 by a rate of 7.8% compared to a contraction of 0.3% in 2020 and the Gross Regional Product amounted to approx. USD 605 billion.

The unemployment rate in the Washington D.C. metropolitan area has been declining since its peak in April 2020 and as of December 2021, it was approx. 3.3%, a rate lower than the national average. The Washington D.C. labor market has outperformed the national average thanks to the high federal presence that has contributed to the increase in the number of jobs during the pandemic, a trend attributed to high levels of government spending that also included emergency spending.

By the end of 2021, the vacancy rate of the entire Washington D.C. office market was approx. 18.5%, while the vacancy rate of the Trophy buildings was lower and amounted to approx. 12.8%. The trend towards high-quality properties, "Flight to Quality", intensified during the pandemic.

Investment activity in Washington D.C. office buildings dropped to approx. USD 2.7 billion in 2021, the lowest since 2017. Sales transactions of large Trophy properties in 2021 were made at pre-pandemic price levels.

The following is macro data regarding the Washington D.C.:

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

16 Sources of Information in this section and in the table:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2021, Suburban Maryland, Northern Virginia, Washington DC
Quarterly Market Report – Lincoln Property Company – Washington, DC, 4th Quarter 2021
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org/

At End of Year	Units	2021 Washington D.C. Metropolitan Area
Total office inventory	Millions of sq.ft.	334.9
Occupancy rate	%	78.9%
Net change in leased area (net absorption)	Thousands of sq.ft.	-6,249
New areas under construction	Millions of sq.ft.	5.0
Rental prices (full service)	USD/sq.ft.	43

End of Year Data		Washington D.C. Metropolitan Area		
		December 31	December 31	December 31
Macro data	Units	2021	2020	2019
GDP (PPP)	USD billions	605	561	559
Per capita GDP (PPP)	USD	93,897	88,371	89,016
GDP growth rate (PPP)	%	7.80%	0.36%	3.72%
Per capita GDP growth rate (PPP)	%	6.25%	(0.72%)	3.18%
Inflation rate	%	4.00%	0.90%	1.50%
Rate of return on long-term government bonds	%	1.06%	0.84%	1.69%
Country rating (S&P/Moody's)		AA+/Aaa	AA+/Aaa	AA+/Aaa
Unemployment rate	%	3.30%	6.50%	2.70%

3. General Environment and Impact of External Factors – Boston[17]

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

The Greater Boston area is the tenth largest metropolitan area in the United States and is home to approx. 5 million people. The area has the highest concentration of higher education institutions in the United States (including Harvard and MIT). 34% of the total population living in Greater Boston are aged 20-34. The metropolitan area has thousands of high-tech companies, hundreds of research institutes and biotech companies and has the highest concentration of leading hospitals in the entire United States.

As of the end of 2021, the unemployment rate in the Boston metropolitan area was approx. 3.1% and had returned almost to pre-pandemic levels.

The Boston metropolitan area office market is the seventh largest in the United States with a total area of approx. 168 million sq.ft. The office market continued to improve moderately in 2021. Net office absorption amounted to approx. 2.8 million sq.ft. due to the completion of construction and occupancy of several large-scale new projects. The rate of vacant space increased by approx. 100 base points in 2021.

As of the end of 2021, the backlog of projects under construction amounted to approx. 6.1 million sq.ft. A significant component of the initiation projects are the conversions of offices to laboratories and research, and therefore the office inventory is expected to decline in the coming years.

The amount of investments in 2021 increased at an annual rate of over 50% compared to 2021. Most of the investments in the office sector were concentrated on the ability to convert part of the inventory for use in the life science sector.

The following is macro data regarding Boston:

		2021
At End of Year	**Units**	**Boston Metropolitan Area**
Total office inventory	Millions of sq.ft.	168.4
Occupancy rate	%	83.3%
Net change in leased area (net absorption)	Thousands of sq.ft.	2,881
New areas under construction	Millions of sq.ft.	6.1
Rental prices (full service)	USD/sq.ft.	48

17 Source:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2021, Boston
Quarterly Market Report – Lincoln Property Company – Boston, 4th Quarter 2021
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org/

		Boston Metropolitan Area		
End of Year Data		**December 31**	**December 31**	**December 31**
Macro data	**Units**	**2021**	**2020**	**2019**
GDP (PPP)	Billions of Dollars USD	518	480	485
Per capita GDP (PPP)	USD	103,272	97,871	99,450
GDP growth rate (PPP)	%	7.76%	(0.97%)	4.35%
Per capita GDP growth rate (PPP)	%	5.52%	(1.59%)	4.06%
Inflation rate	%	3.30%	1.10%	2.10%
Yield on long-term local government debt	%	1.18%	0.56%	1.48%
Rating of long-term government debt (S&P/Moody's)		AAA/Aaa	AAA/Aaa	AAA/Aaa
Unemployment rate	%	3.10%	6.80%	2.10%

4. General Environment and Impact of External Factors – Austin 18

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

The Austin office market ended 2021 with strong performance surpassing that of other major cities in Texas. With the return of workers to the offices, the sublease space has been considerably reduced, while rental prices have risen and occupancy rates have stabilized. An increase in the number of jobs, a move of companies from the West Coast and the expansion of existing businesses, strengthened the Austin office market in 2021 and may support the office market in 2022 as well.

Austin has been leading the U.S. market in increasing the number of people employed in offices since February 2020 after another 20 thousand jobs were added. The unemployment rate in the city is low at only 2.9%.

The Austin office market ended 2021 with a positive absorption of approx. 700 thousand sq.ft. Rental activity has risen to similar pre-pandemic levels thanks to a positive migration of skilled workers and an expansion of companies which has made Austin one of the fastest growing metropolitan areas in the United States.

The local business climate in Austin has gained momentum in the last two years. The city continues to attract a skilled and quality workforce from Silicon Valley, mainly thanks to the low tax rate, low cost of living and comfortable business climate. Austin has also attracted the headquarters of American technology companies in the city, such as Oracle, Dropbox and more. In addition, Tesla has announced that it will build its advanced production plant in Austin. Other

18 Source:
Office Insight Jones Lang LaSalle - Q4 2021, Austin
Federal Reserve Bank of Dallas – www.dallasfed.org
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Austin Economic Forecast 2021 – Spyglass Realty
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org

companies such as Google, Facebook, and others have transferred thousands of employees to Austin. Apple is also building offices with an investment of approx. USD 1 billion in the north of the city.

Transactions for the acquisition of offices in Austin reached approx. 4.5 million sq.ft. in 2021 and were carried out at prices that are about 40% higher than in 2019.

The city continues to develop through new construction. Approx. 3.2 million sq.ft. of offices were added in 2021, of which approx. 1.3 million sq.ft. are in the city's main business center.

The following is macro data regarding Austin:

		2021
At End of Year	**Units**	**Austin Metropolitan Area**
Total office inventory	Millions of sq.ft.	61.5
Occupancy rate	%	83.6%
Net change in leased area (net absorption)	Thousands of sq.ft.	701
New areas under construction	Millions of sq.ft.	4.5
Rental prices (full service)	USD/sq.ft.	51

		Austin Metropolitan Area		
End of Year Data		**December 31**	**December 31**	**December 31**
Macro data	**Units**	**2021**	**2020**	**2019**
GDP (PPP)	Billions of Dollars USD	188	168	159
Per capita GDP (PPP)	USD	79,764	73,290	71,556
GDP growth rate (PPP)	%	11.83%	5.93%	5.34%
Per capita GDP growth rate (PPP)	%	8.83%	2.42%	2.43%
Inflation rate	%	7.30%	(2.90%)	3.20%
Yield on long-term local government debt	%	3.93%	1.01%	1.50%
Rating of long-term government debt (S&P/Moody's)		AAA/Aa1	AAA/Aa1	AAA/Aaa
Unemployment rate	%	2.90%	4.90%	2.80%

c1. Investment in Carr

1. General Information regarding Carr

Carr Properties Holdings LP (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Group at a rate of 50.77%, by JPM at a rate of 40.16% and by Clal Insurance at a rate of 9.04%[19].

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

As of December 31, 2021, the Group's weighted rate of holdings in Carr Properties is 44.19%, JPM's is 34.96% and Clal Insurance's is 13.71%[20].

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

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

In January 2018, Carr raised the amount of USD 300 million (NIS 1.06 billion) from Clal Insurance (for itself and for institutional entities managed thereby) through the issuance of bonds convertible into Carr shares that were converted into shares at a price of USD 1.54 per share. Following the conversion of the bonds, the Company together with JPM continues to have joint control in Carr without changing the joint control agreement prior to Clal's investment. For additional information regarding the agreements between the Group and JPM and Clal Insurance, including arrangements regarding the limitation of the transferability of rights, see Note 6g to the financial statements.

2. Investment in Carr

The total cost of the Group's cumulative investment in Carr Holdings as of December 31, 2021 amounts to USD 812 million. The balance of the Group's investment in Carr Holdings as presented in the Group's financial statements based on the equity method, amounts to USD 961.3 million (NIS 3 billion).

Expected acquisition of non-controlling interests - During the second quarter of 2022, some of the non-controlling interests in Carr are expected to exercise their redemption right in relation to the redeemable shares in their possession. The redemption cost for the above shares amounts to USD 60 million. To the extent that the redemption right is exercised, the Company intends to acquire the redemption rights in full.

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

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

3. Dividend Receipts and Capital Reductions from Carr

Regarding dividends and capital reductions received by the Company from Carr and dividend receipts expected from Carr in 2022, see Section 3.3.9 of the Board of Directors' Report.

4. Financial Information regarding Carr Holding's Activity

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

The following are the main Carr Holdings financial data for the years 2019-2021. The data are prepared in accordance with IFRS principles, except for the presentation using the method of proportionate consolidation of assets, liabilities and activities of companies that are not consolidated in the financial statements of Carr Holdings (companies that are presented in the financial statements using the equity method).

		Actual	Actual	Actual
	Unit of Measurement	**31.12.2021**	**31.12.2020**	**31.12.2019**
Number of income-generating properties	Unit	16	13	14
Value of investment property (not including property in development) (1)	USD thousands	3,218,384	2,894,350	2,903,630
Occupancy rate at end of period	%	87.9%	90.53%	93.46%
Rental rate at end of period	%	92.8%	92.55%	96.10%
Number of properties in development	Unit	2	4	4
Value of investment property in development (2)	USD thousands	654,476	995,297	638,788
Equity		2,037,867	1,983,793	1,930,753
Equity attributable to Carr Holdings shareholders		1,893,706	1,840,762	1,787,439
Ratio of net financial debt to total balance sheet	%	43.1%	44.9%	41.3%
		שנת 2021	**שנת 2020**	**שנת 2019**
Revenues from rent and management fees (3)	USD thousands	239,707	243,660	236,557
Fair value adjustments of investment property	USD thousands	(3,218)	(2,143)	(7,607)
NOI (4)	USD thousands	144,274	155,096	156,189
Same Property NOI - 3 years	USD thousands	81,850	72,164	68,278
FFO (including share of non-controlling interests) (4)	USD thousands	77,511	92,386	87,187
Net profit (including share of non-controlling interests)	USD thousands	35,266	80,535	60,704
Comprehensive income (including share of non-controlling interests)	USD thousands	60,888	80,349	16,548
Comprehensive income (attributable to Carr Holdings' shareholders)	USD thousands	55,204	74,376	16,798
Corporation's Share (Alony-Hetz)				
NOI – Corporation's share (Alony-Hetz)	NIS thousands	205,928	235,064	243,783
FFO – Corporation's share (Alony-Hetz)	NIS thousands	110,546	139,903	126,910

(1) The value as of December 31, 2021, December 31, 2020 and December 31, 2019 includes a ground lease in the amount of USD 146 million, USD 136 million and USD 136 million, respectively.

(2) The value as of December 31, 2020 and December 31, 2019, not including the 2025 Clarendon project located in the DC metropolitan area with an approx. value of USD 19 million (Carr's share - USD 16 million), which was classified as held-for-sale as of December 31, 2020 and was realized in 2021.

(3) Not including NOI of the property management company in the amount of USD 5.7 million, USD 5.6 million and USD 4.6 million in 2021, 2020 and 2019, respectively.

(4) In 2021, 2020 and 2019, the NOI and FFO include revenues of a non-recurring nature in the amount of USD 2 million, USD 12 million and USD 9 million, respectively, in respect of termination fees upon the departure of tenants.

5. Area of Activity

5.1 General

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

Carr's properties are all located in urban areas and close to transportation centers and facilities. The total fair value of income-generating properties, as of December 31, 2021, amounted to USD 3.2 billion (Carr's share), of which USD 2.5 billion was in the Washington D.C. metropolitan area, USD 0.5 billion in Boston and USD 0.2 million in Austin, Texas.

Carr holds full or partial ownership of an asset portfolio as of December 31, 2021, which includes 13 office buildings in the Washington D.C. metropolitan area, two office buildings in Boston, Massachusetts and one building in Austin, Texas with a total rental area of 4.3 million sq.ft. (400 thousand sq.m.) (Carr's share). Carr's properties are leased to 250 tenants and their occupancy rate as of December 31, 2021 was 87.9% (rental rate – 92.8%).

Carr's tenants include private business firms, government agencies, banks, law firms, lobbying firms and associations, private tenants (the building has residential rentals) and various other users.

In addition, as of December 31, 2021, Carr owns two properties in development and construction (one project in the Washington D.C. metropolitan area and another project in development in Boston, Massachusetts) with a total area of 1 million sq.ft. (Carr's share) whose value in the financial statements as of December 31, 2021 amounts to USD 0.7 billion (Carr's share), with a construction budget of USD 0.9 billion (Carr's share).

Expanding activity in Austin, Texas:

During 2021 and subsequent to the balance sheet date, Carr worked to develop its business in the Austin, Texas area of the United States. In this context, it carried out the following transactions:

100 Congress

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**") in consideration 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 90.3% as of December 31, 2021.

In September 2021, Carr introduced a 49% partner in a dedicated company that owns the property and a loan, for a total consideration of approx. USD 86 million.

Block 16

In February 2022, subsequent to the balance sheet date, Carr signed a 99-year lease agreement for a land division known as Block 16 with an area of 4 dunams in the CBD of Austin, Texas for the purpose of developing and building an office tower.

In accordance with existing policy in the area, Carr plans to receive a specific master plan and related approvals for the construction of an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 510-520 million. Carr expects construction of the tower to begin in the first quarter of 2023 and end in June 2026, and the projected NOI cash flow in the first year in a state of stabilization, will amount to approx. USD 40 million (after deducting the lease fee).

Carr intends to add a partner at a rate of 49% to the project, which together with Carr will provide the necessary equity component (45%), and to finance the balance of the project budget through a bank loan (55%).

The aforementioned information regarding the feasibility of the projects in development, the projected NOI, the date of completion of construction and the possibility of adding a partner is forward-looking information.

For information regarding additional transactions carried out by Carr in 2021 and subsequent to the balance sheet date, including the exercise of 49% of the rights from the Midtown Center complex in April 2021 - see Note 6G(3)(b) to the financial statements.

5.2 Geographic areas where Carr is active

Carr is active in the following three markets:

1. The Washington D.C. metropolitan area

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

2. Boston

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

2. Austin, Texas

As of 2021, Carr has been active in the Austin, Texas area.

5.3 Information regarding Carr's properties:

Below in Sections 5.3.1-5.3.4 is information regarding Carr's properties by geographic area. Most of Carr's income-generating properties are in the office sector.

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

5.3.1 Information regarding Carr's income-generating properties:

Data in this section does not include property under construction, in planning and in development by Carr. For information on property under construction, in planning and development, see Section 5.3.2 below.

As of December 31, 2021 and for the Year 2021:

	Area		Area		Fair Value (*)		NOI		Revaluations
Carr Properties' Share in Properties	December 31, 2021		December 31, 2021		December 31, 2021		2021		2021
	In sq.ft.		In sq.m.		USD thousands		USD thousands		USD thousands
Office sector:									
Washington D.C. Metropolitan Area	2,938,361	76%	272,983	76%	2,204,960	76%	106,562	78%	(105,862)
Boston	731,214	19%	67,932	19%	514,054	18%	23,057	17%	20,746
Austin, Texas	211,222	5%	19,623	5%	174,793	6%	6,150	5%	13,028
Total income-generating properties in the office sector	**3,880,797**	**100%**	**360,538**	**100%**	**2,893,807**	**100%**	**135,769**	**100%**	**(72,088)**
Residential rental sector:									
Washington D.C. Metropolitan Area	438,700		40,757		324,586		(762)		26,088
Total income-generating properties in the residential rental sector	**438,700**		**40,757**		**324,586**		**(762)**		**26,088**
Total income-generating property	**4,319,497**		**401,294**		**3,218,393**		**135,007**		**(46,000)**
Income-generating properties sold in 2021 (****)							10,467		(842)
Property in development							(1,200)		43,624
Total in USD thousands							**144,274**		**(3,218)**
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**10,009,202**		**469,645**		**(147,110)**
Company's share, not including the effect of property in development:									
Total in thousands of sq.ft./sq.m./USD	**1,908,752**		**177,329**		**1,422,183**		**64,253**		**(20,699)**
Total in NIS thousands	**NA**		**NA**		**4,422,989**		**207,536**		**(65,007)**

(*) Fair value including a ground lease in the amount of USD 146 million.

(**) The data in NIS are presented according to the representative exchange rate on December 31, 2021 – 3.11 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2021 (44.19%) or the average rate of holdings in the period, as the case may be.

(***) The NOI in the Washington DC metropolitan area includes non-recurring revenues in the amount of USD 2 million for termination fees upon the departure of tenants.

(****) The NOI and revaluations for the properties that were sold are for 49% of the Midtown center complex from the beginning of 2021 until the date of sale at the end of April 2021, as well as 49% of 100 Congress from the date of purchase of the property in May 2021 to the date of sale of 49% of the rights in September 2021.

As of December 31, 2021 and for the Year 2021 (continued):

Carr Properties' Share in Properties	Average rental fees per sq.ft. per year (**)	Average rental fees per sq.m. per month (**)	Average Occupancy Rates	Daily Occupancy Rates (**)	Number of Properties as of	Average Yield Rates (***)	Gross Yield Rate (****)
	2021		2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	In USD	In USD	In Percentages	In Percentages	Units	In Percentages	In Percentages
Office sector							
Washington D.C. Metropolitan Area	65.27	58.54	85.75%	88.26%	12	4.88%	
Boston	58.13	52.14	87.93%	85.74%	2	4.50%	
Austin, Texas	68.39	61.35	91.32%	90.98%	1	3.52%	
Average Rate / Total			85.37%	87.94%	15	4.73%	5.30%
Residential rental sector							
Washington D.C. Metropolitan Area	41.48	37.21	29.42%	58.84%	1	(*****)	

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 2 million.

The minimum and maximum average rental fees in the Washington D.C. metropolitan area are USD 43.07 per sq.ft. per year and USD 84.58 per sq.ft. per year, respectively, and in the Boston area they are USD 56.46 and USD 60.2, respectively. The gaps in the minimum and maximum average rental fees in the Washington D.C. metropolitan area are due to the location and quality of the buildings and the credit rating of the tenants.

(**) The rental rate (which includes areas for which there are signed rental agreements even if they have not yet been inhabited) as of December 31, 2021 in the entire portfolio is 92.8%.

(***) The average yield rates were calculated according to the actual NOI for 2021 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2021.

(****) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2021 (after neutralizing areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2021.

(*****) Not relevant in 2021 in view of the fact that the property is in its first occupancy stage upon completion of its construction.

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

	Offices									
	Area		Area		Fair Value (*)		NOI (***)		Revaluations	
Carr Properties' share in properties	December 31, 2020		December 31, 2020		December 31, 2020		2020		2020	
	In sq.ft.		In sq.m.		USD thousands		USD thousands		USD thousands	
Washington D.C. Metropolitan Area	**2,995,738**	80%	**278,313**	80%	**2,413,500**	83%	**131,186**	88%	**(69,265)**	97%
Boston	731,110	20%	67,922	20%	480,850	17%	18,416	12%	**(2,190)**	3%
Total	**3,726,848**	**100%**	**346,236**	**100%**	**2,894,350**	**100%**	**149,602**	**100%**	**(71,455)**	**100%**
Property in development							-		80,780	
Property sold in 2020							5,494		(11,468)	
Total in USD thousands					**2,894,350**		**155,096**		**(2,143)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**9,305,335**		**533,025**		**(287,181)**	
Company's share, not including the effect of property in development: Total in thousands of sq.ft./sq.m./USD	**1,646,865**		**152,999**		**1,278,991**		**68,397**		**(36,536)**	
Total in NIS thousands	**NA**		**NA**		**4,111,955**		**235,064**		**(126,528)**	

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

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

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

As of December 31, 2020 and for the Year 2020 (continued):

	Offices						
Carr Properties' share in properties	**Average Rental Fees (*) per sq.ft. per Year**	**Average Rental Fees (*) per sq.m. per Month**	**Average Occupancy Rates**	**Daily Occupancy Rates (**)**	**Number of Properties as of**	**Average Yield Rates (***)**	**Gross Yield Rate (****)**
	2020		**2020**	**December 31, 2020**	**December 31, 2020**	**December 31, 2020**	**December 31, 2020**
	In USD	**In USD**	**In Percentages**	**In Percentages**	**Units**	**In Percentages**	**In Percentages**
Washington D.C. Metropolitan Area	66.24	59.41	93.07%	90.83%	11	4.93%	
Boston	48.69	43.68	88.46%	89.28%	2	4.45%	
Average Rate / Total			92.17%	90.53%	13	4.85%	5.10%

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 12 million.

The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. And in the Boston area they are USD 44.11 and USD 54.51, respectively.

(**) The rental rate (which includes areas for which there are signed rental agreements even if they have not yet been inhabited) as of December 31, 2020 in the entire portfolio is 92.55%.

(***) The average yield rates were calculated according to the actual NOI for 2020 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2020.

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

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

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

	Offices									
	Area		**Area**		**Fair Value (*)**		**NOI (***)**		**Revaluations**	
Carr Properties' Share in Properties	**December 31, 2019**		**December 31, 2019**		**December 31, 2019**		**2019**		**2019**	
	In sq.ft.		**In sq.m.**		**USD thousands**		**USD thousands**		**USD thousands**	
Washington D.C. Metropolitan Area	**3,434,126**	92%	**319,041**	92%	**2,671,130**	92%	**136,882**	92%	**(65,762)**	113%
Boston	304,178	8%	28,259	8%	232,500	8%	11,386	8%	7,592	(13%)
Total	**3,738,304**	**100%**	**347,300**	**100%**	**2,903,630**	**100%**	**148,268**	**100%**	**(58,170)**	**100%**
Property in development							-		61,871	
Properties sold in 2019							7,921		(11,309)	
Total in USD thousands					**2,903,630**		**156,189**		**(7,608)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**10,034,945**		**556,838**		**(249,917)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./USD	**1,645,193**		**152,843**		**1,277,861**		**68,380**		**(30,365)**	
Total in NIS thousands	**NA**		**NA**		**4,416,286**		**243,783**		**(109,223)**	

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

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

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

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

	Offices						
Carr Properties' share in properties	**Average Rental Fees (*) per sq.ft. per Year**	**Average Rental Fees (*) per sq.m. per Month**	**Average Occupancy Rates**	**Daily Occupancy Rates (**)**	**Number of Properties as of**	**Average Yield Rates (***)**	**Gross Yield Rate (****)**
	2019		**2019**	**December 31, 2019**	**December 31, 2019**	**December 31, 2019**	**December 31, 2019**
	In USD	**In USD**	**In Percentages**	**In Percentages**	**Units**	**In Percentages**	**In Percentages**
Washington D.C. Metropolitan Area	65.40	58.66	91.28%	93.50%	13	4.80%	
Boston	58.87	52.81	94.83%	92.21%	1	4.90%	
Average Rate / Total			91.57%	93.48%	14	4.81%	5.1%

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 9 million.

The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively.

(**) The rental rate (which includes areas for which there are signed rental agreements even if they have not yet been inhabited) as of December 31, 2019 in the entire portfolio is 96.1%.

(***) The average yield rates were calculated according to the actual NOI for 2019 divided by the value of income-generating property as of December 31 2019.

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

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

5.3.2 Investment property under construction, in planning and development

Carr has several properties in planning and development.

Carr is developing 2 projects in the Washington D.C. metropolitan area and an additional project in Boston that is under construction.

The total construction budgets of the 2 projects is USD 0.9 billion (Carr's share), of which approx. USD 0.5 billion has been invested by Carr as of the balance sheet date.

The following is information regarding the main projects in construction and development stages:

One Congress Project – Boston, Massachusetts

Carr holds 75% of the rights in a joint venture for the construction of an office tower in Boston whose designated name will be "One Congress" with 1,007 thousand sq.ft. with a third party partner.

In February 2022, Carr Properties and its partner signed a memorandum of understanding according to which Carr and the partner will lease, to an individual tenant, the remaining rental space of 409 thousand sq. ft. (approx. 38 thousand sq.m.), constituting approx. 40% of the total planned office space in the One Congress tower. As the memorandum of understanding matures into a binding agreement, the One Congress building will be fully leased.

The parties estimate that the total estimated cost of the project is approx. USD 977 million (Carr's share – USD 733 million) and that construction will be completed in March 2023.

Carr's total investment in the project (75%) until December 31, 2021 was approx. USD 426 million and its value in the financial statements as of December 31, 2021 is USD 546 million. Until the end of 2021, revaluations were recorded in respect of the One Congress project in the amount of USD 120 million (Carr's share).

Signal House project - Washington D.C.

Project for the construction of an office building and a commercial floor with an area of 228 thousand sq.ft. (21 thousand sq.m.) in the Union Market area of Washington DC. The total construction budget is USD 151 million, of which the balance of the budget to be completed as of the reporting date is USD 43 million. The construction stage has been completed and the project is in the tenant improvement stage which is expected to be completed in June 2022. Carr expects that the annual representative NOI based on cash (Stabilization NOI) in 2023 will be USD 10 million. Carr is building the above project from equity without the need for bank financing for the construction stage.

That stated in this Section 5.3.2 regarding the NOI, the projects' construction budget and the date of completion of the above construction is forward-looking information, since they also depend on factors outside the Company and Carr and over which the Company and Carr have no control.

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

Carr Properties' share in properties		**Under Construction**			**Under Construction**		
Parameters	**Unit of Measurement**	**31/12/21**	**31/12/20**	**31/12/19**	**31/12/21**	**31/12/20**	**31/12/19**
		Use – Offices	**Mixed use – Offices, Commerce and Residential**		**Use – Offices**		
		Washington D.C. Metropolitan Area (*)			**Boston (**)**		
Number of properties in development at end of year	Units	1	2	2	1	1	1
Total land area	sq.ft.	27,776	144,926	144,926	36,026	36,026	36,503
Total land area	sq.m.	2,580	13,464	13,464	3,347	3,347	3,391
Total development area (planned) for rent at end of year	sq.ft.	226,880	1,026,886	1,027,586	755,422	740,250	740,279
Total development area (planned) for rent at end of year	sq.m.	21,078	95,401	95,466	70,181	68,771	68,744
Total costs invested in the period	USD millions	17	193	154	171	89	140
Total accumulated costs invested as of December 31	USD millions	108	595	402	426	255	166
Amount at which the properties are presented in Carr's financial statements	USD millions	108	664	418	546	331	211
Construction budget in the following year (estimate)	USD millions	25	91	198	177	204	99
Total construction budget (estimate)	USD millions	151	679	671	733	675	682
Total estimated construction budget balance (estimate)	USD millions	43	84	269	307	420	516
Percentage of built up area with signed rental contracts	%	56%	44%	35%	58% (****)	58%	52%
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	10	(***) 19	-	-	-	-

(*) As of December 31, 2021 – Signal House project. As of December 31, 2020 and December 31, 2019 – The Wilson & The Elm, and Signal House projects.

(**) One Congress project (Carr's share).

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

(****) Regarding the signing of the memorandum of understanding for the lease of the remaining areas of the One Congress tower in February 2022, see Section 5.3.2 above.

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

Carr Properties' Share in Properties		**In Planning**		
Parameters	**Unit of Measurement**	**31/12/21**	**31/12/20**	**31/12/19**
		Use – offices		
		Washington D.C. Metropolitan Area (*)		
Number of properties in development at end of year	Units	-	1	1
Total land area	sq.ft.	-	21,290	21,290
Total land area	sq.m.	-	1,978	1,978
Total development area (planned) for rent at end of year	sq.ft.	-	227,077	227,077
Total development area (planned) for rent at end of year	sq.m.	-	21,096	21,096
Total costs invested in the period	USD millions	-	1	-
Total accumulated costs invested as of December 31	USD millions	-	2	1
Amount at which the properties are presented in Carr's financial statements	USD millions	-	2	1
Construction budget in the following year (estimate)	USD millions	-	-	24
Total construction budget (estimate)	USD millions	-	151	153
Total estimated construction budget balance (estimate)	USD millions	-	149	152
Percentage of built up area with signed rental contracts	%	-	-	-
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	-	-	-

(*) As of December 31, 2020 and December 31, 2019 – Union Market CP2 project. During 2021 Carr decided to stop planning the project.

(**) In February 2022, subsequent to the balance sheet date, Carr signed a 99-year lease agreement for a land division known as Block 16 with an area of 4 dunams in the CBD of Austin, Texas for the purpose of developing and building an office tower. For additional information, see Section 5.1 above.

5.3.3 Main real estate purchases in the period

Purchases of investment property (Carr's share):

Region and Use	Parameters	Unit of Measurement	2021	2020	2019
Austin, Texas	Number of properties purchased in the period	Unit	(*) 1	-	-
	Cost of properties purchased in the period	USD millions	161	-	-
Use – Offices	Representative NOI of properties purchased in the period	USD millions	9	-	-
	Area of properties purchased in the period	sq.ft.	209,883	-	-
	Area of properties purchased in the period	sq.m.	19,499	-	-
Boston	Number of properties purchased in the period	Unit	-	(**) 1	(***) 1
	Cost of properties purchased in the period	USD millions	-	242.5	59
	Representative NOI of properties purchased in the period	USD millions	-	12	-
Use – Offices	Area of properties purchased in the period	sq.ft.	-	426,932	(***)
	Area of properties purchased in the period	sq.m.	-	39,663	(***)

(*) Acquisition of 51% of the 100 Congress building.

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

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

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

Region and Use	Parameters	Unit of Measurement	2021	2020	2019
Washington D.C. Metropolitan Area	Number of properties sold during the period	Unit	(*) 2	2	3
	Proceeds from the sale of properties sold during the period	USD millions	496	218	194
Use – Offices	Representative NOI of properties sold during the period	USD millions	24.0	9.0	20
	Area of properties sold during the period	sq.ft.	425,729	436,232	562,269
	Area of properties purchased in the period	sq.m.	39,551	40,527	52,236
	Loss recorded as a result of the realization	USD millions	(**) (23.0)	(1.9)	(3)

(*) Sale of 49% of the Midtown Center building and sale of land that was held with a partner for development purposes.

(**) The loss from Midtown Center in the amount of USD 22.5 million stems from the recognition of past losses recorded directly in equity in connection with interest rate fixing transactions in connection with the loan that financed the Midtown Center (USD 16.3 million, which were classified from capital reserves to profit for the period) and from transaction costs (USD 6.2 million).

6. Management of Initiation and Development Activity

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

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

7. Property Management and Operation

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

8. Business Strategy and Expected Development in the Coming Year

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

Carr is examining and will continue to examine the progress in the execution of the projects in development during the coming year according to the state of the markets in Washington D.C., in Boston and in Austin, Texas, and in view of the forecast marketing pace for the areas in the projects. Carr expects that in the coming year it will continue to develop its business and locate opportunities to acquire income-generating properties and land for initiatives in Boston and in Austin, Texas, while continuing the process of realizing some of its properties in Washington D.C.

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

9. Taxation

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

10. Tenants (Customers)

16% of Carr's revenues stem from an agreement to rent most of the space in the Midtown Center building to the Federal National Mortgage Association - Fannie Mae.

11. Marketing

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

In 2021, Carr paid leasing commissions in the amount of USD 9 million (Carr's share) (in 2020 – USD 6 million (Carr's share)).

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

The following is data regarding expected rental revenues in respect of Carr's signed rental agreements in Washington DC as of December 31, 2021, by their date of completion[21]:

	Assuming Non-Exercise of Tenant Option Periods		
Period	**Revenues from Fixed Components**	**Number of Contracts Ending**	**Area subject to Agreements Ending**
	USD thousands	Unit	In sq.m.
Q1/2022	40,731	16	6,469
Q2/2022	40,720	7	3,254
Q3/2022	42,238	11	4,100
Q4/2022	44,136	10	2,417
Total 2022	167,825	44	16,239
2023	180,772	27	18,578
2024	165,751	31	45,973
2025	150,414	31	30,441
2026 onward	815,413	121	223,471
Total	**1,480,175**	**254**	**350,940**
Total in NIS thousands	**4,603,344**		

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

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

13. Competition

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

14. Human capital

Carr employs 57 HQ staff as of the reporting date, 3 of whom constitute its senior management as detailed below: CEO, President / CFO / VP of Operations and VP of Development. The remaining 54 employees have various subordinate positions.

In addition, Carr employs, as of the date of this report, 75 employees at various sites outside its headquarters in various property management and operation positions. Carr has no significant dependence on any specific employee. Carr has share-based remuneration plans for its employees.

For information regarding the terms of employment of the Carr CEO – see Regulation 21 in the Additional Information on the Corporation.

15. Renovations and Tenant Improvements

From time to time, Carr carries out maintenance work, renovations and tenant improvements in their properties beyond the regular operation of the properties, which is performed by the management companies themselves from their own budgets. The amount of the capital cost (base building CAPEX) to maintain the existing properties amounted to a total of USD 26 million in 2021 (in 2020 – a total of USD 12 million). As a rule, Carr does not purchase raw materials itself, and these materials are purchased by subcontractors who perform the maintenance, renovation and construction work. The amount of investments in tenant improvements, finishing work on new buildings including payments to tenants for tenant improvements upon lease renewals amounted to USD 44 million in 2021 (in 2020 – USD 27 million).

16. Carr's forecast for 2022:

The following is Carr's forecast for its main operating results in 2022, according to its 2022 business plan. The forecast is based on the assumption that no significant changes will occur in the business environment in which Carr operates in the United States. The forecast does not take into account the realization of existing properties and the acquisition of new properties, including the realization of projects in initiation. In addition, the FFO forecast does not take into account the effect of possible real estate revaluations in relation to the recording of expenses in respect of long-term incentive plans (LTIP).

	Forecast	**Actual**
Data	**2022**	**2021**
NOI (in USD millions)	153	(*) 144
Real FFO (in USD millions)	78	(*) 77

(*) Including non-recurring revenue from tenant termination fees from tenants in the amount of USD 2 million.

The information regarding Carr's forecast for 2022 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Carr management's work plan, which was approved by Carr's Board of Directors. Forward-looking information is a forecast, assessment, reasonable estimates or other information relating to a future event or matter, the realization of which is uncertain and not under Carr's control since there is no certainty that all the many variables that make up the work plan will materialize as planned, including macroeconomic factors that are not under Carr's control.

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

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

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

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

18. Financing

For additional information, see Note 6g(3)(b)(5) to the financial statements.

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

19. General Information

As of December 31, 2021, the Company, together with the [22]Oxford Properties Group (hereinafter: "**Oxford**"), holds rights in three companies that own three office buildings in the Boston metropolitan area, two of them in the Boston CBD ("**125 Summer**" and "**745 Atlantic**") and one in East Cambridge ("**Davenport**"). The company has 55% of the capital rights and 50% of the control rights in each of the companies, while Oxford holds 45% of the capital rights and 50% of the control rights in each of the companies.

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

The Company's investments in the three companies in Boston are considered joint ventures presented in the Company's financial statements according to the equity method. The balance of the Group's investment in the three Boston companies as of December 31, 2021 amounts to USD 266 million (NIS 828 million).

In March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD), decided to leave the building. This space constitutes 76% of the total rental space in the building. 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 in May 2022 and begin construction work in the second quarter of that year. The project's cost of is estimated at approx. USD 142 million[23] (the Company's share - USD 78 million) and the expected completion date for the conversion is in September 2023.

Parameters	Unit of Measurement	December 31, 2021	The Company's Share (55%)	December 31, 2020	The Company's Share (55%)	December 31, 2019	The Company's Share (55%)
Number of properties	Units	2		3		3	
Area in sq.ft.	sq.ft.	696,172	382,895	870,421	478,732	870,421	478,732
Area in sq.m.	sq.m.	64,676	35,572	80,865	44,476	80,865	44,476
Fair value of the properties	USD thousands	666,400	366,520	765,189	420,854	763,600	419,980
Actual NOI	USD thousands	26,700	14,685	32,684	17,976	33,270	18,299
Real estate revaluations (***)	USD thousands	1,557	856	(21,212)	(11,666)	63,717	35,044
Occupancy rate on last day of the year	%	90.62%		93.05%		92.53%	
Average occupancy rate	%	90.43%		90.61%		93.03%	
Average rental fees per sq.ft. per year (*)	USD	66.73		63.36		62.89	
Average rental fees per sq.m. per month	USD	59.85		56.83		56.41	
Average yield rate (**)		4.01%		4.27%		4.36%	

The following is the main financial data for the years 2019-2021 (not including the Company's activity in Boston through Carr – see Chapter C1 above)[24].

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service);
(**) Average yield rates were calculated according to the actual NOI over the course of the year divided by the value of income-generating property as of the end of the year.
(***) The real estate revaluations in 2021 in the above table do not include a revaluation of the 745 Atlantic building in the amount of USD 33.6 million.

22 According to publications, Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).
23 The balance as of December 31, 2021 is USD 138 million.
24 As of 2021, the 745 Atlantic building is not shown in the table below since 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.

2. Main Tenants

50% of total revenues in 2021 in the 745 Atlantic Ave office building were from WeWork. Regarding the We Work departure from the building in March 2021 – see Section 1 of Chapter C2 above.

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

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

The following is data regarding expected rental revenues in respect of signed rental agreements in the two Boston properties as of December 31, 2021, by their date of completion[25]:

Period	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	Assuming Non-Exercise of Tenant Option Periods		
	USD thousands	Unit	In thousands of sq.ft.
Q1/2022	9,501	-	-
Q2/2022	9,856	2	24
Q3/2022	9,911	1	5
Q4/2022	9,901	-	-
Total 2022	**39,169**	**3**	**29**
2023	39,569	7	42
2024	39,201	1	-
2025	39,758	4	39
2026 onward	119,521	44	562
Total	**277,218**	**59**	**672**
Total in NIS thousands	**862,148**		

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

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

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

25 The expected rental revenue does not include revenue from the 745 Atlantic building since 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.

D. Investment in London – Brockton

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

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**") (hereinafter: "**Brockton Managers**" or "**Brockton Partners**") in a series of agreements according to which the Company, together with Brockton Managers, established Brockton Everlast Inc., a company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. [26].

As of December 31, 2021, the Company indirectly holds approx. 97.3% of the rights in BE, with the balance being held by the Brockton Partners. As of the date of publication of the report, the Company, indirectly, holds 82.7% of the rights in BE.

From BE's establishment until the date of publication of the report, the Company has invested GBP 473 million in BE's capital, of which a total of GBP 150 million (NIS 671 million) was invested during 2021. In addition, subsequent to the balance sheet date, the Company invested GBP 17 million (approx. NIS 72 million) in BE's capital.

Subsequent to the balance sheet date, on February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations from the Menora Mivtachim Group (hereinafter: "**Menora**"), under which Menora invested the amount of GBP 112 million in BE's capital, which gives Menora a holding of 13.6% in BE's capital. In addition, Menora was granted an option to invest additional capital in BE in the amount of GBP 75 million until May 23, 2023 (hereinafter: the "option"). If and to the extent that the option is exercised, Menora's holding rate in BE will increase to 20%. Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Note 6(d)(4) and 6(d)(5) to the financial statements, respectively.

For details regarding transactions made by BE during the reporting period in Cambridge in the amount of GBP 238 million (NIS 1.1 billion), see Note 4(b) to the financial statements.

The total fair value of BE's properties as of December 31, 2021 is GBP 1.2 billion (NIS 4.9 billion) and the occupancy rate on that date was 97.3%. The properties are leased to 101 different tenants through long-term leases.

For additional information regarding the investment in BE, see Note 6(d) to the financial statements.

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

2. General Environment and Impact of External Factors – London, UK[27]

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

During March 2022, the Bank of England (BoE) raised the interest rate for the third time in a row by 0.25% to 0.75%. In addition, the BoE has stated its intentions to gradually tighten monetary incentives by halting the recycling of maturing bond issues. These policy measures reflect the BoE's response to the rise in inflation which in 2021 amounted to approx. 5.4% and which is expected to reach an annual rate of 8% in 2022, a record of 30 years, significantly above the target of approx. 2%. According to the Monetary Policy Report, the BoE expects inflation to peak at approx. 7% in mid-2022 due to rising energy prices and durable goods prices. Other factors that are expected to affect price increases are the imbalance between demand and supply of goods and a tight labor market which creates pressure to increase wages.

In 2021, the UK GDP grew by approx. 7.5% and reached pre-pandemic levels after falling by approx. 10% in 2020. The rate of increase in the GDP is expected to fall to levels of approx.4% in 2022.

The unemployment rate in the UK fell to 4.1% at the end of 2021. The UK labor market continues to perform well, offsetting the impact of the end of the September 2021 unpaid leave program. The increase in the number of job vacancies, which at the end of 2021 amounted to about one and a quarter million, continues to create pressure for wage increases, which recorded an annual increase of 4.9%.

The transition period of the Brexit ended in December 2020 and the political focus was shifted to specific issues such as the Irish Northern Border, fishing rights and the future of regulation on financial services. The EU is expected to extend the temporary approval which allows European financial institutions to continue to use clearing houses in the UK while extending regulatory approvals until June 2025. This move is expected to enable market stability and is considered positive for the UK which continues to manage 90% of Swap clearinghouses in Europe.

The exchange rate of the GDP remains stable against major currencies in the context of the positive performance of the economy and expectations of interest rate increases as a result of rising inflation.

27 Sources of information in this section: Bank Of England – Inflation Report, February 2022

The following are the UK's macroeconomic parameters:

			The UK		
For the Year ended	**Units**	**Note**	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Macroeconomic parameters					
GDP (PPP)	USD billions	1	3,276	2,962	3,246
Per capita GDP (PPP)	USD	1	48,693	44,154	48,599
GDP growth rate (PPP)	%	1	10.61%	-8.76%	3.25%
Per capita GDP growth rate (PPP)	%	1	10.28%	-9.15%	2.69%
Inflation rate	%	2	5.4%	0.6%	1.30%
Yield on long-term domestic government debt	%	3	0.98%	0.20%	0.82%
Rating of long-term government debt		4	Aa3/AA-	Aa2/AA	Aa2/AA
Unemployment rate	%	5	4.1%	5.20%	3.80%

Sources of Information:

1. World Economic Outlook Database, October 2021 from the IMF- International Monetary Fund website. Data for 2020 and 2021 are IMF estimates. The data are in International Current Dollars.
2. Office Of National Statistics (Consumer Price Index Harmonized)
3. Bloomberg, GUKG10 Index, UK Government Bonds Note Generic for ten years, average yield as of the end of each year.
4. Moody's/Fitch rating.
5. Office of National Statistics: Unemployment Rate (from age 16 and up, adjusted for seasonality). Information for 2021 is correct as of January 2022.

3. General Information regarding the Office Sector (including Research Laboratories) – London, Oxford and Cambridge[28]

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

Investment activity and rentals of office space in London have recovered greatly over the past year alongside the gradual removal of Corona restrictions. London did not suffer from a significant outflow of financial service workers following the Brexit and the its labor market remained strong in supporting the continued active demand for high quality office space. The total volume of investment in London in 2021 reached approx. GBP 13 billion, below the average of the decade which was approx. GBP 15 billion. Approx. 71% of the transaction volume this year was made by investors from abroad. The discount rates on Prime assets decreased by approx. 0.25% in both the West End and the City area to approx. 3.25% and 3.75%, respectively.

At the end of 2021, the vacancy rate in central London was 7.6%, compared to an average of approx. 5% in the last decade, with the vacancy rate reaching approx. 7.8% in the City area and approx. 6.4% in the West End. The total take-up of office space was approx. 8.5 million sq.ft., representing an increase of approx. 82% compared to 2020. At the same time, the level of take-up is still lower than the average of the last decade of approx. 10 million sq.ft.

The total office space completed in central London amounted to approx. 4.6 million sq.ft. in 2021 compared to approx. 5.2 million in 2020. At the end of 2021, the total number of projects under construction is expected to add approx. 16.5 million sq.ft. of new office space by 2025, of which approx. 41% are rented in advance.

In 2021, Oxford and Cambridge set another year of records in both rentals and investment volume. The combination of an educated workforce from two of the top universities in the world, continued growth in the life science sector and a limited supply of new offices have created an imbalance between demand and supply in the office market which is expected to continue to support rental prices.

Cambridge – The total area of offices and laboratories in Cambridge in 2021 is approx. 10 million sq.ft. The total take-up of office space and laboratories was approx. one million sq.ft. in 2021 and represents an increase of approx. 76% compared to 2020. The rate of vacant office space was approx. 10%, while the rate of vacant laboratory space was only about half a percent. Laboratory rental prices rose by approx. 8% in 2021 to a level of approx. GBP 50 per sq.ft. The total volume of investments in 2021 amounted to approx. GBP 1 billion in about 20 transactions during the year which is a 3.5 times increase over the previous year.

Oxford – The total office and laboratory space in Oxford in 2021 was approx. 8 million sq.ft., of which approx. one million sq.ft. are laboratory space. The total take-up of office and laboratory space was approx. half a million sq.ft. in 2021 and represents an increase of approx. 24% compared to 2020. The rate of empty office space was approx. 10%, while regarding laboratories, this rate was only approx. 2.4%. Laboratory rental prices rose by approx. 9% in 2021 to a level of approx. GBP 60 per sq.ft.

28 Sources of Information:

- JLL Q4 2021 London office research
- CBRE Q4 2021 London office research
- Bidwells Q4 2021 Oxford – Milton Keynes – Cambridge Market update
- Savills Market in Minutes – December 2021

4. Financial information regarding BE's activity:

	Unit of Measurement	31.12.2021	31.12.2020	31.12.2019
Number of income-generating properties	Unit	14	9	4
Fair value of real estate investments	GBP thousands	938,125	665,250	566,250
Occupancy rate	%	97.3	95.1	97.8
Fair value of land for development	GBP thousands	232,750	-	-
Equity	GBP thousands	693,024	321,417	277,317
Ratio of net financial debt to total balance sheet	%	39.7	50.7	49.3

	Unit of Measurement	2021	2020	2019 (*)
Rental revenues	GBP thousands	34,230	28,751	16,363
Fair value adjustments of investment property	GBP thousands	224,639	(9,851)	34,351
Net profit (loss)	GBP thousands	228,955	(750)	20,725
Comprehensive income (loss)	GBP thousands	231,138	(1,747)	20,834
NOI	GBP thousands	31,156	25,868	15,241
FFO	GBP thousands	15,577	7,909	1,068
The Group's share in BE's results				
Group's share in NOI	NIS thousands	134,120	109,599	69,380
Group's share in FFO	NIS thousands	67,010	33,514	5,173

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

5. Information regarding BE Properties:

As of December 31, 2021 and for the Year 2021:

	Area		Area		Fair Value		NOI (***)		Revaluations
	December 31, 2021		December 31, 2021		December 31, 2021		2021		2021
	In sq.ft.		In sq.m.		In GDP thousands		In GDP thousands		In GDP thousands
Central London (*)	615,453	63%	57,177	63%	700,975	75%	21,974	72%	99,344
Oxford and Cambridge (**)	358,914	37%	33,344	37%	237,150	25%	8,670	28%	21,475
Total in thousands	**974,367**	**100%**	**90,522**	**100%**	**938,125**	**100%**	**30,644**	**100%**	**120,819**
Total in NIS thousands	NA		NA		3,943,033		136,164		524,635
Company's share:									
Total in thousands	947,702		88,044		912,452		29,687		117,045
Total in NIS thousands	NA		NA		3,835,126		131,911		508,248

(*) The vast majority of the areas are for offices.

(**) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.

(***) Not including NOI attributed to land in development in the amount of GBP 0.5 million.

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (**)	Gross Yield Rate (***)
	2021		2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	In GBP	In GBP	In Percentages	In Percentages	Units	In Percentages	In Percentages
Central London	40.08	35.95	97.04%	99.08%	4	3.13%	3.01%
Oxford and Cambridge	32.78	29.40	95.29%	94.21%	10	3.66%	4.66%
Average Rate / Total	**37.48**	**33.62**	**96.39%**	**97.29%**	**14**	**3.32%**	**3.56%**

(*) Basic rental fees include average revenues (straight line rent).

The minimum and maximum average rental fees in the Central London area are GBP 18 per sq.ft. per year and GBP 76.48 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).

(**) Average yield rates for 2021 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2021.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2021 standardized for a full year divided by the value of income-generating property as of December 31, 2021.

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

	Area December 31, 2020 In sq.ft.		Area December 31, 2020 In sq.m.		Fair Value December 31, 2020 In GDP thousands		NOI 2020 In GDP thousands		Revaluations 2020 In GDP thousands
Central London (*)	614,807	78%	57,117	78%	589,350	89%	22,558	87%	447
Oxford (**)	176,442	22%	16,392	22%	75,900	11%	3,310	13%	(10,298)
Total in thousands	**791,249**	**100%**	**73,509**	**100%**	**665,250**	**100%**	**25,868**	**100%**	**(9,851)**
Total in NIS thousands	NA		NA		2,921,711		114,155		(44,090)
Company's share:									
Total in thousands	759,757		70,584		638,773		24,836		(9,458)
Total in NIS thousands	NA		NA		2,805,427		109,599		(42,330)

(*) The vast majority of the areas are for offices.

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

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (**)	Gross Yield Rate (***)
	2020		2020	December 31, 2020	December 31, 2020	December 31, 2020	December 31, 2020
	In GBP	In GBP	In Percentages	In Percentages	Units	In Percentages	In Percentages
Central London	41.63	37.34	94.53%	94.10%	4	3.89%	3.85%
Oxford	23.19	20.80	97.03%	97.50%	5	4.34%	4.50%
Average Rate / Total	**39.4**	**35.4**	**95.10%**	**95.10%**	**9**	**3.94%**	**3.92%**

(*) Basic rental fees include average revenues (straight line rent).

The minimum and maximum average rental fees in the Central London area are GBP 22.5 per sq.ft. per year and GBP 64.76 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively.

(**) Average yield rates for 2020 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2020.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 standardized for a full year divided by the value of income-generating property as of December 31, 2020.

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

	Area		Area		Fair Value		NOI		Revaluations
	December 31, 2019		December 31, 2019		December 31, 2019		2019		2019
	In sq.ft.		In sq.m.		In GDP thousands		In GDP thousands		In GDP thousands
Central London	**601,348**	**100%**	**55,867**	**100%**	**566,250**	**100%**	**(*) 15,241**	**100%**	**34,351**
Total in NIS thousands	NA		NA		2,581,930		73,072		152,607
<u>Company's share</u>:									
Total in thousands of sq.ft./sq.m./GBP	573,385		53,269		539,919		14,471		33,291
Total in NIS thousands	NA		NA		2,461,870		69,380		147,898

(*) NOI standardized for a full year – GBP 23,923 thousand.

(**) The vast majority of the areas are for offices.

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (**)	Gross Yield Rate (***)
	2019		2019	December 31, 2019	December 31, 2019	December 31, 2019	December 31, 2019
	In GBP	In GBP	In Percentages	In Percentages	Units	In Percentages	In Percentages
Central London	42.19	37.84	97.30%	97.80%	4	4.22%	3.8%

(*) Basic rental fees include average revenues (straight line rent).

(**) The weighted yield rate for 2019 was calculated according to the actual NOI standardized for a full year for the value of cash-generating property as of December 31, 2019.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 standardized for a full year divided by the value of income-generating property as of December 31, 2019.

6. Properties purchased during the period

Region and Use	Parameters	Unit of Measurement	2021	2020	2019
Central London Use – Offices	Number of properties purchased in the period	Unit	-	-	4
	Cost of properties purchased in the period	GBP millions	-	-	517.7
	Representative NOI of properties purchased in the period	GBP millions	-	-	24.2
	Area of properties purchased in the period	sq.ft.	-	-	601,348
	Area of properties purchased in the period	sq.m.	-	-	55,867
Oxford and Cambridge (*) Use – Offices and Commerce	Number of properties purchased in the period	Unit	5	5	-
	Cost of properties purchased in the period	GBP millions	123.8	80.3	-
	Representative NOI of properties purchased in the period	GBP millions	4.7	4	-
	Area of properties purchased in the period	sq.ft.	182,472	176,442	-
	Area of properties purchased in the period	sq.m.	16,952	16,392	-
Oxford and Cambridge (*) Use – Land for Development	Number of properties purchased in the period	Unit	4	-	-
	Cost of properties purchased in the period	GBP millions	113.8	-	-
	Area of properties purchased in the period	Acre	14.3	-	-

(*) In 2019 – Oxford. In 2020 – Cambridge.

7. Land for Development

Region and Use	Parameters	Unit of Measurement	2021	2020	2019
Oxford and Cambridge	Fair value of land for development	GBP thousands	232,750	-	-
	Land Area	Acre	14.3	-	-

During the period of the report, revaluations were recorded for land in development in the amount of GBP 104 million (NIS 451 million).

8. Order backlog:

Period	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In GDP thousands	Unit	In thousands of sq.ft.
Q1/2022	9,388	5	21
Q2/2022	9,318	2	4
Q3/2022	9,307	2	3
Q4/2022	9,288	5	24
Total 2022	**37,301**	**14**	**52**
2023	36,544	8	70
2024	33,783	4	45
2025	33,406	7	51
2026 onward	85,502	41	958
Total	**226,536**	**74**	**1,176**
Total in NIS thousands	**952,154**		

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

9. Main Tenants:

33% of BE's revenue for 2021 comes from Marks & Spencer, which leases space in the Waterside House building. 13% of BE's revenue for 2021 comes from the London Fire Brigade which leases space in the Union Street building. In 2022, updates to the rental fees of these tenants will be made in accordance with the Rent Review mechanism of the Upwards Only type.

10. Management and Operating of BE's Properties:

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

11. Properties with Development Potential:

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

During the reporting period, BE purchased land reserves for development with a total area of approx. 100 dunams in the Cambridge Science Park, in consideration for GBP 238 million (approx. NIS 1.1 billion) (not including transaction costs). The fair value of the properties as of December 31, 2021 amounts to GBP 383 million (approx. NIS 1.6 billion). Out of the above total, an amount of GBP 232 million is classified, as of the date of the report, under the 'property in development and rights in land' item (see Section 10 above).

As of the date of the report, on those land reserves, five buildings have been built with a total rental area of approx. 180 thousand sq.ft., which yield an annual NOI in the amount of approx. GBP 6 million.

In view of the BE management's expectations for a significant expansion of business activity in the area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in all the aforementioned areas over several years.

As of the date of the report, BE had received approval for a local city building plan for the Devonshire Quarter building. As of the date of the report, no such approval has yet been received for the rest of the properties in development.

For a summary of data regarding BE's projects in the advanced planning stages as of December 31, 2021, see Section 2.3.7 of the Board of Directors' Report.

12. Marketing:

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

13. Competition:

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

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

14. Human Capital:

As of the date of this report, BE has 37 employees and management personnel, as follows:

Department	Number of Staff Members
Management	5
Investment, Development and Property Management	11
Finance and Activity	12
Marketing	3
Support	8

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

For additional information, see the description of the long-term remuneration plan in the description of the terms of remuneration of BE managers in Regulation 21 in the Additional Information on the Corporation chapter. For details on the terms of employment of BE managers, see Regulation 21 of the Additional Information chapter.

15. Improvements in Rental Properties and Suppliers:

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

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

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

16. BE's forecast for 2022:

The following is BE's forecast for its main business results for 2022. The forecast is based on the following working assumptions:

1. No significant changes will occur in the business environment in which the BE Group operates.
2. Rental fee updates in accordance with the Rent Review Mechanism – see Section 9 above.
3. The forecast is based on existing properties as of the reporting date.

	FORECAST	ACTUAL
	2022	2021
	£	**£**
NOI (GBP MILLIONS)	40	31
FFO (GBP MILLIONS)	17	16

The information relating to the BE forecast for 2022 is forward-looking information, as defined in section 32A of the Securities Law, 1968 and is based on the BE management's budget, as approved by the BE Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information regarding a future event or matter whose realization is uncertain and not under the sole control of BE and the Company, as there is no certainty that the many variables that make up the budget will materialize as planned.

17. BE's Business Strategy

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

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

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

18. Corporate Governance in BE and in the BE Group

In this regard, see Notes 6.d(4) and 6.d(5) to the financial statements.

19. Information regarding the Brockton Funds

As of December 31, 2021 the Company holds two UK real estate funds from the Brockton Group. Fund II has an investment in a single property, while Fund III has a material investment in FORA, which engages in the rental and management of workspaces, as well as two other properties. The process of realizing the portfolio of the funds as presented above is expected to end in the coming years.

The funds are presented in the Company's financial statements as securities measured at fair value through profit or loss. The balance of the Company's investment in the funds as of December 31, 2021 amounts to approx. GBP 37 million (NIS 157 million). For additional information, see Note 5(1) to the financial statements.

E. Energix

1. General Information regarding Energix

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

Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States.

Subsequent to the date of the report, Energix raised capital through a public offering in the amount of NIS 337 million (of which the Company invested the amount of NIS 170 million).

As of December 31, 2021 and close to the date of publication of the report, the Company's rate of holdings in Energix was 53.3%. For additional information, see Note 6e to the financial statements.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 600 MW in commercially operated projects, approx. 665 MW in projects in development or pre-construction, approx. 860 MW in projects in advanced initiation stages, approx. 6 GW in projects in the initiation stage[29] and approx. 7 GWh in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 3.4 billion.

The total representative annual revenue expected in 2022 from the sale of electricity and green certificates[30] from all the facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2022 is NIS 400-430 million[31] (Energix's share in the cash flow).

The information on projected annual income constitutes forward-looking information as defined in Section 32A of the Securities Law, and based on Energix's systems in commercial operation, Energix's estimates in relation to the date of commercial operation of its systems which, as of the date of publication of the report, are in development and advanced initiation. Actual income may be different and is dependent on factors beyond the control of Energix and the Company, such as the weather.

Energix receives management services from the Company according to a management agreement signed between the parties. For additional information regarding the management agreement, see Note 6.e(5) to the financial statements.

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

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

31 Energix's forecasts for 2022 are based on the following assumptions:

- The results of operations are based on Energix's systems in commercial operation and Energix's estimates in relation to the date of commercial operation of its systems which, at present, are in development, pre-construction and in advanced initiation;
- The results of the systems in commercial operation (photovoltaic and wind) reflect average output P(50);
- The exchange rates used as a basis for calculating the forecast are PLN 1 to NIS 0.76 and NIS 3.25 to USD 1.

2. Area of Activity

As stated above, Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States.

(a) Energix's projects in commercial operation: The following are projects that have been completed and the electricity generated therein is fed into the relevant electricity grid:

Country	Project	Technology	Capacity[32]	Commercial Operating Date	Source of Revenues	Tariff for Sale of Electricity and Certificates per 1 KWh Generated (in NIS)	Original Construction Cost In NIS millions	Project Results in 2021 in NIS millions		Energix's Share in Project
								Revenues	FFO	
Israel	Neot Hovav	Photovoltaic	37.5 MWp	12/2014	Fixed CPI-linked tariff, for 20 years	0.663	292	45.1	33.2	100%
	First Competitive Procedure Systems	Photovoltaic	90 MWp	Q4/2018	Fixed CPI-linked rate, for 23 years	0.207	276	31.6	16.0	97%
	Second Competitive Procedure Systems	Photovoltaic	62 MWp	H2/2019 and Q1/2020	Fixed CPI-linked rate, for 23 years	0.204	202	21.0	10	70% Share in results and in net cash flow 91%
	Project systems 1[33]	Photovoltaic	3.2 MWp	2010-2011	Fixed CPI-linked tariff, for 20 years	0.95-2.23	59	10.7	7.1	100%
USA	Virginia 1 Projects	Photovoltaic	82 MWp	Q2 and Q3/2020	Electricity - Sale to an electric company at market prices with price hedging transaction for 12 years.		361	18.7	14.6	58% Share in results and in net cash flow 100%
Poland	Banie 1+2	Wind	106 MW	12/2015-06/2016	Electricity - Sale at market price or in price-fixing agreements Green certificates - Sale at market price or in price-fixing agreements		687	112.5	93.1	100%
	Ilawa	Wind	13.2 MW	06/2016			82	15.5	13.6	100%
Total in this table			**394**				**1,959**	**255**	**188**	
Total in table of projects partially completed			**208**							
Total commercially operating			**602**							

32 Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage in MWp.

33 Not including Granot project (3.4 MWp) whose sale was completed in February 2022.

(b) **The following are projects whose construction and connection to the grid have been partially completed:**

Country	Project[34]	Technology	Capacity[35]	Expected Cost of Construction in NIS millions	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Generated (in NIS)	Date of Completion of Commercial Operation	Facilities whose Construction is Completed	Facilities Connected to the Electricity Grid	Projected Project Results per Representative Operating Year in NIS millions		Energix's Share in Project
										Revenues	FFO	
Israel	Third Competitive Procedure Systems	Photovoltaic	99 MWp	260-300	Fixed CPI-linked rate, for 23 years	0.186	H1/2022	13 of 13 (99 MWp)	10 of 13 (66 MWp)	32-34	19-21	70% Share in results and in net cash flow 91%
	Fourth Competitive Procedure Systems	Photovoltaic	38 MWp	100-120		0.183	H2/2022	3 of 4 (29 MWp)	-	12-14	7-9	70% Share in results and in net cash flow 91%
USA	Virginia 2 projects	Photovoltaic	142 MWp	450-480	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to an electric company at market prices with hedging transaction for 6 years. Green Certificates - Sale at a fixed price for a period of 12-15 years.		H1/2022	4 of 6 (91 MWp)	4 of 6 (91 MWp)	32-36	26-30	For 117 MWp: 100% For 25 MWp: 58% Share in results and in net cash flow 100%
Poland	Banie Stage 3	Wind	82 MW	340-380	For the first 5 years, most output at market prices (including price hedging transactions) thereafter, and for 11 years a fixed CPI-linked tariff		H1/2022	78 MW	51 MW	55-61	30-34	100%
	Sepopol	Wind	44 MW	180-210			H1/2022	44 MW	-	27-32	15-19	100%
Total in this table			**405**	**1,330-1,490**								
Of which, projects in commercial operation			**208**									
Of which, projects in development and pre-construction			**197**									

34 In 2021, revenues from the winning projects in the third competitive procedure in Israel, from the Virginia 2 projects in the United States, and from the Banie Stage 3 in Poland amounted to approx. NIS 3 million, approx. NIS 7.4 million and approx. NIS 1 million, respectively.

35 Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage in MWp.

(c) **Energix's projects in development or pre-construction:** The following are Energix's projects that are in development or that the actual start of construction is expected in the near future:

Country	Project	Technology	Capacity[36]	Expected Cost of Construction in NIS millions	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Generated (in NIS)	Projected Commercial Operating Date	Cost Invested as of the Reporting Date in NIS millions	Projected Project Results per Representative Operating Year in NIS millions		Energix's Share in Project
									Revenues	FFO	
Israel	ARAN	Wind	104 MW	650-750	Sale to the electric company at a fixed CPI-linked rate, for 20 years from the date of commercial operation	0.23-0.26	H2/2023	147	80-90	60-68	73% Share in results and in net cash flow 100%
USA	Backlog in development in Virginia (VA)	Photovoltaic	185 MWp	640-680	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price		H2/2022	84	50-55	40-44	For 100 MWp: 100% For 85 MWp: 58% Share in results and in net cash flow 100%
	Projects in development in Pennsylvania (PA)	Photovoltaic	110 MWp	370-410			H2/2023	34	23-28	19-23	100%
Poland	Banie Stage 4	Wind	56 MW	250-280	For the first 3 years, most output at market prices (including price hedging transactions) thereafter, and for 13 years a fixed CPI-linked tariff		Q3/2022	82	34-40	20-24	100%
	Lubanowo	Photovoltaic	12 MWp	30-35	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price		H2/2022	-	approx.-4	approx.-3	100%
Total in this table			**467**	**1,940-2,155**							
Total in table of projects partially completed			197								
Total in development and pre-construction			**664**								

36 Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage in MWp.

(d) **The following are advanced initiation projects:** Advanced initiation projects are the backlog of the Energix's projects that it estimates can be financially closed or pre-construction within the next 12 months or initiation projects that have won a guaranteed tariff.

Country	Project	Technology	Capacity[37]	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Produced (in NIS)	Status	Projected Commercial Operating Date	Expected Cost of Construction in NIS millions	Cost Invested as of the Reporting Date in NIS millions	Expected Annual Income for the Project in NIS millions	Energix's Share in Project
Israel	First competitive procedure for extra-high voltage systems	Photovoltaic	90 MWp	Fixed CPI-linked rate, for 23 years	0.148	The plan was approved by the National Infrastructure Committee and deposited for objections	H1/2023	270-310	58	23-25	70% Share in results and in net cash flow 91%
	Second competitive procedure for high voltage systems with combined storage	Photovoltaic Combined storage	180-200 (including 320 MWh storage)	Fixed CPI-linked tariff, until the end of 2045	0.179	In planning and development	During 2023	610-650	-	53-57	100%
USA	Advanced initiation projects in Virginia (VA)	Photovoltaic	500 MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price		In planning and development	During 2023	(1) 1,720-1,780	170	132-142	For 434 MWp: 100% For 66 MWp: 58% Share in results and in net cash flow 100%
Poland	Nowa karczwa project	Wind	90 MW	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price		After building permit. In the approval process for connection to grid	H2/2023	370-410	-	60-66	100%
Total in this table			**860**					**2,970-3,150**			

(1) The net construction cost after the tax partner's investment is expected to be NIS 935-975 million.
For additional information regarding electricity tariffs and regarding the facilities in development – see Notes 7 and 8 to the financial statements.
The information presented in the tables above, in relation to projects in development or pre-construction, and projects in advanced initiation includes forward-looking information as defined in Section 32A of the Securities Law. The actual results may differ significantly from the estimated or implied results of all or part of this information.

37 Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage in MWp.

2.1 Environment and Impact of External Factors – Energix

General

As part of a global trend to reduce greenhouse gas emissions, many countries, including Israel, are encouraging investment in the construction of electricity-generation facilities from renewable energies and developing diverse arrangements for the sale of electricity from these sources. As of the reporting date, more than 150 countries around the world are promoting policies that support the production of electricity from renewable energies,[38] and according to forecasts, in 2050, renewable energies will provide 84% of electricity consumption in Europe and 65% of electricity consumption in the United States[39]. It is estimated that in order to meet the commitments and targets set by the world's countries in the transition from fossil fuels to renewable energies, a cumulative investment of approx. USD 60 trillion is required by 2030 and approx. USD 110 trillion by 2050[40].

In addition, in the reporting period, dozens of other giant international corporations have joined corporations such as Apple, Meta, Microsoft, Google, and others who have set themselves 100% clean energy consumption targets by 2050 under the RE100 initiation[41]. As of the reporting date, more than 349 corporations have joined this initiative with the total demand for electricity from renewable sources of all the corporations participating in the initiative amounting to over 340 TWh.

Accordingly, global investment in the transition to energy sources that emit low carbon dioxide is on the rise: in 2021, over USD 750 billion was invested worldwide in sectors supporting the transition to low-carbon energy use such as electricity storage, electric vehicles, hydrogen and various renewable energies. The sector that benefited from the highest total investment was the renewable energy sector, which attracted over USD 360 billion in investments[42].

It should be noted that in view of the decrease in electricity production costs from renewable energy,[43] the economic viability of constructing such facilities has increased, even in market conditions without supportive regulation.

In addition, in recent years there has been a growing recognition of the need for the integration of electricity storage solutions, which are expected to lead to accelerated growth in the storage sector, in view of the storage sector's contribution to maintaining grid stability, the balancing of loads created by electricity generation from renewable energy during hours of demand/sub-demand, and falling prices of batteries used in the field of storage in recent years[44]. As a result, a range of activity channels are created that may be relevant to Energix, both as stand-alone storage projects and as electricity generation projects that combine storage.

Israel

In recent years, the State of Israel has joined a number of other countries around the world that are leading the trend of transitioning to electricity generation using renewable energy, while neglecting traditional energy sources in view of their destructive effects on the environment. This trend has had an obvious effect in the field and in the years 2018-2021 the rate of increase in capacity installed from renewable energies in Israel jumped by an average of 38% per year (compared to a growth rate of approx. 16% between the years 2014-2017)[45]. As of the date of the report, the total capacity installed in renewable energies in Israel is approx. 3.6 GW and constitutes an annual generation capacity of 9.4% of total consumption in Israel. In addition, in the reporting period, 8.1% of the total energy consumed in Israel came from renewable sources[46].

38 Renewables 2020 – Global Status Report (REN21).
39 New Energy Outlook 2020 - Power Supply Charts.
40 IRENA - Global Landscape Of Renewable Energy Finance (2020).
41 RE100 Annual Disclosure Report 2021 (January 2022).
42 Energy Transition Investment Trends, 2022 _ Full Report _ BloombergNEF.
43 Although price increases are expected in the short term.
44 Recently, there has been an upward trend mainly due to excess demand for raw materials and competition with the battery market for electric vehicles.
45 Status report - Renewable Energy Targets in the Electricity Sector, March 2022
46 See Footnote 12 above.

In addition, according to data from the Electricity Authority, electricity consumption from renewable energy at the end of 2025 is expected to be approx. GW 10[47] in order to meet the target set by the Government of Israel in Resolution 465, as detailed below. Accordingly, a series of government and regulator decisions have been adopted in Israel, which are updated from time to time in accordance with the policy updates of the Ministry of Energy and the government, including:

A. Publication of regulations and competitive procedures

The Ministry of Energy and the Electricity Authority work to periodically publish regulations by which they encourage the entrepreneurial market to build electricity-generation facilities from renewable energy in Israel, taking into consideration the distribution and balance between the various energy sources, efficiency and balance between the increasing demand for electricity and the electricity-generation system, natural resources, and various considerations affecting the establishment of infrastructure.

During the reporting period, the Ministry of Energy published a roadmap for a low-carbon economy in which it set an overarching target of reducing greenhouse gases from the energy sector by a rate 80% by 2050, compared to 2015. In addition, the data indicate that the activity of the Israeli economy will require approx. 3.5 GW (17.2 GWh) of energy storage by 2030. Following this roadmap, in the coming months the Electricity Authority will publish the first procedure for storage facilities in the transmission grid (extra-high voltage) and will publish competitive procedures for the establishment of storage facilities in the distribution grid (high voltage) during 2023[48].

B. Opening the supply segment to competition

On August 5, 2020, the Electricity Authority issued a decision on principles for opening the supply segment in the electricity sector to new suppliers and supply to household consumers, in which a quota of 400 MVA was set, of which 300 MVA will be allocated as a general quota for all types of consumers (the "general quota") and 100 MVA will be allocated as a designated quota for household consumers, all for two years[49]. In order to operate within this regulation, it is required to obtain a supplier license that includes, among other things, a guarantee of NIS 2 million to the Electricity Authority, proof of equity of NIS 50 million and compliance with the threshold conditions set in the Electricity Sector Law and regulations. According to the terms of the regulation, the supplier may only serve consumers with a continuous meter, and it must submit an aggregate consumption plan for its consumers on a daily basis. Under the regulation, the purchase of energy by the supplier will be made directly from the system administrator and it must pay a grid tariff, a system tariff, a half-hour energy tariff and a supplementary tariff.

C. Integration of renewable energy facilities in the wholesale market model for electricity generation

According to the resolution issued by the Electricity Authority on March 6, 2022, for the first time in Israel, renewable energy facilities that will be integrated into the national transmission grid will be able to sell electricity to the system manager at a variable half-hour price, according to market principles. The Electricity Authority is publishing a decision whose main purpose is to allow renewable energy facilities, even in combination with storage, to integrate on a regular basis into the transmission grid, without a preliminary procedure and without the need for a tariff set by the Authority, and sell all electricity produced in the facility to the system administrator according to the wholesale market principles. This means that the tariff for the electricity produced at these facilities will be determined according to the half-hour market prices. This decision further determines that facilities that will be built within its framework may also be integrated into additional procedures, including a procedure planned for determining the protective tariff for producers of renewable energy at extra-high voltage.

D. Adoption of outline plans

47 Report on the State of the Electricity Sector for 2020, published by the Electricity Authority, August 2021.

48 Ministry of Energy, Roadmap for a Low-Carbon Energy Economy by 2050, October 2021.

49 See the resolution of the Electricity Authority dated August 5, 2020. Resolution 58604. Principles for opening the Supply Segment in the Electricity Sector to New Suppliers and for Supply to Household Consumers, Gradually:
https://www.gov.il/BlobFolder/policy/58604/he/Files_Hachlatot_58604.pdf

Dedicated outline plans were adopted for the construction of photovoltaic facilities (NOP 1 which replaced NOP 10/D/10) and for the construction of wind turbines (NOP 10/D/12). Recently, two additional national outline plans were approved (NOP 41 and NOP 10/D/10/2) concerning the regulation of photovoltaic facilities, and were published as amendments to NOP 1.

E. Government decisions for determining targets for reducing greenhouse gas emissions and generating electricity from renewable energies.

As of the date of approval of the report, as part of Government Resolution 465 of October 2020, the Government approved the increase of electricity consumption targets from renewable energy sources for 2030 to 30% (compared to 17% previously), and set an intermediate target of at least 20% of total electricity consumption in 2025. Although it has not yet been set in primary legislation, this decision forms the basis for the potential development and establishment of photovoltaic projects with a capacity of approx. 12 GW in the next decade, and provide a benefit to the sector of approx. NIS 8 billion per year.

On January 18, 2022, the Electricity Authority decided to increase the supply quota for suppliers who do not have a means of production[50] and increased the quota set for private suppliers by a cumulative 1,000 MVA in 2 stages, so that from April 24, 2022 the quota increased by 500 MVA and an additional 500 MVA as of July 24, 2022.

Opposite the trends that support the continued development of the renewable energy market in Israel, there are factors that have a negative impact on the field, including opposition from environmental entities and authorities to the integration of renewable energy projects, rising shipping and equipment prices following the Corona crisis and as part of a global trend, as well as cumbersome regulation.

Poland

The electricity market in Poland is a developed market and includes four main local electricity grid administrators (owners of the distribution network in the areas of electricity-generation) that are controlled by the Polish government, and an electricity exchange, in which many other players operate. In 2021, the renewable energy market in Poland continued to grow rapidly and the share of electricity generation from renewable energy in Poland was approx. 15% of the total electricity production in the country[51]. The installed capacity of renewable energies in Poland is approx. 15 GW from a total of 49 GW, of which approx. 6 GW is wind energy.

In February 2021, the Energy Policy Plan for 2040 was approved in Poland, which determined that the rate of electricity generation in coal-based facilities will decrease from 78% in 2017 to less than only 56% by 2030 ("2030 targets"). In order to meet the 2030 targets and promote the transition from coal-based energy to renewable energies, Poland is also expected to receive an aid package estimated at approx. EUR 76 billion. During the reporting period, the demand in the Polish market for state tenders led to the expansion of the government support system, and in the fourth quarter of 2021 an amendment to the Renewable Energy Sources Law came into effect, which extended the tenders in Poland until the end of 2027.

At the same time, there has been a significant increase in the prices of electricity and green certificates in Poland. The rise in electricity prices is due in part to the rise in prices in the European emissions trading system, the dependence on gas from Russia and the rise in fossil fuel prices.

The local regulator also promotes legislative changes that make it possible to expand the activities of the renewable energy sector in Poland. Among other things, in December 2020, the Law for the Promotion and Development of Offshore Wind Projects was passed and during 2022, an amendment to the Distance Act is expected to be passed, which will

50 See the resolution of the Electricity Authority dated August 18, 2022, from Session 622, Resolution 62207. Increasing the Supply Quota for Suppliers who do not have Means of Production: https://www.gov.il/BlobFolder/policy/62207/he/Files_Hachlatot_62207.pdf

51 Baringa Poland Wholesale Power Market Results 2021Q4.

facilitate the development of new projects. It appears that the expansion of government plans and the announcements of future tenders will significantly increase the photovoltaic field in Poland, which is expected to reach an installed capacity of over 4 GW[52] in the coming years.

The United States Renewable Energy Market

The United States is one of the world leaders in the generation of electricity from renewable energies, and is ranked as the second country in the world after China, with the highest installed capacity of renewable energy facilities.[53]. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. It is estimated that in 2021, approx. 30 GW of solar facilities were added and the total number of new wind facilities in 2021 is expected to be more than 15 GW[54] [55].

The increase in renewable energies may gain further momentum in view of the desire to develop and integrate new technologies for storage and network balancing, and also due to the decrease in the electricity-generation costs from renewable energies. Renewable energy production targets in the United States are set at the state level and therefore they vary from state to state.

Furthermore, in recent years more and more U.S. states are leading the implementation of renewable energy support policies. Therefore, in April 2020, the state of Virginia (where most of Energix's U.S. operations are concentrated) determined that by 2050, the state's electricity producers will be required to meet the target of 100% renewable energy[56]. Such goals were also declared in California and New York.

Since taking office in January 2021, U.S. President Joe Biden has set himself the goal of changing the energy and climate policies of his predecessor, Donald Trump. Accordingly, in January 2021, he signed a number of presidential decrees, including an order directing the United States to return to the Paris Accords, as part of the President's efforts to make climate change a policy priority following the U.S. withdrawal from the Accords in June 2017 under the Trump administration. In addition, Joe Biden has appointed to senior positions figures who support the advancement of policies for prevention of the climate crisis, and promoted proposals for federal funding programs to support the transition to the exclusive use of renewable energies.

On November 15, 2021, President Biden signed a bill known as the "Infrastructure Plan" that includes an investment plan totaling approx. USD 1.2 trillion, of which approx. USD 80 billion is designated for investment in infrastructure that supports the transition to green energy use such as: electricity grid upgrades, infrastructure for charging electric vehicles, advanced storage projects, etc.

On November 19, 2021, the House of Representatives approved a significant bill called Better Build Back (BBB) that includes an investment plan totaling approx. USD 1.7 trillion, of which approx. USD 325 billion will be tax incentives granted in favor of green energy projects, and approx. USD 92 billion are designated for investment in the transition to the use of green energy. This plan includes raising the rate of eligibility for tax refunds to the maximum possible (30%) with the possibility of eligibility of up to 40% depending on the compliance with the criteria and an extension of the period of eligibility for tax refunds (ITC). According to Bloomberg, these plans, if fully implemented, are expected to reduce the cost of electricity generation from solar projects by more than 50% by 2030. In addition to the above, the Biden administration is expected to take further significant steps such as a bill requiring a significant reduction in methane compound emissions from existing gas and oil facilities, and the joint US-China declaration following the Glasgow climate conference, to set more aggressive emission reduction targets. It should be clarified that as of the date of approval of the report, the legislative procedure of the BBB Law has not yet been completed, and there is no certainty that it will enter into effect.

Energix estimates that the positive trends in the renewable energy market in the United States are expected to strengthen this area and enable a significant reduction in pollutant emissions by 2050, all in accordance with the growing

52 See Footnote 41 above.
53 Sustainable Energy in America 2020 Factbook BloombergNEF.
54 2021 (Q4) Global PV Market Outlook.
55 2021 (2H) Global Wind Market Outlook.
56 Virgina's Legislative System website, HB 1526 Virginia Economy Act - https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526

demand from the private market for electricity consumption from renewable energy sources, which has led to 51% of U.S. companies having or promoting renewable energy-based policies.

In addition, during the reporting period and as of the date of approval of the report, a trend can be seen of rising electricity prices in the United States, which significantly improves the economics of projects in the renewable energy market and the anticipation of future projects.

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

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

2.2.1 Photovoltaics

2.2.2 General

2.2.2.1 Electricity generation using photovoltaic technology

Photovoltaic Energy (PV) is electrical energy derived from sunlight generated by absorbing radiation from sunlight through panels with photovoltaic cells made of semiconductor materials (hereinafter: "**photovoltaic panels**"). When sunlight energy is absorbed by the photovoltaic panels, it releases electrons which, as they flow through the semiconductor, produce an electric current.

The main components of photovoltaic systems are: photovoltaic panels consisting of solar modules; a fixed or tracking structure; a current converter which converts the electricity generated from direct current (DC) to alternating current (AC); a connection point to the electricity grid and electricity meter. The photovoltaic capacity is affected, among other things, by the intensity of sunlight, with strong light producing a strong electric current and measured in kilowatt-peak/megawatt-peak (KWp/MWp) units representing the solar panel capacity ("installed capacity") or kilowatt/megawatt (KW/MW) representing the converter capacity.

In the reporting period, Energix began to develop and promote photovoltaic projects in Poland. As of the date of the report, Energix has accumulated photovoltaic projects in the initiation stages with a capacity of approx. 6.4 GWp, thereby expanding Energix's activity in the photovoltaic field to the three regions in which it operates in Israel, the United States and Poland. For additional information, see Notes 7 and 8 to the financial statements.

2.2.2.2 Integration of storage technology in photovoltaic facilities

Storage combined with PV refers to the ability to store the electricity generated by the photovoltaic panels on site using a facility based on batteries or any other technology that enables the storage of electrical energy and its release when needed. The intention is to provide storage capacity for the energy produced by the photovoltaic panels in megawatt-hours terms (MWh). These facilities will be able to release the energy to the grid in a controlled manner and at the request of the system administrator or the distributor when this energy is required for the electricity sector. In a combined storage facility, it is possible to significantly increase the ratio of the panels' load to the size of the connection, i.e. to install significantly more panels on the same connection size. In this way, much more energy can be generated from a given site using a relatively small connection size and optimal utilization of network resources.

2.2.2.3 Energix's photovoltaic activity in the United States

2.2.2.4 Strategic collaboration with First Solar - one of the world's leading panel manufacturers

As part of the business model of Energix's operations, Energix is working on strategic collaborations with its main equipment suppliers. In this context, Energix has a strategic collaboration with First Solar, one of the world's leading manufacturers of photovoltaic panels. For additional information, see Note 8(c) to the financial statements.

2.2.3 Energix's photovoltaic activity in Israel

At the end of 2021, the installed power of photovoltaic facilities in Israel was 4.1 GW, a capacity that is expected to increase fourfold by 2030 to approx. 16.3 GW[57]. According to the Electricity Authority's estimates, approx. 38% of the installed capacity required to meet government targets for 2025 and approx. 42% of the potential installed capacity to meet 2030[58] targets are found in ground-mounted photovoltaic facilities and therefore, most of the renewable energy potential in Israel lies in photovoltaic facilities[59].

2.2.3.1 Photovoltaic regulations in Israel:

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

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

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

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

2(1) Photovoltaic electricity-generation systems connected to the distribution network ("high-voltage systems"):

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

2(2) Integration of storage technology in high voltage systems

Starting in 2020, the Electricity Authority announced that competitive procedures for high-voltage photovoltaic installations to be published thereby will be fixed-rate quotas for photovoltaic electricity-generation facilities combined with storage facilities that will enable the storage of electrical energy and its release at a rate of at least the site's connection size, in terms of real capacity measured in megawatts (MW), for 4 hours (for information regarding the integration of storage technology in photovoltaic facilities, see Section 2.2.2.2 above). Accordingly, in 2020, the Electricity Authority published two tenders for determining a tariff for electricity-generation using photovoltaic technology with combined storage capacity

57 Ministry of Energy, Roadmap for a Low-Carbon Energy Economy by 2050, October 2021.

58 According to Government Resolution 465 regarding the promotion of renewable energy in the electricity sector, the target for the generation of electricity from renewable energies will be 30% of the total electricity generation in 2030 and 20% as an intermediate target for 2025.

59 Matan Shahak, Renewable Energy in Israel - Background and Issues for Discussion - Update, Knesset Research and Information Center, December 7, 2021.

("**storage tender**"), in which the amounts of guarantees required to ensure eligibility for the tariff were increased and today each bidder is required to deposit a bid guarantee in the amount of NIS 200 per 1 KW and then replace it with a construction guarantee of NIS 600 per 1 KW. It should also be noted that in the last storage tender published (competitive procedure for high-voltage photovoltaic facilities with combined storage no. 2), there was a change in the tariff period which will be paid from the date of commercial operation of each facility until December 29, 2045. The tender also allows the winners to extend the maximum binding date up to 3 times and a total of another 15 months.

For information regarding quotas for high voltage systems, published by the Electricity Authority, see below. For additional information regarding the storage field, see Section 2.2.3 below.

2(3) Photovoltaic electricity-generation systems connected to the transmission network ("extra-high-voltage systems"):

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

2(4) Dual-use photovoltaic electricity generation systems that will be connected to high voltage and low voltage

In August 2021, in order to maximize the utilization of land resources, the Electricity Authority published a first-of-its-kind procedure for setting a tariff for the establishment of electricity generation facilities using photovoltaic technology in dual-use. In this procedure, the Electricity Authority expanded the options that were valid until then for the use of photovoltaic facilities for dual use, from rooftops and reservoirs to a wide range: landfill, cemetery, interchange, parking lot, parking lot, fences, engineering facility, shading structures, greenhouses, acoustic protection, etc. (hereinafter: "dual areas"). This procedure and similar procedures ended with the allocation of 904 MW. The guaranteed tariff in a win under this regulation has been limited to a period of 15 years, after which the conditions that will be customary in the market will apply. The other conditions of the regulation are essentially similar to those of the high-voltage competitive procedure. It should also be noted that for low-voltage systems (up to 630 KW) the Electricity Authority has applied the rules of consumer tariff regulations, for which there is no need to win a tender or quota.

The Electricity Authority also expanded its definition of dual-use facilities to agro-photovoltaic facilities as well. An agro-photovoltaic facility is a photovoltaic facility for electricity generation, which combines agricultural activity throughout the years of the facility's lifespan and enables high synergy between agriculture and electricity generation. As of the date of approval of the report, a pilot has been published in collaboration with the Ministry of Energy and the Ministry of Agriculture, which is expected to serve as a basis for expanding activities in the field. As of the date of approval of the report, Energix is in the advanced planning stages of agri-voltaic projects initiated with a capacity of dozens of MWs. This decision reflects the desire of the Electricity Authority to expand the use of these facilities, and to allow the construction of a range of facilities of various sizes.

3. **Ad hoc decisions for the construction of designated facilities:** In addition to the regulation of tariffs and the regulation of tenders, from time to time the Electricity Authority decides to support the construction of designated photovoltaic facilities.

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

A. The following are details regarding tenders published in the years 2017-2021 and Energix's share in the capacities published thereunder:

	Project	**Date of Win**	**Energix's Share in Winning Capacity**	**Winning Tariff per 1 KWh**	**Status**
Tenders published in which Energix won in the years 2017-2021	Procedure 1 – high-voltage	21.3.2017	70MW (90MWp)	NIS 0.199	Commercially operating
	Procedure 2 – high-voltage	28.12.2017	MW50.3 (62MWp)	NIS 0.1978	Commercially operating
	Procedure 3 – high-voltage (*)	3.4.2019	MW80 (99MWp)	NIS 0.1818	Established and partially connected
	Procedure 4 – high-voltage	19.11.2019	MW30 (38MWp)	NIS 0.1798	Established and partially connected
	Procedure 1 – extra-high-voltage	30.5.2019	70MW (MWp90)	NIS 0.156	Advanced initiation
	Procedure 2 – high-voltage Combined storage	28.12.2020	MW80 (180-200 MWp)	NIS 0.1745	Advanced initiation
Total			**380.3MW (559-579MWp)**		

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

B. Future tenders and procedures:

Energix has a backlog of projects in development that it intends to establish in additional competitive procedures to be published by the Electricity Authority or in regulations that will be in effect at the relevant time, and Energix intends to compete in various tenders published from time to time.

2.2.4 Energix's photovoltaic activity in the United States

During the reporting period, Energix continued to make consistent progress in advancing and continuing to grow in its U.S. operations as a major growth engine, as it was significantly positively impacted by the accelerated momentum in the renewable energy market. Most of Energix's U.S. operations are focused on the state of Virginia when during the reporting period Energix began to expand to neighboring states, such as Pennsylvania, Kentucky and West Virginia, all of which are in the transmission network managed by PJM [60].

60 The electricity grid administrator of several states in the Eastern United States, including Virginia, Pennsylvania, Kentucky and West Virginia.

Energix estimates that: (i) the commitment to acquire the rights in NCRE (see Note 8(c) to the financial statements) and the significant increase in the backlog of projects initiated in the United States (approx. 4.3 GW) together with regulatory developments for the acceleration of the transition to renewable energy; (ii) the significant increase in electricity prices in the countries in which Energix operates; and (iii) the competitive advantage created for Energix following a significant transaction for the acquisition of panels from the end of 2021, strengthens Energix's accelerated growth potential and improves its competitive positioning in its activity markets in the United States.

General

The photovoltaic field in the United States is based on a sophisticated market for the sale of electricity and the sale of green certificates (RE = Renewable Energy Credits) and in some cases, in some areas of the United States, revenue for availability. In addition, entrepreneurs in the field of photovoltaics are entitled to a federal tax benefit (ITC) in significant amounts, subject to compliance with the conditions for the benefit.

The market for electricity generation from photovoltaic energy is growing significantly, and the forecast for an increase in the installed capacity from photovoltaic facilities by 2025 increased by approx. 41% at the end of December 2021 compared to December last year.

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

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

(1) Sale of electricity to local electric companies – This is done by signing a designated agreement or through a competitive tender[61] published by the local electric company for the purpose of engagement for the purchase of electricity from the project at a fixed long-term price. The electric company that conducts the tender selects from the bidders according to the price and the project quality parameters (location, stage of development, etc.) and the quality of the bidder (experience, financial strength, etc.). This engagement is an actual sale of the electricity produced from the facility to the electric company.

(2) Sale of electricity to consumers / price hedging transactions – This is carried out both by way of a competitive tender (similar to the local electric companies) and as direct transactions. Such transactions are usually for a period of 5-20 years. The sale of electricity can be carried out physically or virtually (as part of an external transaction to hedge the price of electricity from the facility and the sale of the green certificates that will be issued for it, when the actual electricity generated is fed into the electricity grid). The sale of electricity in this framework can be in relation to the total electricity as generated from the facility or in relation to a defined capacity to which the parties are committed (Shape).

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

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

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

Federal tax benefit – Renewable energy entrepreneurs are entitled to an investment tax credit (ITC), so a developer with taxable income in the U.S. can enjoy a tax credit of up to 30% of recognized project costs (calculation of the costs from which the benefit is derived is according to the terms determined in legislation) ("**Tax Benefit**"). Alternatively, the developer may contact a local partner, who has a federal tax liability in the United States ("**Tax Partner**"). The tax partner usually joins at the stage of connecting the facility to the grid and usually provides approx. 40%-45% of the investment cost for the construction of the facility in exchange for most of the tax benefits to which the project is entitled, mainly the ITC, as well as payment of 10%-30% of the project's cash flow over a period that is usually 5-7 years. The developer is responsible for injecting the balance of the investment cost for the construction of the facility (including by way of financing) and is entitled to the balance of tax benefits and the balance of the project's cash flow. Upon the repayment of the tax partner's investment plus an agreed consideration (by way of the tax benefits – ITC and its share of losses for tax purposes and payment of its share of cash flow), the tax partner's share in profits and cash flow decreases to 5%, and on that date the developer has the right to acquire the tax partner's rights in the project at market conditions. In accordance with the legislation in effect as of the date of publication of the report, the tax benefit percentages are being gradually reduced by the regulator from the beginning of 2020, so that in relation to a project whose construction began in 2020 to 2022 (inclusive) the tax benefit rate will be 26% in relation to the project cost, for a project whose construction will start in 2023 – 22%, and for a project whose construction will start from 2024 onwards – 10%. In any case, for a project whose construction is not completed by the end of 2025, the tax benefit rate will be only 10%. It should be clarified that a project whose construction began in 2019 (including by way of purchasing equipment costing at least 5% of the project cost) and connected to the grid by the end of 2025 will be entitled to a full 30% tax benefit.

Compliance with the conditions required for tax benefits in the United States – As stated above, management of the costs of establishing facilities in the United States is based on a set of tax incentives that enables a benefit that reduces the construction cost of projects and is provided at the time of connection to the electricity grid. The benefit received is usually transferred by the developer to a company with a tax liability that pays for the tax benefit against its participation in some of the construction costs. If the company does not meet the conditions required to receive the benefit from the date of receipt of the benefit and in the five years thereafter, Energix may lose some or all of the tax benefits granted to it. In addition, if Energix enters into a transaction to transfer the tax benefit to another company, the loss of tax benefits in a significant amount may result in a breach of contract and an obligation to compensate the partner with the tax liability. Such loss of benefits may impair Energix's cash flow of energy and the return it actually receives.

PJM's grid connection process reform – Due to the structure of the process for performing grid connection surveys in PJM, which is essentially a low entry threshold, a backlog of projects has been created that are in line to perform the connection surveys. As a result, PJM is in the process of approving a reform to change the connection survey process for facilities to the electricity grid, according to which no additional applications will be allowed during 2023 and additional costs will be imposed on facility connection applicants along with proof of project feasibility. Energix estimates that although in the short and medium term some projects may be postponed from 2023 to 2024 and thereafter, in the long term the queue for future projects will be significantly shortened[62].

62 This information is forward-looking information.

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

2.2.5 Wind energy

General

The field of wind energy is the world's leading field for the generation of electricity from renewable energies, with a global cumulative installed capacity of over 800 GW[63].

In recent years, the global wind market has grown at an average annual rate of over 50 GW, and it is estimated that during the reporting period the growth will be 93 GW and in 2022 - 88 GW[64], as a result of technological innovations that have made it possible to reduce electricity generation costs from wind energy, and growth in investments in wind energy around the world, along with extensive government support programs.

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

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

Operation of a large wind turbine and main components

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

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

2.2.2.1 Energix's wind activity in the United States

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

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

The regulation for large wind systems was first published in Resolution 349 of the Electricity Authority dated October 10, 2011 and was updated from time to time. According to the regulation in effect as of the date of the report, the quota for electricity-generation using wind energy is 730 MW, in the form of a commitment by the IEC to purchase electricity at a guaranteed tariff

63 H2 2021 Global Wind Market Outlook _ Full Report _ BloombergNEF.

64 Q2 2021 Global Wind Market Outlook.

for a period of 20 years, linked to the CPI. The tariff will be determined according to a calculation formula based on a designated base tariff, distinguishing between facilities connected to the transmission grid and the distribution grid, and linking it to a number of variables such as exchange rates, an index that reflects global wind turbine costs, foreign currency prices, the CPI and interest rates.

According to the Electricity Authority's publications for 2020, the weighted tariff as of the date of publication until the quota of 300 MW is reached is approx. NIS 0.28 per 1 KWh produced in relation to the facilities connected to the transmission grid (extra-high-voltage) and approx. NIS 0.26 per 1 KWh produced in relation to the facilities connected to the distribution grid. After utilizing the initial quota in the capacity of 300 MW, the weighted tariff is updated so that the weighted tariff in relation to facilities connected to the transmission grid (extra-high-voltage) is approx. NIS 0.26 per 1 KWh produced and in relation to facilities connected to the distribution grid, approx. NIS 0.24 per 1 KWh produced. The final tariff in relation to each facility will be determined in accordance with the data of the various variables that affect the base tariff as of the date of approval of the actual tariff, as applicable.

Regulation of the technological solution

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

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

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

A. Receipt of a conditional license, which requires proof of interest in the land, conducting of a feasibility study by the IEC, proof of equity (at a rate of 20% of the normative cost for the planned project), provision of a bank guarantee and proof of experience in the field.
B. Promotion of a statutory plan and obtaining a building permit for the wind farm.
C. Afterwards, a tariff approval is required, which also includes approval of the deposit of plans / building permit, as well as a binding connection survey from the IEC and the signing of a binding memorandum of understanding for the financing of the project's construction.
D. Upon receipt of the above approvals, financial closure must be reached that includes the signing of a financing agreement and receipt of a building permit, including approval of a statutory plan in the relevant planning and construction institutions.
E. Upon financial closure, the construction process begins and schedules must be complied with for the construction and connection of the facility to the national electricity grid and Authority regulation for receipt of a permanent license.
F. As part of the regulations for medium and large facilities, the Electricity Authority grants a conditional production license, which becomes a permanent production license after all the regulatory milestones are met for the construction of the facility. The production license states several conditions, including the facility's capacity, plan, specifications, required guarantees and the period of the license.

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

Wind farms promoted by Energix in Israel

For information regarding projects in development, and for the ARAN project that Energix is developing in the northern Golan Heights with a capacity of 104 MW, through a dedicated subsidiary ("**ARAN Project**"), see Note 8(b) to the financial statements.

2.2.2.2 Energix's wind energy activity in Poland

The installed capacity of the wind farm in Poland[65] is expected to reach 13.2 GW by 2030 and 21.4 GW by 2050. In recent years, following the publication of legislation in support of renewable energy, including wind energy, the entrepreneurial activity of wind energy in Poland has been renewed even more. For example, in the fourth quarter of 2021 an amendment to the Renewable Energy Sources Law came into effect, which extended the state tenders until the end of 2027.

Wind energy regulations and arrangements in Poland:

In order to meet the 2030 targets, in recent years Poland has adopted two strategic plans: Poland's Energy Policy for 2030 (NECP) and Poland's Energy Policy for 2040 (NEP2040). Alongside these plans, the Polish energy market is regulated through the Polish Energy Law of 1997, and the Polish Renewable Energy Law of 2015 (RES Act) as updated from time to time, and under regulations and directives issued thereunder.

According to the provisions of the law, the regulation that will apply to wind farms is divided into two – one, the "Green Certificate Regulation", based on the sale of the electricity generated by the wind farms and in addition, eligibility for green certificates which applies to all wind farms whose construction was completed by June 30, 2016; and the other, the "Tariff Tender Regulation" which guarantees, subject to winning the tender, a fixed tariff for 15 years, in relation to a certain volume of production, which applies to all wind farms whose construction is subsequently completed. In addition, in the Polish market trading is carried out in non-statutory green certificates (GOOs), which is an additional source of income.

Green Certificate regulation:

The wind farm, which is subject to the green certificate regulation, is entitled to two types of revenue: (1) the sale of electricity produced by the wind farm ("**Revenues from Black Electricity**") and (2) revenue from the sale of "**Green Certificates**", which are granted to electricity producers from renewable energy, including wind farms, in respect of each 1 MWh of electricity generated (hereinafter: "**Revenues from Green Certificates**"). The green certificates constitute an additional revenue component for a period of 15 years from the date of commencement of electricity-generation at the wind farm.
Revenues from the sale of electricity: The electricity produced at the wind farm can be sold to the local electricity marketer (who owns the distribution network at the electricity-generation location) or the electricity produced can be sold at the local electricity exchange or in direct agreements with electric companies that trade and supply electricity in Poland and also to other electricity traders who sell electricity to the end consumers.
Revenues from Green Certificates: The green certificates, which constitute an additional source of revenue to the revenues from the sale of black electricity, are traded on a designated exchange in Poland. The price of Green Certificates is not fixed and changes in accordance with supply and demand.
Non-renewable energy producers are required to purchase green certificates or pay a fine as an alternative to their purchase (hereinafter: "**the fine**"), at an annual rate of all electricity produced by them and published by the regulator.
According to the regulations in effect on the date of approval of the report, the amount of the fine is not fixed but will be calculated each year and will be equal to 125% of the weighted average price of the green certificates in the past year, but not more than PLN 300 per certificate. At the same time, it was clarified that it will not be possible to pay the fine as long as there is an inventory of green certificates in the market.

65 The data refer to wind farms that are not offshore.

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

Tariff tender regulation:

The relevant regulation that supports the construction of electricity-generation facilities from renewable energies, the construction of which was completed after June 30, 2016, is the **tariff tender regulation**. The establishment of a wind farm that is subject to this regulation is conditional on meeting threshold conditions for the eligibility to participate in the arrangement, including a building permit and connection to the grid, and winning the tariff tender procedure (when in the tender, all the participants who applied with the lowest tariffs will win, until the quota is completed).

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

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

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

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

2.2.6 Energy storage

General

Energy storage has been around for a long time, but in recent years the need and use of it has increased significantly around the world and there is a trend of declining prices of storage batteries and the trend is expected to continue over the next decade at least[66].

Energy storage replaces the establishment of additional production and saves space, and the desire to reduce greenhouse gas emissions by transitioning to renewable energies, which are usually not available throughout all hours of the day, reinforces the need for energy storage. The use of storage can solve the problem of surplus generation by absorbing the surplus generation in the afternoon and unloading it in the evening and at night. In addition, the storage means have a fast response capability and they can provide a solution to some of the dynamic problems that make it difficult to maintain grid stability. Battery storage has other advantages such as relatively fast establishment times, the size of the facilities and the ability to integrate them into existing infrastructure and modular construction capability. It is estimated that the global energy storage market is expected to exceed 1 TWh by 2030 with over half of the installations expected to

[66] IRENA – Electricity storage and renewables: Cost and markets to 2030. It should be noted that the recent upward trend is mainly due to excess demand for raw materials, however, it is estimated that this is only a temporary price increase.

be in a storage model that incorporates additional renewable energy in the same project, with an emphasis on solar energy.

Activity

Given that the field of energy storage is expected to be a key layer in the renewable energy market and in view of Energix's strategic intention to continue to play a significant role in the green revolution, in the reporting period, Energix worked to establish its activities in this area while significantly increasing the backlog of its projects in the initiation stage, as well as identifying opportunities in the field of storage in its activity regions.

During the reporting period and as of the date of approval of the report, Energix continues to work to expand and establish the storage system in the three regions in which it operates:

In Israel - as of the date of approval of the report, the potential revenues from electricity storage in projects combining photovoltaic energy are within the framework of tenders with a fixed tariff. The Electricity Authority also issued a hearing prior to the publication of a tender, regarding the regulation of stand alone storage facilities. In addition, as part of Competitive Procedure 2 for the construction of photovoltaic facilities combined with storage capacity, Energix won a capacity of 80 MWac plus an additional 320 MWh of storage capacity. Energix estimates that the establishment of a storage farm will lead to an increase in the supply and the number of areas throughout Israel where large systems can be established, and therefore Energix is concentrating efforts on developing collaborations in the field of storage.

In the United States - Because the renewable energy market in the United States is an open market, there are a number of possible models for income from storage operations in the United States such as availability (Capacity), buying and selling in the electricity market (Arbitrage) and Frequency Regulation. Energix has accumulated 5.5 GWh of projects in initiation, which Energix is developing, while examining a number of possible revenue models.

In Poland - The electricity market in Poland enables several possible models such as availability (Capacity) and buying and selling in the electricity market (Arbitrage). As of the date of the report, Energix is examining a number of possible models and developing a 50 MWh project.

3. Suppliers and Raw Materials for the Area of Activity

During the reporting period and as of the date of approval of the report, the global trend of disruptions in the supply chain and an increase in equipment and shipping costs continues. At the same time, it should be clarified that as of the date of approval of the report, this trend has no significant effect on Energix's activity, given the fact that most of the main equipment required by Energix for 2021-2022 was ordered in advance, and that the equipment suppliers with which the Company operates in all three regions in which it operates are leading companies, such as First Solar and Vestas, with whom the Company has strategic and long-term cooperation.

Raw materials and suppliers – photovoltaic

The photovoltaic systems consist of panels and converters, a steel structure that holds the panels, trackers, cables, connectors, electrical panels and electricity rooms. In addition, Energix has a number of machines used to wash the panels in Israel using water. Energix's system at Neot Hovav also consists of a substation.

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

Product warranty in the field of photovoltaics:

- Photovoltaic panels: Under most of Energix's engagement agreements with the panel suppliers it has previously purchased, Energix is entitled to a 5-year product warranty, a 10-year warranty of at least 90% output and an output warranty of up to an additional 15 years (after the above 10-year period) for an output of at least 80%. According to the different panel series, Energix receives a 2-10 year product warranty in addition to a 25 to 30 year output warranty, which starts with a 98% output warranty in the first year, and decreases at a rate of 0.3%-0.5% per year on a linear basis. In total after 25 or 30 years the output warranty is 85.5% or 83.5% (under laboratory conditions).

- Converters: The converter suppliers provide a warranty of between 2-10 years for the converters, and Energix purchases additional warranty periods from them.
- Trackers purchased by Energix (in the U.S. and Israel) have a warranty period of 10 years for the structures to which the trackers are connected and 5 years for the electrical and control systems.

Raw materials and suppliers - wind energy

The wind farm that Energix is establishing consists mainly of wind turbines, which are supplied and assembled on site by the turbine manufacturer that supplies all the turbine parts: anchor bolts, steel columns, gearbox, a generator for electricity generation and three carbon-fiber-reinforced glass blades. The rest of the work on the wind farm is carried out by BOP contractors: access roads for the transport of the turbine parts, work surfaces for cranes that lift the turbine, a concrete foundation base for the turbine, an electric collection grid for electricity transmission, earthwork to restore the condition to its original state, electricity rooms for the electrical connection between the turbines and for counting the generation. In view of the quality of the BOP work and the fact that among the major turbine manufacturers in the world are companies such as Siemens - Gamesa (Germany/Spain), GE (U.S.), Vestas (Denmark), Nordex (Germany) and Enercon (Germany) and they have similar technical capabilities. Therefore, Energix estimates that it will not be dependent on one supplier or another.
Product warranty – As part of the engagements with the turbine manufacturer in relation to all of Energix's wind farms in Poland and in Israel in commercial operation and in development (as of the date of approval of the report), the turbine manufacturer undertook to provide operation and maintenance services for 20-25 years, under which the turbine manufacturer is responsible for proper operation of the turbines and replacement of defective components at his expense and to a minimum level of availability (which he must meet or be charged a fine).

Raw materials and suppliers – storage

A battery storage system includes batteries, a converter, management systems and a transformer. Generally, the system components can be purchased directly from the manufacturers or through an integrator that provides a comprehensive solution according to Energix's requirements. Usually, the warranty given on the system components and battery performance can be extended for a period of up to 20 years.

4. Segmentation of Revenues and Product Profitability

	For the Year ended December 31			
	2021		2020	
	NIS thousands	%	NIS thousands	%
Israel (*)	111,781	41.9%	108,193	41.2%
Poland	128,758	48.3%	148,221	56.3%
United States	26,087	9.8%	6,655	2.5%
Total	**266,626**	**100%**	**263,069**	**100%**

5. Marketing and Distribution

Israel - As of the date of approval of the report, Energix's photovoltaics and storage activities in Israel do not require marketing and distribution to electricity consumers, as Energix's only customer is the essential service provider, which is required by local regulations to enter into long-term agreements with Energix. Nevertheless, with the entry of Energix into the private supplier field, the possibility of collaborations and investment in marketing and distribution to private consumers is being considered.

Poland - Regarding Energix's wind energy activity in Poland, Energix does not need marketing or distribution as in the reporting period and as of the date of approval of the report, Energix sells the electricity generated at the wind farm in commercial operation to a local electricity trader. Also, with regard to the sale of green certificates assigned to the Company's wind farms in Poland, these are sold as in trading on the stock exchange or alternatively, in off-exchange transactions (including in future transactions). For the relevant project company's engagement for the sale of electricity generated at the Company's wind farms in Poland and for the sale of the green certificates granted to them, see Note 7(e) to the financial statements.

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

6. Competition

As of the reporting date, many companies in Israel and other markets where Energix operates in the renewable energy sector in general and in photovoltaics and wind energy in particular.
As a rule, according to Energix's estimates, the renewable energy sector is competitive, and as the activity of developers in the renewable energy sector in Israel and Poland is an activity dependent on quotas published by the Electricity Authority or a local regulator or tariff tenders, a restriction may apply to Energix's ability to implement the projects it promotes, to the extent that quotas published by the regulator are used in full by the competition or if Energix dos not win tariff tenders. Energix estimates that as of the date of the report, 5-10 relevant competitors are operating in the market for photovoltaic facilities at high voltage and extra-high voltage in Israel. In relation to the photovoltaic facilities at extra-high voltage connected to the transmission grid, there are fewer competitors due to the high barriers to entry and Energix estimates that it has about five main competitors. Regarding the facilities at high and extra-high voltage, there is a trend of increasing the market share of players with significant equity.
The U.S. photovoltaic market is a market divided into 50 different markets (depending on the state), saturated with manufacturers and consumers, and therefore there is competition regarding long-term agreements for the sale and purchase of electricity. For the reporting period and as of the date of approval of the report, Energix estimates that its share in the photovoltaic field in the United States is not significant.

The integration of storage technology in PV facilities increases the level of complexity of the project and entry barriers into the field, however, in view of Energix's extensive experience, as well as its specialization in complex projects of various types, Energix has a comparative advantage in initiating and establishing complex projects.
In relation to wind energy, there is less competition due to the need for significant investments in the projects' development stages and due to the high barriers to their construction. To the best of Energix's knowledge, there are currently a number of companies operating in the Israeli wind market that compete directly with the Company or that have the ability to compete with Energix in Israel.
In the wind market in Poland there are dozens of local and international players competing directly with Energix.
In the reporting period and as of the date of approval of the report, Energix estimates that its share of the wind energy market in Israel and Poland is not significant.

7. Seasonality

Naturally, solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in the spring and summer months, when solar radiation levels are high, the photo-voltaic systems' output increases. In the autumn and winter months, when solar radiation levels are relatively low, the systems' output declines. In the field of wind energy, electricity generation is subject to changes in the wind regime in the different seasons, according to the specific region in which the turbines are located and to the variation in wind regimes from year to year. Based on wind measurements made in the area of Energix's wind farms in Poland, the forecast is that the fall and winter months (fourth and first quarters), which are characterized by strong winds, will be the months in which the wind farm's output increases. It should be clarified that the weather conditions that will actually exist in a certain period may have a significant impact on the ability of Energix's facilities to generate electricity, whether in the photo-voltaic sector and whether in the wind energy sector. In addition, the seasons may have an effect on electricity prices in countries where electricity prices are determined by supply and demand. To the extent that Energix has exposure to electricity prices in these countries, such as Poland, changes in electricity prices may affect the amount of its revenues.

8. Human capital

As of the date of approval of the report, Energix employs, directly or indirectly, 140 employees, of whom 20 are employed by a Polish subsidiary and 44 by an American subsidiary. All Energix employees are employed on personal employment contracts. For the most part, Energix's liabilities for severance pay are covered by the contributions in executive insurance policies and by a reserve for severance pay. Energix does not have a significant dependence on a particular employee.

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

Energix has capital remuneration plans for employees that include: (1) performance-based remuneration (2) capital remuneration for employees, officers and directors, and (3) remuneration policies for officers.

9. Financing

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

F. Information regarding the Corporation as a Whole

1. Competition

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

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

A. A leading professional team with extensive experience in the field in each country in which the Company operates.
B. Financial strength that enables favorable financing conditions and investments of equity.
C. Geographic distribution of investments.
D. Solutions to the regulatory and economic aspects of each investment.
E. Locating business opportunities in Israel and abroad.
F. Building a diverse investment portfolio with a different component of risk against return.
G. Combinations with local entities in different countries and collaborations for the construction of real estate and renewable energy ventures.
H. In activities for the initiation and development of land and renewable energy projects, the critical success factors are mainly: the cost of construction and development inputs, the duration of construction, the strength of construction contractors, adherence to requirements related to planning and construction and to the environment, and locating tenants for properties.

Main entry and exit barriers in the areas of activity:

Entry barriers:

- The need for financial strength and access to financing sources.
- Knowledge and experience in income-generating property and in finance.
- Access to business opportunities in the field.
- Familiarity with leading local elements in the various markets involved in entrepreneurship.

Exit barriers:

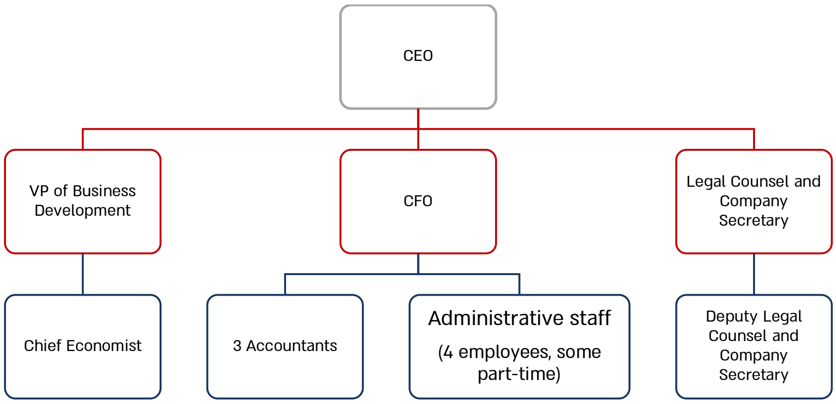
- The exit from the area of activity is not flexible and the realization of the investments can take a long time.
- Early disposal of financing facilities for the purchase of assets may impose heavy withdrawal penalties.
- Financial covenants of subsidiaries in respect of loans and bonds regarding the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

2. Fixed assets

The Group's fixed assets consist mainly of the area of the Company's offices, the area of Amot's offices and Energix's offices. The depreciated cost of the fixed assets as of December 31, 2021 is NIS 114 million (as of December 31, 2020 – NIS 94 million). For Energix's electricity-generating facilities, see Chapter E above.

3. Human capital

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



3.1 General

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

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

The Group has a director training procedure in which the Company encourages its directors to participate in workshops, conferences and seminars at the Company's expense.

3.2 Remuneration Plans for Company Officers and Employees

In February 2018, the Company's Board of Directors approved a multi-year capital-based remuneration plan, replacing a previous plan from August 2014. In October 2021, the plan from February 2018 was amended (hereinafter: the "**Capital Remuneration Plan**").

According to the capital remuneration plan, each year close to the publication of the annual report, employees and officers will be allocated non-tradable option warrants at an economic value to be determined. The annual portion allocated will have a vesting period of two years and will be exercisable until the end of the period to be decided by the Board of Directors.

The capital remuneration plan is compatible with the Company's remuneration policy for the years 2019-2021, as approved by the General Meeting in October 2018 and the Company's remuneration policy for the years 2022-2024, as approved by the General Meeting in October 2021.

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

3.3 Officers and Senior Management

For information regarding the remuneration of officers and senior management employees, see Section 2.8 of the Board of Directors' Report, Note 18 to the financial statements and Regulation 21 in the Additional Information on the Corporation chapter.

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

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

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

4. Working capital

For information regarding the Group's balance of cash and unutilized credit facilities, see Section 2.4.1 of the Board of Directors' Report.

5. Financing

5.1 General

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

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

The following are details of the Group's loans and bonds as of December 31, 2021 as presented in the Consolidated Financial Statements:

	Balance as of December 31, 2021	Weighted Nominal Interest Rate as of December 31, 2021	Weighted Effective Interest Rate as of December 31, 2021
	NIS millions	%	%
Banking sources			
NIS Loans – CPI-linked with fixed interest	500	0.60	0.60
USD loans – variable interest	1	1.71	1.71
GBP loans – variable interest	1,529	2.30	2.96
GBP loans – fixed interest (*)	468	3.16	3.95
PLN loans – variable interest	259	5.11	5.11
	2,757	**2.40**	**2.90**
Non-banking sources			
CPI-linked fixed-interest NIS bonds (**)	7,502	2.26	1.70
NIS bonds – variable interest	1,315	2.34	2.10
NIS bonds – fixed interest	2,961	2.49	2.51
USD bonds – fixed interest (***)	482	4.25	3.35
PLN bonds – fixed interest (***)	229	4.11	4.11
NIS loans – CPI-linked	856	2.64	2.76
	13,345	**2.44**	**2.09**
Total	**16,102**	**2.44**	**2.23**
Adjustments (mainly premium and/or discounting of bonds)	**(206)**		
Financial debt	**15,896**		

(*) Including variable-interest loans in connection with swap transactions made for conversion into fixed-interest loans

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

(***) NIS fixed-interest bonds in connection with cross currency swap transactions

Variable Interest Credit Details

Currency in which credit was granted	Balance as of December 31, 2021	Interest	As of December 31, 2021
	NIS millions	%	%
NIS	1,315	Bank of Israel + 2.24%	2.34
GBP	1,529	Sonia + 1.45%-3% (*)	2.30
PLN	259	Wibor 6M + 2.27% (**)	5.11
USD	1	Libor + 1.5%	1.71
Total	**3,104**		

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

(**) The Group performed cap hedging for the Wibor interest rate in the majority of the loans.

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

	31.12.2021	31.12.2020
	NIS thousands	NIS thousands
Consolidated Statement		
Financial debt (bank credit and bonds)	15,895,765	13,394,403
Net financial debt	14,732,476	11,179,623
Net financial debt to total balance sheet	47.84%	46.0%
Expanded Solo Statement		
Financial debt (bank credit and bonds)	3,916,548	3,680,979
Net financial debt	3,649,557	3,078,047
Net financial debt to total balance sheet	30.3%	30.2%

The following is information regarding the Group's liabilities payable after December 31, 2021:

	Consolidated Statement	%	Expanded Solo	%
Current maturities – 2022	1,162,066	7%	477,850	12%
Second year – 2023	1,703,449	11%	471,532	12%
Third year – 2024	2,016,794	13%	521,836	13%
Fourth year – 2025	1,538,074	10%	522,320	13%
Fifth Year Onward	9,691,519	59%	2,042,353	50%
Total without discounting in respect of bonds and others, net	**16,111,903**	100%	**4,035,891**	100%
Adjustments to financial debt (mainly the premium balance and financial derivatives)	**(216,138)**		**(119,343)**	
Total financial debt	15,895,765		3,916,548	

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

For the terms of material loans the Group has received from banking corporations and others, their repayment dates and their balances as of December 31, 2021, see Note 12 to the financial statements and Section 5.2 below.

For additional information regarding the Group's credit facilities and their terms as of December 31, 2021, see Note 12 to the financial statements.

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

Regarding the balance of unencumbered assets of the Group and the Company (expanded solo), see Section 2.4.2 of the Board of Directors' Report.

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

For information regarding financing in Carr (a jointly-controlled company), see Note 6g(3)(5) to the financial statements.

5.2 Reportable substantial credit[67]

5.2.1 Concise information regarding substantial credit agreements[68]

Borrower Corporation	Lender	Currency	Balance of Bond Principal as of December 31, 2021[69]	Principal Payment Schedule	Final Settlement Date	Annual Interest Rate	Contractual Terms	Note in the Financial Statements
			In millions			%		
Amot	Bonds (Series D)	NIS	1,686	20% of the principal is repaid in 7/2023, 20% in 7/2024, and four payments of 15% each in July of each of the years 2025-2028.	7/2028	CPI-linked + 3.2%	See Section 5.2.3 below	See Note 11h to the Financial Statements.
Amot	Bonds (Series F)	NIS	2,087	10% of the principal is repaid in 10/2025, 10% of the principal is repaid in 10/2026, 30% of the principal is repaid in 10/2027, 30% of the principal is repaid in 10/2028 and 20% of the principal is repaid in 10/2029.	10/2029	CPI-linked + 1.14%	See Section 5.2.3 below	See Note 11j to the Financial Statements.

67 The aforesaid disclosure is in respect of credit taken by the Company, the balance of which in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the Company's total credit. In addition, the aforesaid disclosure is in respect of credit taken by a subsidiary of the Company, the balance of which in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the total credit of the subsidiaries (Amot, Energix and BE).

68 Regarding liens and collateral given to guarantee the loans and bonds described in the table, see Note 13 to the financial statements.

69 The bond balances represent a liability value without premiums or discounts as of December 31, 2021 after expanding the bond series and redemptions, if relevant.

5.2.2 Financial covenants for the Company bonds – expanded solo[70]

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

Financial Ratio		Criterion	Value as of December 31,
Net financial debt to value of holdings[71]	%	Less than 80	30.86%
Net financial debt to FFO[72]	Unit	Less than 25	7.78
Minimum equity (Series H, I, J, K and L)[73]	NIS billion	More than 2.1	7.6

In addition, the bonds include additional generally accepted conditions for their immediate redemption including as regards the following events: (1) changes in structure and mergers; (2) liquidation, bankruptcy and asset realization and forfeiture proceedings; (3) change in control resulting in a reduction in rating to below A-[74]; (4) discontinuation of trade; (5) cross default; (6) realization of the majority of the Company's assets; (7) reduction of the Company's rating to below BBB- as defined in the deed of trust and/or cession of rating due to circumstances under the Company's control, and so on. For additional information, see Note 11(b-f) to the financial statements.

5.2.3 Financial covenants in connection with Amot's bonds

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

Financial Ratio		Criterion	Value as of
Change in control		The Company holds control in	Exists
Net financial debt to annual	Unit	Less than 14	6.3
Equity to total balance sheet[76]	%	More than 22.5	53
Value of Amot's unencumbered assets	NIS billion	More than 1	16.5
And			
Value of Amot's unencumbered assets	%	More than 1.25	Exists
Minimum equity	NIS billions	More than 2.2	7.6

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

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

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

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

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

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

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

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

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

- Regarding the signing of a credit facility agreement with the Bank of Israel in January 2022 in the amount of NIS 150 million, see Note 12b(1) to the financial statements.
- Regarding the expansion of bonds (Series I), bonds (Series J) and bonds (Series L) in January 2022 for a total gross consideration of approx. NIS 780 million, see Notes 11(c), 11(d) and 11(f) to the financial statements.

5.2.5 Credit rating

The total repayment capacity if the Company (issuer) and the Company's bonds are rated by Midroog Ltd.[77] (hereinafter: "**Midroog**") at an Aa3 credit rating with a stable outlook and by Maalot Israel Rating Company Ltd.[78] (hereinafter: "**Maalot**") at a rating of ILAA with a stable outlook.

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

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

Factors that may impair the rating

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

Bonds of Investees

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

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

77 Bond Series H, I, J and L.
78 Bond Series H, I, J, K and L.

5.2.6 Derivative transactions in foreign currency

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

Energix is exposed to changes in the value of its investment and in its results in respect of its operations in Poland and the United States due to changes in the exchange rate of the Polish PLN and the USD (respectively) against the NIS. Energix has adopted a hedging policy whereby it will work to hedge its net investment in projects in Poland and in the United States so that the exposure of capital to a single currency does not exceed 20%.

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

6. Taxation

6.1 Summary of tax laws applying to the Corporation

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

In the years 2019-2021, the corporate tax rate and the capital gains rate in Israel amounted to 23%.

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

6.2 Tax laws applying to the Group's overseas activities

6.2.1 Taxation of the investment in Carr –

Carr chose to be defined as an REIT for tax purposes in accordance with Sections 856 through 860 of the U.S. Income Tax Code of 1986, and its amendments ("the Law"). As a result, it is required to distribute at least 90% of its taxable income to its shareholders. Therefore, the federal tax liability in respect of the taxable income is transferred to its shareholders[79].

The Company records tax reserves in its books (according to its share in Carr) in respect of real estate revaluations carried out by Carr.

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

AH Carr is a transparent partnership for tax purposes in the United States, and therefore AH Carr's revenues from Carr are attributed to the AH Carr partners according to the relative share of each partner (approx. 85% - the Company (hereinafter: "the Israeli Partner") and 15% - an American entity fully owned by the Company (hereinafter: "the Foreign Partner")).

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

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

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

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

The Israeli partner's share in AH Carr's revenues from the sale of Carr's shares (directly and/or indirectly), which according to U.S. law are classified as capital gains, are not liable for capital gains tax in the U.S.[80] In accordance with Israeli internal law, the Company will be liable for tax in Israel in respect of the profits at the corporate tax rate.

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

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

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

6.2.2 Taxation of the investment in BE

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

Starting March 2020, BE chose to be defined as an REIT for tax purposes in the UK. As a result, BE is required to distribute at least 90% of its taxable income from current activity to its shareholders for tax purposes. Therefore, the tax liability for the distributed current taxable income is transferred to its shareholders[81]. The withholding tax deduction for this distribution is 15%.

In accordance with the REIT principles in the UK, BE is not required to distribute a dividend stemming from capital gains from the sale of real estate assets, and therefore, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds approx. 97.3% of the rights in BE and therefore controls the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends stemming from capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

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

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

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

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

6.2.3 Taxation of the investment in Boston

The Company holds, through fully-owned Israeli companies (hereinafter: "**the Israeli Companies**"), three fully-owned partnerships incorporated in the United States (hereinafter: "**the American Partnerships**"), each of which holds a REIT with a real estate property in Boston (hereinafter: "**the REIT**"). The Company records tax reserves in its books (according to its share in the Boston properties) in respect of real estate revaluations of the properties recorded in the books.

Since the Israeli companies are not classified as U.S. residents, the dividend revenues paid to them by the American Partnerships (and which originate in dividends distributed to the American Partnerships by the REIT from activity that is not capital gains) – a 30% withholding tax deduction will apply[82].

According to internal Israeli law, the Israeli companies will be liable for tax in Israel in respect of the dividends at the corporate tax rate, while receiving a credit for the tax they paid in the United States. As long as the Israeli corporate tax rate is lower than the withholding tax deduction in the United States, the Israeli companies will not have to complete the payment of taxes in Israel.

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

According to the Company's position, receipts classified by U.S. tax laws as return of capital will be debited by the Company when selling REIT shares. Undistributed retained earnings of consolidated companies overseas

6.3 Tax laws regarding renewable energy

<u>Energix's activity in Israel</u>

According to the Income Tax Regulations (Depreciation), 1941, a 7% depreciation rate was determined for electricity-generating facilities using solar energy, making use of photovoltaic technology. At the same time, Energix received approval from the Tax Authority according to which, subject to certain conditions, Energix and its subsidiary companies and partnerships in Israel are defined as an industrial plant, according to the Encouragement of Industry Law (Taxes), 1969. Accordingly, Energix and its subsidiaries and partnerships in Israel depreciate their photovoltaic systems according to accelerated depreciation rates applicable to industrial plants.

<u>Energix's activity in Poland</u>

A tax rate of 19% applies to Energix's activity in Poland. Interest that will be received by Energix from Poland will be subject to withholding tax in Poland at a rate of 5% (subject to certain conditions).

<u>Energix's activity in the United States</u>

The federal tax liability in the United States is 21% and the state tax rate is 5% (in the states in which Energix operates). Dividends received by Energix from the U.S. will be subject to withholding tax at a rate of 12.5%, subject to certain conditions and a rate of 17.5% on interest payments.

Energix is entitled, under provisions of the U.S. tax law, to a tax benefit in respect of photovoltaic projects it is building and operating in the United States in the form of an investment tax credit (ITC).
As for projects whose construction began in 2019 and which will be completed by the end of 2025, the tax credit is at a rate of 30% of the construction costs (recognized for the purpose of receiving the benefit).

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

In the case of photovoltaic systems whose construction began after the end of 2019, the tax benefit percentages will be gradually reduced from the beginning of 2020, as follows:
Projects whose construction began between the years 2020-2022 and which will be completed by the end of 2025 - 26%
Projects whose construction began in 2023 and which will be completed by the end of 2025 - 22%
Projects whose construction began after the end of 2023 or projects whose construction began earlier but were completed after the end of 2025 - 10%.

In addition, regarding the rate of depreciation of electricity generation systems using photovoltaic technology, for U.S. tax purposes, Energix is entitled, according to its choice, to depreciation over 12 years or to accelerated depreciation over one year (Bonus Depreciation) or over 5 years, with respect to most of the system costs.

Real estate taxation

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

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

See Note 20j to the financial statements.

6.5 Accumulated losses for tax purposes

See Note 20g to the financial statements. to the financial statements.

7. Environmental Risks and their Management

7.1 Amot – Environmental Risks and their Management

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

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

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

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

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

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

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

7.2 Carr – Environmental Risks and their Management

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

7.3 BE – Environmental Risks and their Management

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

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

7.4 Energix – Environmental Risks and their Management

As of the reporting date and the date of approval of the report and subject to that stated below, the Company knows of no environmental risks that have or are expected to have a significant impact on Energix, or on legal provisions in the field of environmental risks that have significant implications for Energix and its activity. During the period of commercial operation, Energix is required to monitor and track environmental impacts in the vicinity of its projects, and to take corrective action in the event of any negative impact on the environment. In addition, in various countries, Energix is required to submit annual reports with an analysis of environmental impacts.

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

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

Photovoltaic field

Environmental aspects related to Energix's activity in the photovoltaic field may be related to the wear and tear of the components of the photovoltaic systems at the end of their activity. In this regard, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, imposed various obligations on the owners of electronic equipment and batteries, including the disposal and treatment of electronic waste. As of the date of approval of these statements, the law does not have a significant effect on Energix's operations as it currently stands, and it is not aware of any proceedings taken against it under this law, however it may have an effect in the future as long as the systems and their parts are considered "electronic waste". Furthermore, as part of statutory promotion for the construction of facilities, environmental considerations and the impact of the facilities on the environment are considered, including in terms of land use and impact on the landscape. Panel recycling: Without derogating from the above, as part of Energix's system of agreements with First Solar for the purchase of the panels, First Solar will provide Energix with panel recycling services as part of the panel turnover system it operates.

Energix's project at Neot Hovav may have additional aspects as the system in Neot Hovav was built in areas of rehabilitated pools on land that was previously contaminated and underwent a restoration process that was approved and monitored by the Ministry of the Environment. In this regard it should be noted that as part of the agreements between Energix and the Neot Hovav Council, the Council confirmed that Energix would bear no liability regarding the system area rented from the Council, except as a result of Energix violating its commitments regarding the land.

Regarding Energix's activities in the United States, the projects that will be established in this framework are subject to environmental laws at the local and state levels, most of which are usually managed by the Department of Environment Quality in the relevant state. As a condition for obtaining the necessary permits for the construction of the projects, the conducting of environmental surveys and various tests are required, including: archeological, biological, historical and environmental surveys, as well as testing for the effects of each project on the environment and complying with environmental directives that apply to each project site.

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

Wind energy

In all matters regarding wind energy, by the very nature and scale of the wind energy electricity-generation facilities, environmental aspects have an impact on this area of activity. As a result, the Ministry of Environmental Protection and/or environmental organizations in Israel and in Poland are actively and closely involved in the development and planning process of wind farms, and supervision of their construction and operation. In every project promoted by Energix, an in-depth examination is made to test the project's impact on aspects regarding the environment and sustainability. The land selection is made in advance on polygons tested and approved in advance as area that minimize and balance in the best possible manner between the quality of wind in the project and minimal environmental harm.

Energix examines and invests great resources in monitoring and conducting bird and bat surveys, noise measurements, examination of the project's impact on the landscape and the optimal design of the turbine deployment, minimizing flickering and compliance with Ministry of Health recommendations. In addition, Energix is required to perform various monitoring operations for its wind turbines, depending on varying requirements in relation to each country aimed at protecting birds, etc.

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

It should be noted that there are opponents to the establishment of wind farms, including for environmental reasons, including environmental organizations that may constitute a barrier in the future to the field of wind energy. For details, see Note 7 to the financial statements.

7.5 General – Environmental Risks and their Management

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

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

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

8. Restrictions and supervision of the Company's activity

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

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

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

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

Since the Company and the real corporations it holds are significant real corporations, as the term is defined in the law, the Centralization Law imposes restrictions on the amount of investment therein by certain significant financial entities.

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

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

9. Significant agreements

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

- Regarding the shareholders' agreement between the Company and JPM and Clal Insurance in connection with the investment in Carr, see Note 6g to the financial statements.
- Regarding the Company's management agreement with Mr. Natan Hetz, the Company CEO, director and who was, until November 26, 2019, one of the controlling shareholders in the Company, see Note 18a to the financial statements.
- Regarding the shareholders' agreement between the Company and Menora and the BE Managers in connection with the investment in BE, see Note 6d to the financial statements.
- For agreements regarding the indemnification of the Company's officers, in relation to their activities in the Company, in subsidiaries and in companies in which the Company has holdings, see Note 18c to the financial statements. (2) For indemnification arrangements for officers in Amot, Energix, BE and Carr, see Note 18c to the financial statements.

10. Legal proceedings

See Note 15a and 15b to the financial statements.

11. Goals and Business Strategies

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

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

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

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

- Carr's continued growth in Austin and Boston with an emphasis on entrepreneurship, with the realization of additional properties in Washington that are not consistent with Carr's strategy;
- Focus of Amot's business in the office sector in the center of the Israel and investments in logistic centers;
- Expansion of Brockton Everlast's London office operations (with an emphasis on entrepreneurship) as well as investments in the Life Science and Innovation Technology sectors, including offices and research laboratories in Cambridge and Oxford (with an emphasis on the promotion of city building plans).
- Implementation of Energix's new strategic plan for further expansion of operations, with an emphasis on building its operations in the United States in photovoltaic projects.
- Continuous strategic dialogue between all the Group companies engaged in income-generating property in relation to trends affecting the demand for offices, with reference to the following key factors: the future of the labor and office markets, construction and operation of green buildings and examination of the issue of information systems technology for the management of income-generating properties (PropTech).
- Sustainability, society and the environment – The Group companies plan to engage in forming a uniform concept related to the issue of ESG (environment, social responsibility and corporate governance).

Naturally, there is no certainty that the Group companies will be able to achieve their goals in 2022, since the realization of the goals depends on many factors that are not under their control.

12. Projected Developments in the Coming Year

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

13. Financial Information regarding Geographic Regions

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

14. Discussion of Risk Factors

See Section 4 of the Board of Directors' Report.

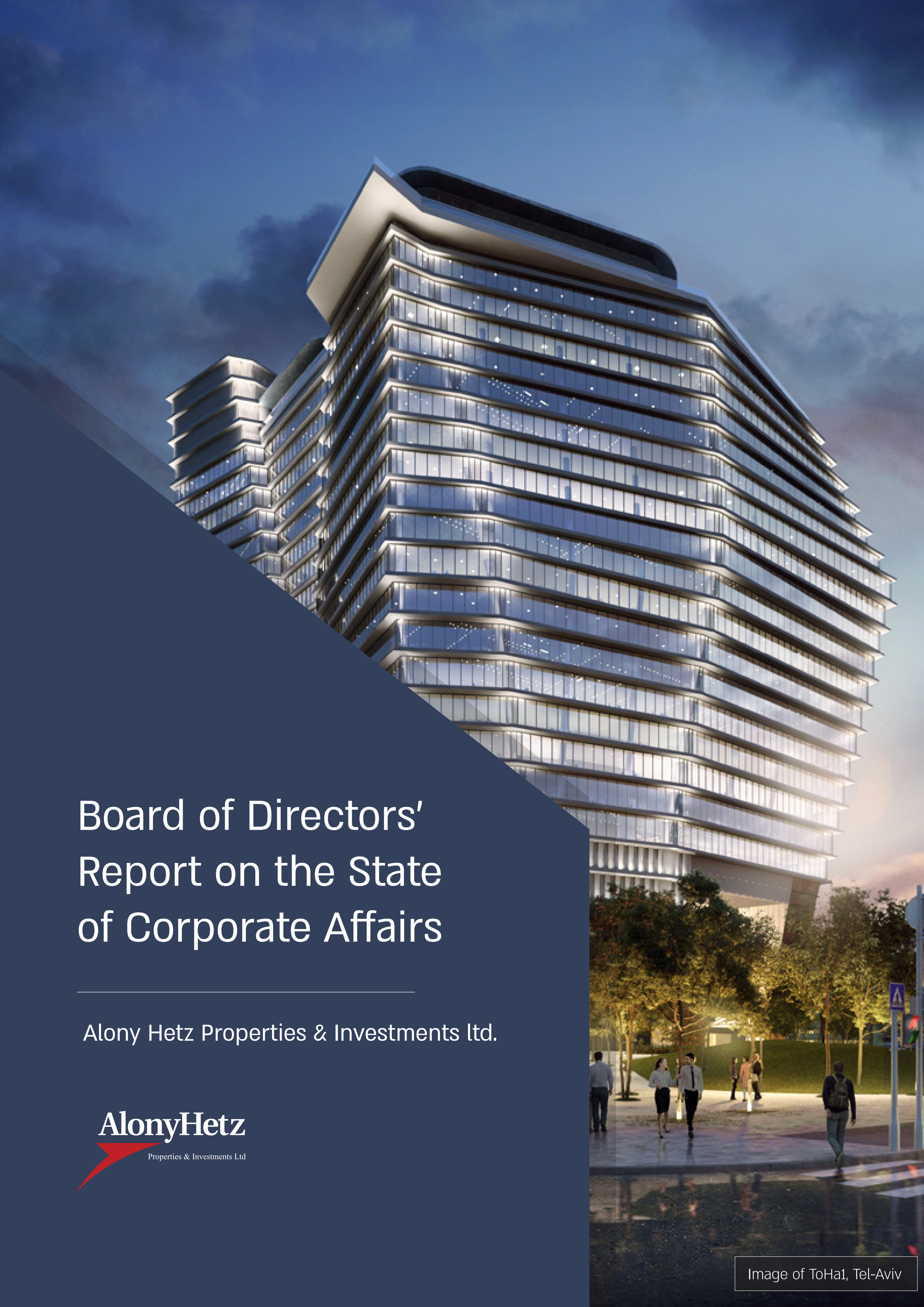
March 22, 2022

<u>Names and positions of signatories</u>:

Aviram Wertheim, Chairman of the Board of Directors

NATHAN HETZ, CEO

Alony-Hetz Properties and Investments Ltd.



Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

Image of ToHa1, Tel-Aviv

Contents

Ramat Gan, March 22, 2022

Board of Directors' Report on the State of Corporate Affairs for the Year ended December 31, 2021

The Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") is pleased to submit the Company's Board of Directors' Report for the year ended December 31, 2021 (hereinafter: "**the Reporting Period**").

1. Concise description of the Group

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

1. **Main area of activity** – long-term investments in income-generating property companies in Israel and in western countries. As of the publication date of this report, the Group operates mainly in the following markets: Israel, the United States, and the United Kingdom.
2. **Additional area of activity** – investment in renewable energies. The Group has income-generating investments in the fields of photovoltaic energy and wind energy, as well as in the development and initiation of electric power producing facilities in Israel, Poland and in the United States.

1.1 The Group's main investments in income-generating property as of December 31, 2021:

Activity in Israel

Holdings at a rate of 55.52% 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 at a rate of 44.19% in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control. An income-generating property company, all of whose properties are located in the United States in the Washington D.C. area, Boston and Austin. For additional information, see Section 2.3.6 below.
- Holdings at a rate of 55% of the equity rights and 50% of the control in three property companies in the Boston metropolitan area. Two of the properties are in the Boston CBD and one is in East Cambridge – for further details, see Section 2.3.8 below.

Activity in the UK

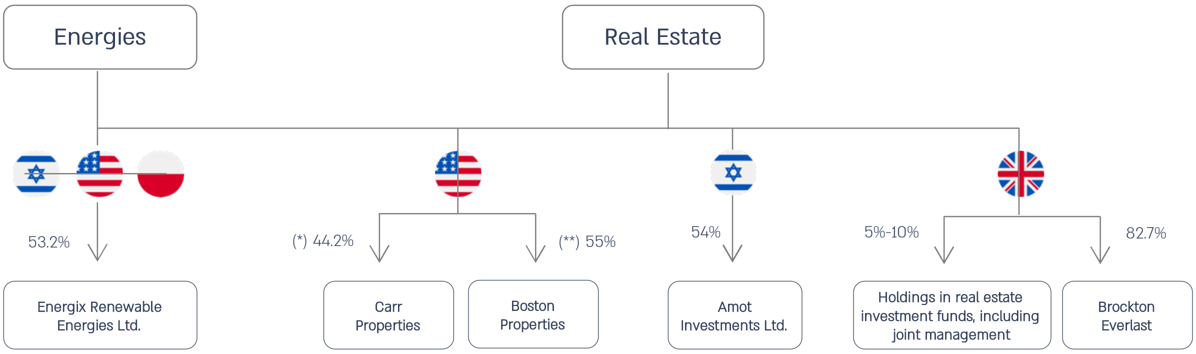
- Holdings at a rate of 97.26% in Brockton Everlast Inc. Limited (hereinafter: "**BE**")[1], a private company that operates in the income-generating property field in the London, Cambridge and Oxford metropolitan areas in the UK. For additional information, see Section 2.3.7 below.
- Holdings in two British real estate funds from the Brockton Group: 5% in Brockton Capital Fund II LP and 10% in Brockton Capital Fund III LP. For additional information, see Note 5 to the financial statements.

1.2 The Group's investments in the renewable energy field as of December 31, 2021:

Holdings at a rate of 53.33% in Energix - Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange Ltd. Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. For additional information, see Section 2.3.9 below.

[1] The rate of holdings in BE close to the date of publication of the report is 82.7% – see Section 2.3.7 below.

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



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

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

1.4 Stock Market Indices

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

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

From the beginning of 2021 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 2 billion in development and construction projects[2].

Alony-Hetz (the Company expanded solo)	• Investment in investee companies in the amount of approx. NIS 1.3 billion from the beginning of 2021 until the date of publication of the report. • Sale of the remaining PSP shares (531 thousand shares) for the amount of NIS 61 million (NIS 216 million). • Extension and expansion of the Company's credit lines to the amount of NIS 650 million, which, as of the date of publication of this report, are not utilized. • Issuance of bonds by way of an expansion of an existing series for a gross total consideration of NIS 655 million and an issue, subsequent to the balance sheet date, by way of an expansion of an existing series, for a gross total consideration of NIS 781 million.
Amot Investments	• Acquisition of the full rights in the complex known as the "Tzrifin Logistic Park", with 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, private open space and public open space, on which 18 logistics buildings are built with a total built-up area of approx. 113 thousand sq.m.), for a total consideration of NIS 1,518 million (not including transaction costs). • Acquisition of rights for the establishment of the ToHa2 project in Tel Aviv (together with its partner - Gav-Yam Land Ltd.) and 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 addition, Amot's Board of Directors decided on 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. The total construction cost of the project is expected to amount to approx. NIS 3 billion (Amot's share - NIS 1.5 billion). • Capital raising in the amount of NIS 1 billion and an issue of option warrants (Series 11) for a future consideration, assuming full exercise, of NIS 194 million, of which the Company has invested a total of NIS 288 million. • Debt raising in the reporting period in the total amount of approx. NIS 1.3 billion, through an IPO and subsequent expansion of bonds (Series H) that bear an effective CPI-linked interest rate of approx. 1% and have a 9-year average duration. • 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 annual interest at a rate of 0.6%.
Carr Properties	• Expansion of activity in Austin, Texas: 1. 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 the introduction of a partner to the company holding the property at a rate of 49%. 2. Signing of a 99-year lease agreement for land with an area of 4 dunams in the CBD of Austin, Texas (Block 16) in February 2022 for the purpose of developing and building an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 510-520 million. Carr intends to add a partner at a rate of 49% to the project. • Completion of the sale of 49% of the Midtown Center complex in Washington D.C. 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. • Signing of a memorandum of understanding for the lease of the remaining unleased office space (40%) planned in the One Congress tower to a single tenant. As the memorandum of understanding matures into a binding agreement, the One Congress building will be fully leased (Carr's share in the project - 75%).

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

- Renewed signing of credit facility agreements with a bank consortium in the amount of USD 800 million (replacing the existing facility of USD 650 million) at Libor interest plus an annual margin of 1.5%-1.6%, in effect until 2025-2026.

Brockton Everlast

- Purchase of land reserves for development with a total area of approx. 100 dunams in the Cambridge Science Park, in consideration for GBP 238 million (approx. NIS 1.1 billion) (not including transaction costs). In view of the BE management's expectations for a significant expansion of business activity in the area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in all the aforementioned areas over several years.
- Receipt of a loan of GBP 111 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 2.3%.
- **Subsequent to the date of the report, in February 2022, Menora Mivtachim invested the amount of GBP 112 million in BE's capital, which gives Menora a holding of 13.6% in BE's capital. In addition, Menora Mivtachim was granted an option to invest additional capital in BE in the amount of GBP 75 million until May 23, 2023, and if it will be exercised, the rate of Menora's holding in BE will rise to up to 20%.**

Energix Renewable

- During the reporting period and up to the date of publication of the report, Energix has increased its total backlog of projects in all the territories in which it operates by more than double - from 3 GW to approx. 8 GW.
- Massive expansion of the backlog of PV and storage projects in initiation in the United States, among other things through the acquisition, for a consideration of approx. USD 24 million, of the full ownership in an American company that engages in energy and solar storage, which has a backlog of PV projects with a capacity of approx. 1.8 GWp. As of the date of publication of the report, the total capacity of Energix's photovoltaic projects in the United States is approx. 5 GWp.
- ARAN project – Energix has received a building permit for the project and is in financial closure stages and in advanced negotiations for the closure of a full financing agreement for the project in the amount of up to NIS 680 million (with an option for an increase). In addition, Energix has engaged with one of the world's leading turbine suppliers to purchase turbines for the project, including operating services for the project for 20 years.
- Engagement in financing transactions for the construction of 2 wind farms in Poland for a total amount of up to PLN 550 million (up to NIS 418 million). Subsequent to the date of the report, an engagement in a financing transaction for the construction of an additional wind farm in Poland for a total amount of up to PLN 290 million (NIS 220 million).
- In November 2021, Energix issued bonds (Series A) and bonds (Series B) by way of an expansion of the series, for a total consideration of NIS 309 million.
- Subsequent to the date of the report, an engagement in an agreement to expand the strategic cooperation on First Solar and an agreement to purchase solar panels with a total capacity of over 2 GWp at a total cost of approx. USD 500 million (NIS 1.5 billion).
- Subsequent to the date of the report, capital raising for the amount of NIS 337 million, of which the Company invested the amount of approx. NIS 170 million.

1.6 Summary of the main data – the Group

Main Financial Results – Consolidated Statement	Unit	2021	2020	2019	% Change[3]
Revenues from rental fees and management of investment property	NIS thousands	989,381	891,632	830,156	11.0
Fair value adjustments of investment property	NIS thousands	1,715,469	(187,782)	995,791	
Group share in the profits of associates, net	NIS thousands	126,719	99,670	413,437	27.1
Net profit for the year	NIS thousands	2,033,492	465,485	1,448,075	
Net profit attributable to Company shareholders	NIS thousands	1,557,947	302,998	956,100	
Comprehensive income for the year attributable to Company shareholders	NIS thousands	1,406,070	56,119	596,962	
FFO attributable to Company shareholders[4]	**NIS thousands**	**488,607**	**495,433**	**525,533**	**(1.4)**
Total balance sheet	NIS thousands	31,956,592	26,500,374	25,098,865	20.6
Equity (including non-controlling interests)	NIS thousands	11,829,564	9,912,830	9,507,835	19.3
Financial debt (bank credit and bonds)[5]	NIS thousands	15,895,765	13,394,404	12,852,209	18.7
Net financial debt[6]	NIS thousands	14,732,476	11,179,623	12,080,460	31.8
Ratio of net financial debt to total balance sheet[7]	%	47.8	46.0	49.7	
Main Financial Results – Expanded Solo[8]					
Total balance sheet	NIS thousands	12,323,090	10,791,514	11,400,370	14.2
Equity attributable to Company shareholders	NIS thousands	7,638,174	6,401,866	6,336,545	19.3
Financial debt (bank credit and bonds)[5]	NIS thousands	3,916,548	3,680,979	4,496,547	6.4
Net financial debt[6]	NIS thousands	3,649,557	3,078,047	3,977,747	18.6
Ratio of net financial debt to total balance sheet[7]	%	30.3	30.2	36.6	
Earnings per share data					
Earnings per share – basic	NIS	8.98	1.75	5.55	
Comprehensive income per share – basic	NIS	8.11	0.32	3.47	
FFO per share[4]	**thousands**	**2.82**	**2.87**	**3.05**	**(1.8)**
Current dividend per share[9]	NIS	1.22	1.16	1.14	5.2
NAV per share	NIS	43.89	37.04	36.68	18.5
NNAV per share[10]	NIS	50.88	44.16	44.91	15.2
Price per share at end of period	NIS	57.93	44.90	54.60	29.0

.3 2021 compared to 2020.
.4 The FFO calculation did not include exchange rate differentials and linkage differentials for the bonds and the CPI-linked loans, since the Company's management believes that those expenses do not reflect cash flows from ongoing operating activities.
.5 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
6. Financial debt presented net of cash balances. The Company's financial debt (expanded solo) as of December 31, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 154 million.
7. Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of December 31, 2021 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 154 million.
8. 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).
9. The above dividend amount does not include an additional dividend for the years 2021 and 2020 in the amount of NIS 0.44 per share and NIS 0.2 per share, respectively.
.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.

	Unit	2021	2020	2019	% Change[11]
Investment in Israel – Amot Investments Ltd. (rate of holdings - 55.52%)[12]					
Number of income-generating properties[13]	Unit	175	156	156	
Value of investment property (without property in self-development)	NIS thousands	14,678,447	12,718,390	12,847,643	15.4
Weighted capitalization rate deriving from investment property	%	6.08	6.52	6.44	
Occupancy rate at end of period	%	98.0	97.2	97.7	
Value of investment property in self-development	NIS thousands	2,447,443	1,222,883	620,954	
Ratio of net financial debt to total balance sheet	%	42.9	43.0	42.5	
NOI[14]	NIS thousands	779,818	734,204	727,552	6.2
FFO[15] per share	NIS	1.39	1.32	1.44	5.6
NAV per share	NIS	17.17	15.42	16.02	11.3
NNAV per share	NIS	20.63	18.73	19.46	10.1
Price per share at end of period	NIS	25.28	17.99	25.07	40.5
Investment in the United States – Carr Properties Corporation (rate of holdings - 44.19%)[16]					
Number of income-generating properties	Unit	16	13	14	
Value of investment property (without property in self-development)	USD thousands	3,218,384	2,894,350	2,903,630	11.2
Occupancy rate at end of period	%	87.90	90.53	93.46	-
Rental rate at end of period	%	92.80	92.55	96.10	-
Number of properties in development	Unit	2	4	4	-
Value of property in development[17]	USD thousands	654,476	995,297	638,788	(34.2)
Ratio of net financial debt to total balance sheet	%	43.1	44.9	41.3	
NOI[18]	USD thousands	144,274	155,096	156,189	(7.0)
FFO[17]	USD thousands	77,511	92,386	87,187	(16.1)
Investment in the United Kingdom – Brockton Everlast Inc. Limited (rate of holdings - 97.26%)					
Number of income-generating properties	Unit	14	9	4	
Value of investment property	GBP thousands	938,125	665,250	566,250	41.1
Occupancy rate at end of period	%	97.3	95.1	97.8	
Value of land for development	GBP thousands	232,750	-	-	
Ratio of financial debt to total balance sheet	%	39.7	50.7	49.3	
NOI	GBP thousands	31,156	25,868	15,241	20.4
FFO	GBP thousands	15,577	7,909	1,068	97.0
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53.33%)					
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	395.2	222.8	173.2	77.4
Installed capacity from connected wind systems (MW) – Energix's share	Unit	134.2	119.2	119.2	12.6
Balance of connected electricity-generating facilities – according to book value	NIS thousands	1,914,928	1,635,328	1,252,562	17.1
Revenues from sale of electricity and green certificates	NIS thousands	260,836	261,803	237,126	(0.4)
FFO from projects[19] – Energix's share	NIS millions	179	181	168	(1.1)
Price per share at end of period	NIS	13.25	14.66	10.31	(9.6)

11. 2021 compared to 2020.
12. The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter: "Amot's Pro Forma Reports"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS coming into effect.
13. As of this periodic report, Amot's properties are presented by individual properties and not by complexes.
.14 Net operating income
15. Funds from operations.
.16 The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
.17 The value as of December 31, 2020 and as of December 31, 2019 does not include the Clarendon 2025 project located in the Washington D.C. metropolitan area with a value of approx. USD 19 million (Carr's share – USD 16 million), which was classified as held for sale as of December 31, 2020 and realized in 2021.
18. In 2021, 2020 and 2019, the NOI and FFO include revenues of a non-recurring nature in the amount of USD 2 million, USD 12 million and USD 9 million, respectively, in respect of termination fees upon the departure of tenants.
.19 Not including Energix's development, administrative and general cash flow costs that are not connected with projects.

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

2.1 The business environment

For details regarding the business environment in which the Group operates, see Section A(6) of the chapter Description of the Corporation's Business.

2.2 Statement of Financial Position

Statement of Financial Position Item	December 31, 2021 NIS millions	December 31, 2020 NIS millions	Notes and Explanations
Cash and Cash Equivalents	1,163	2,215	For Statement of Cash Flows – see Section 2.6 below.
Investment property	21,376	16,250	The item includes investment property and investment property in development. Most of the increase is due to the acquisition of new properties in the amount of NIS 3.2 billion and mainly: Amot's acquisition of a logistic center in Tzrifin in the amount of NIS 1.6 billion (including transaction costs) and BE's acquisition of properties in Cambridge, UK in the amount of NIS 1.1 billion. In addition, the increase is due to the fair value adjustments of investment property in the reporting period in the amount of NIS 1.7 billion. For additional information regarding the Group's investment property – see Note 4 to the financial statements.
Investments in associates and securities measured at fair value through profit or loss	4,611	4,688	The following are the main changes: • A decrease in respect of the realization of the balance of the investment in PSP in the period for a consideration of NIS 216 million. • A decrease in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 150 million. • An increase in investments in respect of the Group's share in the profits of investees in the amount of NIS 127 million. • An increase in respect of investments in investees in the amount of NIS 74 million. • An increase in investments measured at fair value through profit and loss due to fair value adjustments in the amount of NIS 44 million. For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in associates, see Notes 5 and 6 to the financial statements, respectively. In addition, see Section 2.3 below.
Electricity-generating facilities – connected and in development	3,765	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 Notes 7 and 8 to the financial statements.
Other assets	1,042	683	Most of the increase stems from income receivable in respect of derivative financial instruments and a short-term loan in the amount of GBP 18 million granted by BE 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.
Total assets	31,957	26,500	
Loans and bonds	16,113	13,606	The following are the main changes: • Raising of bonds and receipt of long-term loans in the amount of NIS 4.4 billion. • Repayment of bonds, long-term loans and short-term credit in the amount of NIS 1.6 billion. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	4,014	2,981	
Total liabilities	20,127	16,587	
Equity attributable to shareholders	7,638	6,402	For details regarding the main changes in equity attributable to shareholders – see Section 2.7.2 below.
Non-controlling interests	4,192	3,511	
Total equity	11,830	9,913	
Total liabilities and equity	31,957	26,500	

2.3 Investments

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

	Currency	Number of Shares	Balance in NIS thousands	Adjusted Value in NIS thousands	Adjusted Value Measurement Basis
Amot[20]	NIS	245,718,872	4,198,566	6,217,360	Stock market value - tradable
Energix	NIS	260,352,283	769,069	3,449,668	Stock market value - tradable
Carr	USD	-	2,989,792	2,989,792	Equity method
Boston	USD	-	828,346	828,346	Equity method
Brockton Everlast	GBP	-	2,854,231	2,854,231	Equity method
Brockton Funds	GBP	-	157,196	157,196	Equity method
Other[21]			281,011	281,011	
Total			12,078,211	16,777,604	

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

During the reporting period and subsequent to the balance sheet date, the Company invested the amount of approx. NIS 1.3 billion in its investees and in securities measured at fair value through profit or loss, as detailed below:

	2021	Subsequent to the Balance Sheet Date In NIS millions	Total	
Amot	288	-	288	See Section 2.3.5 below
Brockton Everlast (*)	671	72	743	See Section 2.3.7 below
Boston	39	8	47	
Energix	-	205	205	See Section 2.3.9 below
Brockton Funds	26	-	26	
	1,024	285	1,309	

(*) In addition, the Company granted BE bridging loans, the balance of which, as of the date of the report, is NIS 154 million. The loans were repaid in full after the balance sheet date.

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

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

[20] In addition, the Company holds 2.88 million of Amot's options (Series 11) that can be exercised for Amot shares.

[21] Mainly including cash in the amount of NIS 113 million and short-term bridging loans to Brockton Everlast whose balance as of the date of the report is NIS 154 million.

2.3.4 Property revaluations

The following lists the investment property revaluations made by the Group in the reporting period:

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	730	139	(121)	748	413
UK (BE) (***)	GBP	34	207	(16)	225	947
USA (Carr and AH Boston)	USD	(87)	121	(1)	33	59
Company's share before the effect of tax						**1,419**
Tax effect						(109)
Company's share after tax						**1,310**

(*) Including the revaluation of properties that are classified in the financial statements as of December 31, 2021 as income-generating properties and that most of the profit recorded from the revaluation of the properties in the reported period stems from the potential for future development.

(**) For details regarding Amot's property revaluations in the reporting period, see Section 2.3.5 below.

(***) For details regarding BE's property revaluations in the reporting period, see Section 2.3.7 below.

2.3.5 Investment in real estate in Israel – through Amot

Additional investments in Amot in the reporting period:

In the reporting period, Amot raised capital for an immediate gross consideration of NIS 718 million. Of this amount, the Company invested a total of NIS 288 million. In this context, Amot issued options (Series 11) that can be exercised for shares in which the total future consideration expected assuming full exercise amounts to approx. NIS 194 million (subject to adjustments). Subsequent to the date of the report, in January 2022, Amot raised capital for a total gross consideration of NIS 302 million.

Amot's business development in the reporting period and subsequent to the balance sheet date:

- The Amot NOI amounted to NIS 780 million in the reporting period, compared to NIS 734 million in the corresponding period, an increase of approx. 6%. The increase is mainly due to a decrease in the relief granted to the tenants of the commercial centers compared to the previous year (due to the Corona effect) as well as additional income from new properties that were acquired and from properties whose construction was completed, offset by income from property that was classified to 'property in development' due to a significant upgrade.
- During 2021, Amot signed 474 new leases, including option exercises and contract renewals amounting to 188 thousand sq.m. in annual rental fees in the amount of NIS 184 million. The spaces were leased at average rental fees per sq.m. higher than the rent generated by these properties until that date.
- In August 2021, Amot and Gav-Yam Land Corp. Ltd., its partner in the ToHa project, acquired from the Tel Aviv Municipality the rights for the construction of the ToHa2 project and leased the land for a period ending in 2108 (including an extension of the lease period in respect of the ToHa1 project land to the same date). In October 2021, the Amot Board of Directors decided on the establishment and marketing of the ToHa2 project in Tel Aviv. The construction of ToHa2 will begin in the coming months and it is expected to be completed during 2026.
- In September 2021, Amot signed an agreement to purchase the rights in the complex known as the Tzrifin Logistics Park in for a consideration of NIS 1,518 million (not including transaction costs). The complex consists 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 Sdot Dan Regional Council area, on the eastern side of Road 44 (the Ramla-Beit Dagan Road), adjacent to Moshav Nir Zvi and near Assaf Harofeh Hospital and the Tzrifin Junction. The existing logistical buildings in the complex are leased at full capacity, in various leases to 28 tenants, with the aggregate rent received in respect of the leases amounting to an annual amount of approx. NIS 58 million (an amount including management fees). The value of the property includes building volumes and unused building rights, which were classified under the 'property in development' item in the amount of NIS 250 million.

For information regarding additional transactions in which Amot engaged in the reporting year and thereafter in connection with investment property, property in development and rights in property, see Note 4b to the financial statements.

The following is a summary of data regarding projects in stages of construction as of December 31, 2021:

Property Name	Location	Main Use	Rate of Holdings	Thousands of Marketable Above-Ground sq.m., 100%	Estimated Completion Date	Value of Project in Amot's Books as of December 31, 2021	Estimated Construction Cost, including Land and Parking Basements (b)	Expected NOI upon Project Occupancy (b)
						Amot's Share - in NIS millions		
Amot Holon	Holon	Offices	77.8%	60	2021[22]	470	570	48
Amot Modi'in[23]	Modi'in	Offices	75%	9	2022	47	65	5
HaLehi Complex	Bnei Brak North	Offices	50%	82	2025	187	620	50
K Complex [24]	Jerusalem	Offices	50%	103	2026	109	555	48
Vered House	Givataim	Offices	100%	17.5	2022	257	310	25
Beit Shemesh Logistic Center	Beit Shemesh	Logistics	60%	45	2024	54	180	13
Park Afek	Rosh HaAyin	Offices	50%	11	2023	3	32	3
ToHa2	Tel Aviv	Offices	50%	160	2026	449	1,500	140
Total				**487,500**		**1,576**	**3,832**	**332**

The information in this Section 2.3.4 regarding the estimated end of construction date, estimated construction cost, expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, security situation, demand for offices, changes in the City Building Plan that are subject to the approval of the authorities, etc. The information is based on the Amot management's assessments assuming full occupancy, the realization of which is not under Amot's control.

The following is a summary of data regarding projects in stages of planning and development as of December 31, 2021:

Property Name	Location	Main Use	Thousands of Marketable Above-Ground sq.m., 100%	Rate of Holdings	Thousands of Above-Ground sq.m. for Marketing	Estimated Construction Cost, including Land and Parking Basements in NIS millions (b)
				Amot's Share		
The 1000 Complex	Rishon Letzion – West	Offices	19	100%	19	270
Platinum Stage B (a)	Petach Tikva	Offices	27	100%	27	220
Amot Shaul – Stage A	Kfar Saba	Offices	35	50%	17.5	170
Total			**81**		**63.5**	**660**

(a) Subject to the completion of the purchase of additional construction rights in order to build a matching tower to Platinum Stage A.

(b) Mid-range forecast

The information included in this section regarding the construction costs and construction completion dates constitutes forward-looking information as defined in Section 32A of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

Fair value of investment property[25]

In the reporting period, Amot recorded a profit in the amount of NIS 748 million from fair value adjustments of investment property (after amortization of transaction costs in the amount of NIS 121 million), compared to a negative revaluation of properties in the amount of NIS 163 million in the corresponding period last year. The profit is mainly due to an increase in the CPI during the reported period and from a decrease in the discount rates in some Amot assets.

For additional information regarding the investment in Amot, see Chapter B of the Description of the Corporation's Business and Note 6(c) to the financial statements.

[22] The project has received Form 4 for the public spaces and is in the final stages of completion of the upper basement and the parking basements.

[23] During 2020, Amot classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

[24] Subject to the completion of additional rights in the K Complex in Jerusalem

[25] According to Amot's Pro Forma Statements (Consolidated Expanded Statements of Income).

2.3.6 Investment in Carr

Carr's business development in the reporting period and subsequent to the balance sheet date:

Expansion of activity in Austin, Texas:

During 2021 and subsequent to the balance sheet date, Carr worked to increase its backlog of properties in Austin, Texas as follows:

- 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**") in consideration for the amount of USD 190 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 90.3% as of December 31, 2021.

  In September 2021, Carr introduced a 49% partner in a dedicated company that owns the property and a loan, for a total consideration of approx. USD 86 million.

- In February 2022, subsequent to the balance sheet date, Carr signed a 99-year lease agreement for a land division known as Block 16 with an area of 4 dunams in the CBD of Austin, Texas for the purpose of developing and building an office tower.

  In accordance with existing policy in the area, Carr plans to receive a specific master plan and related approvals for the construction of an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 510-520 million. Carr expects construction of the tower to begin in the first quarter of 2023 and it is expected to end in June 2026, and the projected NOI cash flow in the first year in a state of stabilization, will amount to approx. USD 40 million (after deducting the lease fee).

  Carr intends to add a partner at a rate of 49% to the project, which together with Carr will provide the necessary equity component (45%), and to finance the balance of the project budget through a bank loan (55%).

Sale of 49% of Midtown Center

In April 2021, Carr sold 49% of the rights and the debt of the Midtown Center in Washington DC ("**the Complex**"), according to a total value of the Complex of USD 980 million (a value equal to the value in Carr's financial statements as of December 31, 2020 and as of the end of March 2021). A loan of USD 525 million (to be repaid in October 2029) was deducted from the value of the Complex, which is guaranteed by a lien on the Complex, so that the scope of the transaction (100%) amounted to USD 455 million. The sale consideration received by Carr for 49% of the rights in the Complex, less the loan as stated, amounted to USD 223 million. For additional information, see Note 6.f(b) to the financial statements.

One Congress Project – Boston, Massachusetts:

Carr holds 75% of the rights in a joint venture for the construction of an office tower in Boston whose designated name will be "One Congress" with 1,007 thousand sq.ft. with a third party partner.

In February 2022, Carr Properties and its partner signed a memorandum of understanding according to which Carr and the partner will lease, to an individual tenant, the remaining rental space of 409 thousand sq. ft. (approx. 38 thousand sq.m.), constituting approx. 40% of the total planned office space in the One Congress tower. As the memorandum of understanding matures into a binding agreement, the One Congress building will be fully leased.

The following is a summary of data regarding projects in stages of construction and planning as of December 31, 2021:

Property Name	Location	Main Use	Rate of Holdings	Thousands of Above-Ground sq. ft. for Marketing, 100%	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in Carr's Books as of December 31, 2021 (a)	Balance for Completion of Construction Costs as of December 31, 2021	Expected NOI upon Project Occupancy	Rate of Rentals
						Carr's Share – in USD millions				
One Congress	Boston CBD	Offices	75%	1,007	March 2023	733	426	307	48	100%
Signal House	Metropolitan Area DC	Offices	100%	227	June 202 2 (c)	151	108	43	10	68%
Total				**1,234**		**884**	**534**	**350**	**58**	

(a) The cost does not include real estate revaluations. The cumulative revaluations recorded as of December 31, 2021 amount to a total of USD 120 million (Carr's share).

(b) The expected NOI data for at the time of occupancy refer to the NOI in the first year of cash flow stabilization, after the end of the free rental period, and does not take escalation bump-ups into account.

(c) The construction stage has ended and the building is now in the tenant improvements stage.

The information in the above table regarding the estimated end of construction date, estimated construction cost and the expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, the demand for offices and for rental housing.

Additional Information

Expected acquisition of non-controlling interests:

During the second quarter of 2022, some of the non-controlling interests in Carr are expected to exercise their redemption right in relation to the redeemable shares in their possession. The redemption cost for the above shares amounts to USD 60 million. To the extent that the redemption right is exercised, the Company intends to acquire the redemption rights in full.

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 previous 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%).

For additional information regarding the investment in Carr, see Chapter C1 in the Description of Corporate Business and Note 6(g) to the financial statements.

2.3.7 Investment in Brockton Everlast:

Additional investments in BE in the reported period and subsequent to the balance sheet date:

From BE's establishment until the date of publication of the report, the Company has invested GBP 473 million in BE's capital, of which a total of GBP 150 million (NIS 671 million) was invested during 2021.

Subsequent to the balance sheet date, on February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations from the Menora Mivtachim Group (hereinafter: "Menora"), under which Menora invested the amount of GBP 112 million in BE's capital, which gives Menora a holding of 13.6% in BE's capital. In addition, Menora was granted an option to invest additional capital in BE in the amount of GBP 75 million until May 23, 2023 (hereinafter: the "option"). If and to the extent that the option is exercised, Menora's holding rate in BE will increase to 20%.

As of December 31, 2021, the Company indirectly held approx. 97.3% of the rights in BE. As of the date of publication of the report, the Company, indirectly, holds 82.7% of the rights in BE.

BE's business development in the reporting period and subsequent to the balance sheet date:

During the reporting period, BE purchased land reserves for development with a total area of approx. 100 dunams in the Cambridge Science Park, in consideration for GBP 238 million (approx. NIS 1.1 billion) (not including transaction costs).

In view of the BE management's expectations for a significant expansion of business activity in the area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in all the aforementioned areas over several years.

As of the date of the report, on those land reserves, five buildings have been built with a total rental area of approx. 180 thousand sq.ft., which yield an annual NOI in the amount of approx. GBP 6 million.

As of December 31, 2021, the value of all the properties listed in this paragraph above is GBP 383 million (approx. NIS 1.6 billion).

The following is a summary of data regarding projects in advanced planning stages as of December 31, 2021:

Property Name	Location	Main Use	Rate of Holdings	Thousands of Above-Ground sq. ft. for Marketing, 100%	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in BE's Books as of December 31, 2021	Balance for Completion of Construction Costs as of December 31, 2021	Expected NOI upon Project Occupancy
						BE's Share - in GBP millions			
Devonshire Quarter	City of London	Offices	100%	461	H2/2027	610-660	110	500-550	30-40
Telephone House	Shoreditch London	Offices	100%	242	H1/2027	300-320	120	180-200	19-23
Total				**703**		**910-980**	**230**	**680-750**	**49-63**

The information detailed in this Section 2.3.7 above regarding the completion of the transactions, the expected construction costs and the expected NOI in occupation is forward-looking information as defined in Section 32A of the Securities Law as it is influenced by factors that are not dependent on BE.

Fair value of investment property:

In the reporting period, BE recorded a profit of GBP approx. 225 million (approx. NIS 1 billion) from the fair value adjustment of investment property (after amortization of transaction costs). The profit is mainly due to progress in the development program of properties in development located in the Cambridge Science Park and of a building located in the London City (Devonshire Quarter).

For information regarding the significant valuation of the Devonshire Quarter and land for development in Cambridge (EMG) in accordance with Regulation 8.B(i) of the Securities Regulations (Periodic and Immediate Reports), 1970, see Appendix F to this report.

For additional information regarding the investment in BE, see Chapter D of the Description of the Corporation's Business and Note 6(d) to the financial statements.

2.3.8 Investment in AH Boston

In March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD), decided to leave the building. This space constitutes 76% of the total rental space in the building. The Company and Oxford, the Company's partner in the building, 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 in May 2022 and begin construction work in the second quarter of that year. The project's cost of is estimated at approx. USD 142 million[26] (the Company's share - USD 78 million) and the expected completion date for the conversion is in September 2023.

That stated in this Section above regarding the dates for the start and completion of construction and the estimated cost of the project is forward-looking information.

For additional information regarding the investment in AH Boston – see Chapter C2 in the Description of Corporate Business and Note 6(i) to the financial statements.

[26] The balance as of December 31, 2021 is USD 138 million.

2.3.9 Renewable energy investments through Energix

Raising capital

Subsequent to the date of the report, in January 2022, Energix raised capital for a consideration in the amount of NIS 337 million, of which the Company invested the amount of approx. NIS 170 million.

Energix's business development in the reporting period and subsequent to the balance sheet date:

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to 600 MW in commercially operated projects, approx. 665MW in projects in development or pre-construction, approx. 860 MW in projects in advanced stages of development and over 6 GW in projects in the development stage. In addition, Energix has a backlog of storage projects in development with a capacity of approx. 7 GWh.

United States

During the reporting period and up to the date of publication of the report, Energix's accumulation of photovoltaic projects in commercial operation, in development and pre-construction and in advanced development increased by a total of approx. 450 MWp. Also during the reporting period, Energix acquired the full ownership rights in NCRE, an American entrepreneurial company in the field of solar energy and energy storage in the United States whose main activity is in Virginia, USA, for a consideration of USD 24 million. NCRE has a backlog of significant projects that 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 photovoltaic and energy storage projects in development with significant capacity. During the second half of 2021 and until the date of publication of the report, Energix worked to significantly increase its backlog of projects in development in the United States, with an emphasis on rights acquired in the NCRE transaction. As of the date of publication of the report, the total capacity of Energix's photovoltaic projects in development in the United States is approx. 5 GWp in photovoltaic projects and approx. 6.5 GWh in storage projects. According to Energix's management, at least half of the backlog of photovoltaic projects in the United States will be completed in the coming years, with an estimated investment of approx. USD 5 billion.

Poland

As of the date of publication of the report, Energix is nearing the completion of the construction work on two wind farm projects in Poland with a total capacity of approx. 126 MW and in the midst of construction work on an additional wind farm with a capacity of approx. 56 MW. The wind farms are entitled to a guaranteed tariff in relation to part of the capacity generated, and the balance is sold by Energix at market prices or in price fixing transactions. In addition, Energix is preparing for the construction of the first photovoltaic project in Poland with a capacity of approx. 12 MWp and is working to expand the backlog of projects in initiation and development in this area in Poland such that as of the date of publication of the report, Energix has a backlog of projects in advanced development and in development with a capacity of 430 MWp, which is expected to serve Energix in its continued growth and expansion of its activity in Poland. As part of Energix's activity in the field of storage, in the period of the report and until the date of its publication, Energix has worked to build a backlog of projects that are expected to be integrated alongside the Company's electricity generation facilities using renewable energy as well as stand alone facilities in Poland. As of the date of publication of the report, Energix has projects in initiation for energy storage with a capacity of approx. 50 MWh.

Israel

As of the date of approval of the report, Energix has completed the construction of 16 of the 17 facilities established as part of its win in Competitive Procedure 3 and Competitive Procedure 4 and as of the date of publication of the report, commercial operation of approx. 66 MWp has been carried out from a total capacity of approx. 139 MWp at high voltage. Energix is also in the advanced initiation process of 15-20 projects with a capacity of 180-200 MWp as part of the win in a second tender (PV with combined storage) and is also working to promote an extra-high voltage project with a capacity of approx. 90 MW in the National Infrastructure Committee, following the government's approval of the winning project in the first tender for extra-high voltage as a national infrastructure project.

Energix is also in advanced stages of development and construction of the ARAN wind farm project in the northern Golan Heights with a capacity of approx. 104 MW. As of the date of publication of the report, Energix has received a building permit for the project and is preparing for financial closure and the start of construction which is expected during the first half of 2022.

As of the date of publication of the report, Energix has photovoltaic, wind and storage projects with a capacity of 610 MW and 500 MWh, respectively.

That stated in Section 2.3.9 above, in connection with projects under construction and planning, is forward-looking information as defined in Section 32A of the Securities Law, based on the assessments of Energix's management and for reasons that are not under Energix's control, it may not be realized and/or not in the manner described above.

For additional information regarding Energix's business development in the reporting period and subsequent to the balance sheet date, see Chapter E of the Description of the Corporation's Business and Notes 7 and 8 to the financial statements.

For additional information regarding the investment in Energix, see Chapter E in the Description of the Corporation's Business and Note 6(e) to the financial statements.

2.3.10 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2021 and the projected receipts of dividends for 2022:

	2021 Actual	Projected Results in 2022 in NIS millions	Additional Information in the Financial Statements
Amot	237	344	Note 6(c)(3)
BE	52	67	Note 6(d)(3)
Energix	47	55	Note 6(e)(3)
AH Boston	35	42	Note 6(i)(3)
Carr	[27]91	-	Note 6(g)(6)
PSP	4	-	
Total cash dividend	466	508	
[28]Carr – Dividend Reinvestment Plan	-	93	
Total dividend	466	601	

The dividend receipt forecast for 2022 is calculated in accordance with the declared dividend distribution policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

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

The information on dividend receipts for 2022 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.

2.3.11 Management fee receipts

The following are the management fees received by the Company (expanded solo) in 2021 and the projected receipts of management fees for 2022:

	2021 Actual	2022 Projected	Additional Information
	In NIS millions	In NIS millions	in the Financial Statements
Amot	9	10	Note 6(c)(4)
Energix	6	8	Note 6(e)(5)
Total	15	18	

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of December 31, 2021, the Group has cash balances in the amount of approx. NIS 1.2 billion (of which the Company's expanded solo balance is NIS 113 million).

In addition, as of December 31, 2021 and as of the date of publication of the report, the Group has unutilized lines of credit in the amount of approx. NIS 2 billion (of which the Company's expanded solo lines of credit – NIS 650 million).

2.4.2 Unencumbered assets

As of December 31, 2021, the Company's assets (expanded solo) are not encumbered. The balance of the Company's assets (expanded solo) (not including cash and other current assets) is in the amount of NIS 12 billion (a market value of NIS 16.7 billion). As of December 31, 2021, Amot has a balance of unencumbered assets in the amount of approx. NIS 16.8 billion.

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

[28] As part of the Company's choice to participate in Carr's DRIP program, the dividend amount to which the Company is entitled in Carr will remain after its receipt and reinvestment.

2.4.3 Financial debt

As of December 31, 2021, the Group's net financial debt amounted to NIS 14.7 billion, which constitutes 47.8% of the Group's total assets, compared with a net financial debt of NIS 11.2 billion, which constituted 46% of the Group's assets, on December 31, 2020.

As of December 31, 2021, the Company's (expanded solo) net financial debt amounted to NIS 3.6 billion, constituting 30.3% of the Group's total assets (expanded solo), compared to net financial debt of NIS 3.1 billion, constituting 30.2% of the Company's assets (expanded solo), as of December 31 2020.

During the reporting period and subsequent to the balance sheet date, the Company (expanded solo) performed the following:

- In the reporting period, the Company expanded its credit lines by an additional NIS 150 million so that as of December 31, 2021, the Company's total credit facilities amount to NIS 650 million. In addition, in the reporting period and subsequent to the balance sheet date, the Company signed agreements to extend existing credit facilities. For additional information, see Note 12.b. to the financial statements.
- In the reporting period, the Company raised debt through an expansion of bonds (Series L) in the amount of approx. NIS 641 thousand PV for a consideration of approx. NIS 655 million (before issue expenses) and at effective annual interest of 2.24%. In addition, subsequent to the balance sheet date, the Company raised debt through an expansion of existing bond series in the amount of approx. NIS 743 thousand PV for a consideration of NIS 781 million (before issue expenses) and at an effective annual interest rate of 1.99%. For additional information, see Note 11 to the financial statements.

As of the date of the report, the Company is in compliance with all of the financial covenants of the loans and the bonds.

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

Amot:

- In the reporting period, Amot raised debt through an issuance of a new bond series (Series H) in a total amount of NIS 450 million PV for a net consideration of NIS 446 million. The bonds bear an effective CPI-linked interest rate of 1% and have an average duration of 9 years. In addition, in the reporting period, Amot carried out a private placement through an expansion of bonds (Series H) in the amount of NIS 800 million PV for a net consideration of NIS 863 million and a CPI-linked effective interest rate of 0.4%. For additional information, see Note 11.l. to the financial statements.
- In October 2021, Amot signed an agreement with a banking institution according to which the bank provided Amot with a loan in the amount of approx. NIS 500 million, with an average duration of 5.8 years. The loan, which is not guaranteed by any liens, is CPI-linked and bears CPI-linked annual interest at a rate of 6%. For additional information, see Note 12.c.5 to the financial statements.

Brockton Everlast:

- During the reporting period, BE took a non-recourse bank loan in the amount of GBP 111 million for the financing of the acquisition of the properties at the Cambridge Science Park, as detailed in Section 2.3.7 above. The loan bears SONIA interest plus a margin of 2.3%. The loan principal will be repaid in one lump sum in June 2026. For additional information, see Note 12.e to the financial statements.

Energix:

- In the reporting period, Energix issued NIS 243 million PV of bonds (Series A) and NIS 67 million PV of convertible bonds (Series B) by way of series expansions, for a gross total of NIS 309 million.
- In the reporting period, Energix engaged with a consortium of three foreign lenders, in an agreement for the receipt of financing for the construction of wind projects in Poland in the total amount of up to PLN 550 million and at semi-annual Wibor interest plus a margin of 2.1%-2.3%. As of the date of publication of the report, Energix has withdrawn the amount of approx. NIS 370 million from the financing facilities. In addition, subsequent to the balance sheet date, Energix engaged with a consortium of two foreign lenders in an agreement for the receipt of financing for additional wind projects in Poland in the total amount of up to PLN 290 million and at semi-annual Wibor interest plus a margin of 1.7%-2.4%.

As of the date of the report, Amot, Energix and BE are in compliance with all of the financial covenants of the loans and the bonds.

For information regarding the Group's reportable substantial credit, see Chapter F, Section 5.2 in the Description of the Corporation's Business.

For additional details regarding the Group's liabilities, see Notes 11 and 12 to the financial statements.

2.4.4 Working capital deficit

The working capital deficit as of December 31, 2021 amounted to a total of NIS 626 million in the consolidated statements (NIS 309 million in the Company's expanded solo statements). As of December 31, 2021, the Group has unutilized lines of long-term credit in the amount of approx. NIS 2 billion (NIS 650 million in the expanded solo), 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 Group'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 approx. NIS 2 billion, compared to a net profit of approx. NIS 0.5 billion attributable to Company shareholders in the corresponding period last year. The share of Company shareholders in the profit amounted to approx. NIS 1.6 billion, compared to a profit of NIS 0.3 billion attributable to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of approx. NIS 1.8 billion. The share of Company shareholders in the income amounted to approx. NIS 1.4 billion, compared to a profit of approx. NIS 0.2 billion attributable to Company shareholders in the corresponding period last year.

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

For details regarding property revaluations recorded by the Group in the reporting period, see Section 2.3.4 above.

2.5.1 FFO (Funds From Operations)

The FFO is an index commonly-used in the United States and in Europe to provide additional information on the results of the operations of real estate companies, providing an appropriate basis for comparisons between income-generating property companies. The FFO reflects net income, with the neutralization of profits (or losses) from the sale of properties and securities, depreciation and amortization and deferred taxes. This index presents the Company's cash production capability from regular and ongoing activities in the reporting period.

In calculating the FFO, exchange rate differentials and linkage differentials expenses in respect of bonds and CPI-linked loans were not included because, in the Company management's opinion, those expenses do not reflect cash flow from regular ongoing activities.

The Company believes that analysts, investors and shareholders may receive value added information from the presentation of this index. However, it must be noted that the FFO:
Does not present cash flows from operating activities in accordance with generally accepted accounting principles;
Does not reflect cash held by the Company and its ability to distribute it;
Cannot be considered a replacement for reported net profit for evaluating the results of the Group's operations.

The following is the calculation of the FFO (in NIS thousands):

	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	1,557,947	302,998	956,100
Adjustments to profit and loss:			
Fair value adjustments of investment property	(1,715,469)	187,782	(995,791)
Company share in real estate revaluations and other non-FFO items in investees	42,687	125,297	(153,676)
Profit from decrease in rate of holding, from purchase and realization of investees	(17,396)	(200,953)	(96,680)
Loss (profit) from securities	(48,101)	19,094	5,966
Others (mainly depreciation and amortizations)	119,566	89,381	66,930
Accumulated linkage differentials and exchange rate differentials	116,158	(30,403)	57,494
Deferred taxes and current taxes from the realization of securities and real estate, net	275,841	134,834	475,074
Share of non-controlling interests in the above adjustments to FFO	157,374	(132,597)	210,116
FFO	**488,607**	**495,433**	**525,533**
The sources of the FFO are as follows:			
Revenues			
Investment property NOI	884,439	817,010	762,166
NOI from the sale of electricity, less development costs	211,132	215,609	200,230
PSP's share in FFO without real estate revaluations	2,569	31,495	73,964
Carr's share in FFO without real estate revaluations	110,546	139,903	126,910
AH Boston's share in FFO without real estate revaluations	35,441	43,244	43,635
Energix, Brockton Everlast and Amot associates' share in FFO	20,850	10,324	15,252
Dividend income from investments and others (mainly Brockton Funds)	5,789	5,142	32,666
Total revenues	**1,270,766**	**1,262,727**	**1,254,823**
Expenses			
Real financing, net	(286,318)	(300,932)	(284,157)
Administrative and general	(128,559)	(111,462)	(109,966)
Current taxes	(49,111)	(59,816)	(53,308)
Share of non-controlling interests attributable to current operations	(318,171)	(295,084)	(281,859)
Total expenses	**(782,159)**	**(767,294)**	**(729,290)**
FFO	**488,607**	**495,433**	**525,533**
FFO per share (NIS)	**2.82**	**2.87**	**3.05**

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

	For the Year	For the Year	For the Year	Q4	Q3	Q2	Q1
	2021	2020	2019	2021	2021	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits							
Revenues from rental fees and management of investment property	989,381	891,632	830,156	272,990	252,928	243,957	219,506
Fair value adjustments of investment property	1,715,469	(187,782)	995,791	1,366,335	(82,215)	472,903	(41,554)
Group share in the profits (losses) of associates, net	126,719	99,670	413,437	5,290	61,598	(14,518)	74,349
Net profits (losses) from investments in securities measured at fair value through profit or loss	43,822	(15,250)	24,711	(5,076)	36,464	(5,057)	17,491
Profit from decrease in rate of holding, from purchase and realization of associates	17,396	200,953	96,680	(41)	(63)	12,556	4,944
Revenues from sale of electricity and green certificates	260,836	261,803	237,126	71,337	65,330	66,022	58,147
Other revenues (expenses), net	8,264	(553)	1,027	4,975	(618)	3,870	37
	3,161,887	1,250,473	2,598,928	1,715,810	333,424	779,733	332,920
Costs and Expenses							
Cost of investment property rental and operation	104,404	74,622	67,990	33,355	28,205	24,321	18,523
Development, maintenance and operation costs of electricity-generating facilities	39,247	37,565	30,482	11,282	10,639	9,044	8,282
Depreciation and amortizations	84,947	82,598	60,549	21,964	22,755	21,557	18,671
Administrative and general	172,369	125,024	121,799	67,606	29,013	43,894	31,856
Financing expenses, net	402,476	270,529	341,651	89,223	119,164	127,660	66,429
	803,443	590,338	622,471	223,430	209,776	226,476	143,761
Profit before taxes on income	2,358,444	660,135	1,976,457	1,492,380	123,648	553,257	189,159
Income tax expenses	324,952	194,650	528,382	150,666	7,924	134,089	32,273
Net profit for the period	**2,033,492**	**465,485**	**1,448,075**	**1,341,714**	**115,724**	**419,168**	**156,886**
Distribution of net income for the period:							
Company shareholders' share	1,557,947	302,998	956,100	1,038,345	100,837	312,519	106,246
Share of non-controlling interests	475,545	162,487	491,975	303,369	14,887	106,649	50,640
	2,033,492	465,485	1,448,075	1,341,714	115,724	419,168	156,886

Comparison of 2021 operating results and 2020 operating results:

Revenues from rental fees and management of investment property – amounted to NIS 989 million in the reporting period, compared to NIS 892 million in the corresponding period last year, an increase of 11%. An increase of NIS 73 million is due to Amot's revenues, mainly due to a decrease in the relief granted to the tenants of the commercial centers compared to the previous year, as well as due to additional revenues from the purchase of new properties and from properties whose construction has been completed. The balance of the increase stems from revenues in the amount of NIS 25 million from new properties acquired by BE during 2021.

Fair value adjustments of investment property – In the reporting period, the Group recorded a profit from fair value adjustments of investment property in the total amount of NIS 1.7 billion, as follows:

- Fair value adjustments of BE's properties - A profit of NIS 975 million is mainly due to progress in the development program of properties in development located in the Cambridge Science Park and of a building located in the London City (Devonshire Quarter).
- Fair value adjustments of Amot's properties - A profit of NIS 740 million is mainly due to an increase in the CPI during the reported period and from a decrease in the discount rate in some Amot assets.

In the corresponding period last year, the Group recorded a loss from fair value adjustments of investment property in the total amount of NIS 188 million. Most of the loss was recorded in respect of the effect of the Corona crisis on commercial properties and the effect of the decline in the CPI on Amot's assets.

Group share in the profits of associates, net – the profit in the reporting period stems mainly from:

- Group share in AH Boston's profits – A profit of NIS 75 million was recorded in the reporting period, compared to a loss of NIS 4 million in the corresponding period last year. The increase in AH Boston's profits stems mainly from positive revaluations recorded in the reporting period 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. In the corresponding period last year, negative property revaluations were recorded due to the impact of the Corona crisis.
- Group share in Carr's profits – A profit of NIS 54 million was recorded in the reporting period, compared to a profit of NIS 129 million in the corresponding period last year. The decrease in Carr's profits is 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 from interest-fixing transactions in the amount of approx. USD 16 million (the Company's share – NIS 24 million), which was previously recorded directly in equity to profit and loss (the classification does not affect Carr's equity). In addition, in the corresponding period last year, revenue of a non-recurring nature was recorded from a termination fee in respect of the departure of a tenant in the amount of approx. USD 12 million (the Company's share - NIS 18 million).

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.

The profit in the reporting period stems mainly from the fair value adjustment of the Brockton Funds in the amount of NIS 25 million and from profit in the amount of NIS 16 million from the revaluation of the balance of the investment in PSP in the financial statements to the stock exchange value due to a change in accounting classification from "investment in an associate" to "investment in a security measured at fair value through profit or loss" at the end of the first quarter of the year. The loss in the corresponding period is mainly due to the decline in value of the Brockton Funds.

Profit from a decrease in rate of holdings, from the acquisition and realization of investees – The profit in the reporting period stems from a capital gain in the amount of NIS 12 million recorded as a result of Energix's sale of a consolidated partnership and a profit of NIS 5 million from the sale of the balance of PSP shares (100 thousand shares). The profit in the corresponding period last year, in the amount of NIS 201 million, stemmed from the sale of 3.1 million PSP shares.

Revenues from sale of electricity and green certificates – Revenues from the sale of electricity and green certificates in the reporting period are without significant change compared to the corresponding period last year. On the one hand, an increase in revenue from new photovoltaic projects in the United States in the amount of NIS 19 million and an increase in revenue from new facilities connected in Israel in the amount of NIS 4 million and on the other hand, a decrease of NIS 24 million in revenue from wind projects in Poland due to the decline in the capacity generated as a result of lower wind conditions and due to a decrease in the effective price of electricity (including the effect of the exchange rate) compared to the corresponding period last year.

Financing expenses – There was a NIS 132 million increase in financing expenses in the reporting period compared to the corresponding period last year. Most of the increase stems from the effect of the CPI, which rose by a rate of 2.4%, compared to a decline at a rate of 0.6% in the corresponding period last year.

Tax expenses – There was a NIS 130 million increase in tax expenses in the reporting period compared to the corresponding period last year. The increase is mainly due to tax expenses in respect of Amot's fair value adjustments of investment property and tax expenses in respect of an assessment agreement with the Income Tax Authority signed by the Company and Amot in the reporting period (for details, see Note 20d to the financial statements).

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

	For the Year	For the Year	For the Year	Q4	Q3	Q2	Q1
	2021	2020	2019	2021	2021	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Net profit for the period:	2,033,492	465,485	1,448,075	1,341,714	115,724	419,168	156,886
Profit (loss) from investment in Carr (1) (2)	(10,686)	(135,706)	(230,763)	(40,293)	(15,683)	(5,842)	51,132
Profit (loss) from investment in PSP (1)	(2,147)	10,919	(35,545)	-	-	-	(2,147)
Profit (loss) from investment in Boston properties (1)	(14,240)	(34,748)	(38,555)	(12,764)	(4,871)	(9,611)	13,006
Profit (loss) from investment in BE (1) (3)	(61,018)	(30,408)	(16,016)	(33,182)	(42,711)	(15,403)	30,278
Classification of profit from the realization of investment in long-term securities intended for realization in the statement of income (before tax) (4)	(1,628)	(36,335)	(5,885)	-	-	-	(1,628)
Profit (loss) from other investments (5)	(74,571)	(40,354)	(50,151)	(3,012)	(75,539)	(12,740)	16,720
Tax effects	(24,291)	1,999	(875)	(21,092)	(6,497)	(11,416)	14,714
Other comprehensive income (loss) for the period	(188,581)	(264,634)	(377,790)	(110,343)	(145,301)	(55,012)	122,075
Total comprehensive income (loss) for the period	**1,844,911**	**200,851**	**1,070,285**	**1,231,371**	**(29,577)**	**364,156**	**278,961**
Allocation of comprehensive income (loss) for the period:							
Share of Company shareholders	1,406,070	56,119	596,962	930,456	(7,830)	263,830	219,614
Share of non-controlling interests	438,841	144,732	473,323	300,915	(21,747)	100,326	59,347
	1,844,911	200,851	1,070,285	1,231,371	(29,577)	364,156	278,961

(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 an appreciation of the NIS by a rate of 3.3% and 4.3% against the USD and the GBP, respectively. In the corresponding period last year, there was an appreciation of the NIS by a rate of 7% and 3.7% against the USD and the GBP, respectively.

(2) The net profit (loss) from the investment in Carr in the reporting period included a profit of NIS 14 million in respect of the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr. In addition, in the reporting period, a profit of approx. NIS 24 million was recorded from the classification of a loss in respect of interest rate fixing transactions in the Midtown Center loan from capital reserves to profit and loss as a result of the sale of 49% of the property in the second quarter of the year.

(3) The net loss from the investment in BE in the reporting period and in the corresponding period last year included a profit of NIS 9 million compared with a loss of NIS 4 million, respectively, in respect of the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE.

(4) The profit (before tax) from realization of an investment in long-term securities intended for sale that was classified to the statement of income in the reporting period and in the corresponding period last year is in respect of the sale of the PSP shares.

(5) In the reporting period and in the corresponding period last year, mainly the effect of exchange rates on Energix (due to the appreciation of the NIS against the USD and the PLN). Also, in the reporting period, a loss was recorded from electricity price fixing transactions in Energix, compared with a profit in the corresponding period last year.

2.6 Cash flows

	2021	2020	2019
	NIS millions	NIS millions	NIS millions
Total cash provided by operating activities	**666**	**754**	**706**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(3,455)	(1,139)	(1,927)
Investment in electricity-generating facilities	(1,194)	(628)	(481)
Proceeds from the sale of PSP (net of tax)	187	1,359	440
Realization of (investment in) tradable securities	119	(49)	(27)
Acquisition of consolidated companies	(121)	-	(1,912)
Investment in Carr	-	(151)	(246)
Investment in Boston properties	(39)	(28)	(44)
Investment in Brockton Funds	(26)	(12)	(62)
Repayment of investment from Brockton Funds	-	10	65
Provision of loans	(95)	-	-
Net decrease (increase) in pledged deposits and restricted cash in Energix	(36)	137	(124)
Proceeds from repaid hedging transactions	117	25	19
Other	(28)	10	15
Total cash used in investing activities	**(4,571)**	**(466)**	**(4,284)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	2,138	428	1,582
Proceeds from the issue of bonds and bond options	2,263	2,300	2,745
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(1,563)	(1,705)	(1,260)
Capital raised by the Company	29	4	47
Capital raised by Amot (net of the Company's investment in Amot in the issue)	47	18	338
Capital raised by Energix (net of the Company's investment in Energix in the issue)	437	598	361
Acquisition of Amot and Energix shares from non-controlling interests	(10)	(22)	(14)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(471)	(457)	(460)
Other	-	-	(2)
Total cash provided by financing activities	**2,870**	**1,164**	**3,337**
Total increase in cash balances in the period	**(1,035)**	**1,452**	**(241)**
Other influences	**(17)**	**(9)**	**(1)**
Cash and cash equivalents at end of period	**1,163**	**2,215**	**772**

2.7 Equity

2.7.1 Equity per share

	As of December 31 2021	As of December 31 2020
	NIS millions	NIS millions
Equity	11,830	9,913
Less non-controlling interests	(4,192)	(3,511)
Equity attributed to Company shareholders	**7,638**	**6,402**
NAV per share	**43.89**	**37.04**
NNAV per share	**50.88**	**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 1,236 million. The main changes are as follows:

- Net profit attributable to Company shareholders in the amount of NIS 1,558 million – see additional details in Section 2.5.2 above.
- Other comprehensive loss attributable to Company shareholders in the amount of NIS 152 million – see additional details in Section 2.5.3 above.
- A reduction in capital due to dividends paid in the amount of NIS 246 million.

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

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of December 31, 2021 (in NIS millions):

Currency	Assets	Liabilities	Assets, net	%
USD	4,044	(2,546)	1,498	20%
GBP	3,253	(1,658)	1,595	20%
Other (mainly PLN and CAD)	170	(25)	145	2%
Excess assets over liabilities in foreign currency	7,467	(4,229)	3,238	42%
Excess assets over liabilities in NIS	4,856	(456)	4,400	58%
Equity as of December 31, 2021	12,323	(4,685)	7,638	100%

- In 2021, the Company's capital was reduced by approx. NIS 140 million, net (before the tax effect) due to changes in the NIS against the foreign currencies in which the Group operates (mainly changes against the USD and the GBP).

For details regarding the Company's currency exposure policy, see Section 4.2.1 below.

2.7.4 Dividends

In March 2022, the Company's Board of Directors made a decision regarding the dividend policy for 2022 according to which a total dividend of NIS 1.26 per share will be paid in 2022, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters - NIS 0.31 per share, and at the end of the third and fourth quarters - NIS 0.32 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 addition, at its meeting in March 2022, the Company's Board of Directors decided to distribute an additional dividend in respect of 2021 in the amount of NIS 0.44 per share (NIS 77 million).

For information regarding dividends distributed by the Company in 2021 – see Note 16(d) to the financial statements.

2.8 Remuneration of Senior Employees

On October 9, 2018, the General Assembly approved the remuneration policy, which adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: the "**Existing Remuneration Policy**").

On October 6, 2021, the General Assembly approved a new remuneration policy for Company officers in effect from January 1, 2022 for the years 2022-2024 (hereinafter: the "**New Remuneration Policy**").

The Remuneration Committee and the Board of Directors at their meetings of March 16, 2022 and March 22, 2022, respectively, discussed and determined the annual bonus for the VPs in respect of 2021 according to the existing remuneration policy, and the economic value of the capital bonus to be granted to each of the VPs in 2022 according to the new remuneration policy.

The Remuneration Committee and the Board of Directors examined, with respect to each VP separately, all the criteria determined in the remuneration policy (the existing policy and the new policy, as relevant), and stated, among other things, that:

(a) The bonuses offered are for the benefit of the Company in the long term.

(b) The total remuneration of each one of the VPs, including the remuneration of the VP of Business Development and the CFO, including the variable components, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), is in accordance with the remuneration policy and constitutes a fair consideration for the contribution of each VP to the Company's operations and its results.

(c) They do not believe that the bonuses detailed above will have an effect on employment relationships in the Company.

For information regarding the remuneration terms for 2 Company officers (VPs), see Regulation 21 in the Additional Information on the Corporation chapter of the Periodic Report.

Remuneration of the Company CEO -

On October 9, 2018, the General Assembly approved a management agreement with a company owned by Mr. Nathan Hetz, the Company CEO (hereinafter, in this paragraph: "**the Management Company**") in accordance with the existing remuneration policy, for a period of three years beginning January 1, 2019. On October 6, 2021, the General Assembly approved a new management agreement with the Management Company, in accordance with the new remuneration policy, for a period of three years beginning January 1, 2022. For additional information, see Note 18(a) to the financial statements.

Remuneration of the Chairman of the Company's Board of Directors -

On October 9, 2018, the General Assembly approved a management agreement with a company owned by Mr. Aviram Wertheim, Chairman of the Company's Board of Directors (hereinafter, in this paragraph: the "**Management Company**") for a period of three years beginning January 1, 2019, and for as long as he serves as Chairman of the Company's Board of Directors. On October 6, 2021, the General Assembly approved a new management agreement with the Management Company, in accordance with the new remuneration policy, for a period of three years beginning January 1, 2022. For additional information, see Note 18(b) to the Financial Statements.

Remuneration of officers -

Regarding the terms of office and employment of the seven officers with the highest remuneration among the senior executives of the Company or of companies under its control, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) 1970 (of which three are officers of the Company itself), see Regulation 21 in the Additional Information on the Corporation chapter in the Periodic Report.

Regarding the granting of option warrants to officers and employees of the Company, see Note 16(e) to the financial statements. Regarding the granting of option warrants to directors, see Note 18(c)(2) to the financial statements.

3. Sustainability and Social Responsibility – Environmental Risk Management, Environmental Responsibility and the Environmental Impact on the Group's Activities (ESG) -

The Group operates in all its branches around the world, out of awareness of its responsibilities and the environmental consequences resulting from its activities, out of a commitment to minimize the environmental impacts of its activities, with an emphasis on sustainability. The Group recognizes that proper environmental risk management may provide it with a business advantage that will benefit it, its employees and its customers and increase trust in the community. Therefore, the Group works to integrate environmental considerations into the business and management decision-making system of the Group companies.

From 2006, the Company has been given an ESG rating by Maala. As of the reporting date, the Company is rated at the **gold rating level**.

During the reporting period, the Group companies began the processes of creating ESG reports in accordance with accepted international standards and accordingly, Energix published a corporate responsibility report for the first time during the last quarter of 2021. Amot is expected to publish its ESG report for the first time during the first half of 2022.

The aspects of sustainability and social responsibility applied in the Company can be characterized in several areas, as will be explained below, while the Company's management believes that the impression and the main impact of the Group on the environment and community is in the characteristics of the income-generating properties developed by the Group companies, as detailed in the "Environment" section below.

1. **Environment -**

Green construction, or sustainable construction, refers to an environmentally responsible and resource-efficient process throughout the life cycle of a building. Green buildings are designed to reduce the overall impact of the built up environment on human health and the natural environment through the efficient use of energy, water and other resources, and by reducing pollution. The Group promotes the integration of green building methods in all of the Group companies' planning, development and improvement programs, in accordance with the accepted, strict and advanced international sustainability standards that exist in the green construction industry that ensure the preservation of the environment and the health of the Group's customers, such as:

- Building Research Establishment Environment Assessment ("BREEM")
- Leadership in Energy and Environmental Design ("LEED")
- WELL Building standard and National Australian Built Environment Rating System UK ("NABERS UK")

Some examples:

A. **The Leadership in Energy and Environmental Design Standard (hereinafter: "LEED")** – The LEED standard, which was drafted by the U.S. Green Building Council, includes five main categories as follows: sustainable sites; efficient use of water; energy and atmosphere; materials and resources; and the environmental quality within a building.

All projects initiated and in development by the Group are planned in accordance with the most stringent LEED standards, LEED Platinum or LEED Gold.

Amot - It should be noted that the Amot Atrium project, which was built by the Group in Ramat Gan, has received the LEED Platinum standard. After that, the "ToHa1" project in which the Group is a partner also received that standard. In 2021, two Amot buildings were LEED-certified - the Amot Holon Campus received the LEED Platinum rating and Amot Modi'in received the LEED Gold rating.

In addition, Amot has projects that are, as of the date of the report, under construction with sustainability standard targets as follows: Vered House Givatayim - LEED Platinum, Park Afek Rosh HaAyin - LEED Gold, HaLehi Complex Bnei Brak - LEED Platinum and the K Complex Jerusalem - LEED Platinum.

Carr - Close to the date of publication of the report, the Group, through Carr, completed the construction of the Signal House building in Washington, D.C., USA and as of the date of publication of the report, the Group, through Carr, is in the advanced stages of construction of the One Congress building in Boston, USA. The standard targets of the above two buildings are: LEED Gold for the envelope and for the core, Energy Star, FITWEL V2 and UL Verified Healthy Buildings. The buildings have been / will be equipped with energy saving systems (efficient curtain walls, real-time energy intelligence systems, etc.), electrified heating systems to reduce carbon emissions, ventilation and air filtration systems, natural light systems and no-contact access to maintain tenants' health.

B. **Energy Reset Construction and Reduction of Carbon Footprint "Net Zero Carbon"** - Energy reset buildings during the operation period are structures that produce for themselves the energy they consume. That is, they do not consume energy from external sources or the total energy they produce is equal to the total energy they need. The taller the building, the greater the challenge of resetting it energetically. When a new building is built, the "consumption" of carbon per sq.m. is measured and this is offset against investments in "green" projects.

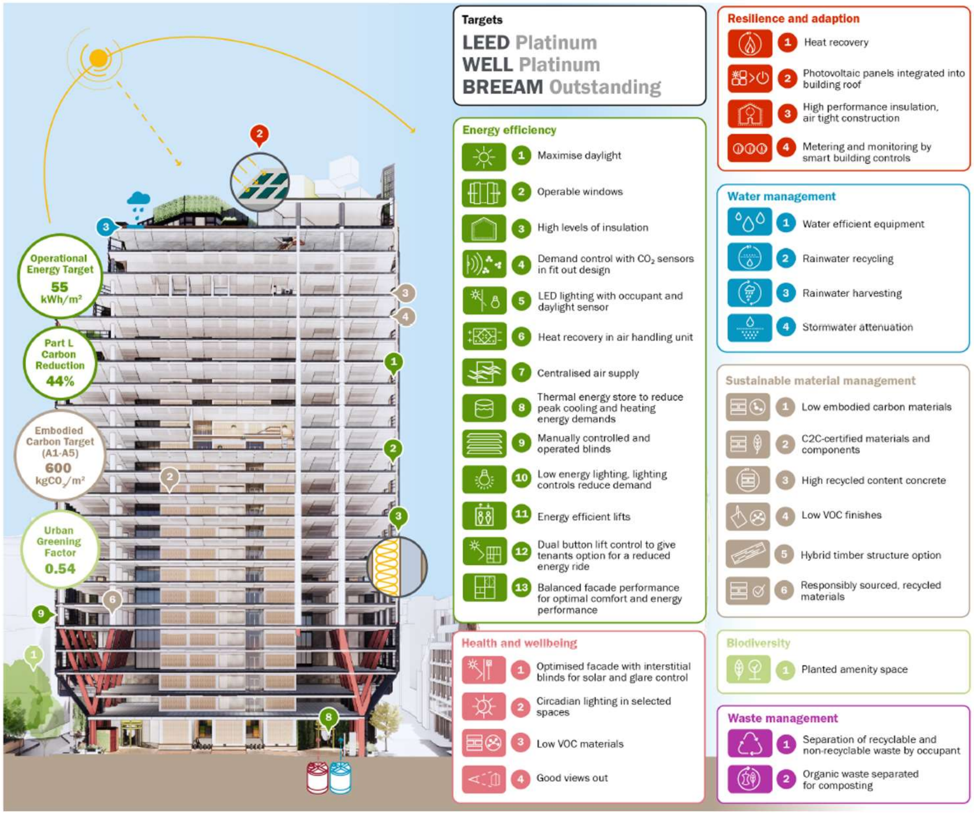
The Group works, in Israel and abroad, to reduce the carbon footprint of its properties, as a vision for achieving the "Net Zero Carbon" standard, as follows:

Amot - An office project in the Modi'in industrial zone was selected by the Ministry of Energy as a test case for an energy reset building in Israel.

BE - The Group operates in the UK, through BE, to ensure that the entire asset portfolio achieves net zero carbon emissions by 2030. In this context, BE is currently completing a full measurement of the carbon signature of its properties in accordance with the Greenhouse Gas Protocol standard and in addition, it conducts an assessment of the expected carbon emissions of properties in initiation and planning according to the Whole Life Carbon (WLC) standard.

In the properties planned for construction, BE set a planning target according to which the carbon emission for the construction of a building in development will not exceed 600 kilos of carbon per sq.m. for rent, according to the standard of the London Energy Transformation Initiative (LETI) and energy utilization during the operating period not exceeding 55 KW per sq.m. leased for one year (55 KWh/m2/yr GIA).

As of the date of publication of the report, BE is in advanced planning procedures for an office building in the City of London, the Dovetail Building, which will meet the standards: BREEM Outstanding rating, Well Platinum and LEED Platinum[29].



Overview of our key ESG targets for The Dovetail Building

In addition, as of the date of publication of the report, BE is in the initial planning procedures of buildings at the Cambridge Science Park, whose planning objectives include, among other things: zero carbon emissions upon completion and operation and emission targets during construction between 475 and 600 kgCO2e/m2 GIA, energy use (for the entire building) between 200 and 250 KWh/m2 GIA and elimination of waste and improvement of resource efficiency through recycling in the range of 30%-50%.

C. The Israeli standard for green building (5281) – The standard includes several categories for review, including: energy, water, materials, waste, health, transportation and more, as well as a number of indicators for defining a green building. The standard is divided according to common building types, including residential buildings. offices, educational institutions, commerce and public buildings. In this context, it should be noted that the "Amot Platinum" office tower in Petah Tikva is the office tower that received the highest score in Israel in this category.

[29] Among the planning objectives of the building: reduction of carbon emissions by 44% in relation to the UK Building Regulations Part-L 2013 standard and with the aim of reaching the target of zero carbon emissions; achieving a factor of 0.53 according to Urban Greening (well beyond the 0.3 required by the standard); 50% reduction of water use in accordance with the BREEM WAT 01 standard; meeting LETI targets for energy efficiency during construction - the carbon emissions from the construction of a building in development will not exceed 600 kilograms of carbon per sq.m. for rent; meeting LETI targets for energy efficiency in the operational stage - 55 KW per sq.m. leased per year; and replacement of fresh air at a capacity of 20 liters / per second / per person.

D. Along with the compliance with the most stringent environmental standards in construction, the Group currently uses advanced construction technologies, such as the following:

1.) Double Skin Facade – A technology for the exterior cladding of buildings, using a double glass wall (which provides thermal and acoustic insulation) and an automatic shading system that follows the angle of the sun and allows maximum natural light to enter the building without direct radiation (the system is controlled by an automatic control system).

2.) Use of recycled materials – The Group companies make sure to use materials with recycled content, in accordance with the stringent requirements of the LEED Platinum standard.

3.) The buildings are equipped with efficient and environmentally friendly air systems that measure the indoor air quality, systems for water utilization for reuse and charging stations for electric vehicles are installed. The Group's companies are working to improve the performance of the electromechanical systems in their properties, such as the replacement of air conditioning systems, which constitute a significant energy consumer in their properties.

In summary and for convenience, the following is a list of the Group's projects that are or are preparing to meet the sustainability standards detailed above:

The Company	The Property	Location	Development Stage as of the Reporting Date	Types of Standardization
Amot Investments Ltd.	Amot Holon Campus	Holon, Israel	Finishing work	LEED Platinum
	Amot Modi'in	Modi'in, Israel	Finishing work	LEED Gold
	Vered House	Givataim, Israel	Under construction	LEED Platinum
	Park Afek	Rosh HaAyin, Israel	Building rights received	LEED Gold
	HaLehi Complex	Bnei Brak, Israel	Advanced stages of reinforcement, excavation and foundation work	LEED Platinum
	K Complex	Jerusalem, Israel	Excavation work	LEED Platinum
	ToHa2	Tel Aviv, Israel	Beginning construction	LEED Platinum
	Amot Atrium	Ramat Gan, Israel	Income-generating property	LEED Platinum
	ToHa1	Tel Aviv, Israel	Income-generating property	LEED Platinum
Carr Properties	One Congress	Boston, United States	Under construction	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	Signal House	Washington D.C., United States	Construction work completed	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	The Wilson & The Elm	Bethesda, United States	Construction work completed	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	4500 EAST WEST	Bethesda, United States	Income-generating property	LEED Platinum Energy Star certification, WELL Health-Safety Rating, UL Verified
	MIDTOWN CENTER	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	100 CONGRESS	Austin, Texas	Income-generating property	LEED Gold, Energy Star certification
	75-101 FEDERAL STREET	Boston, United States	Income-generating property	LEED Gold, Energy Star certification
	1700 NEW YORK AVE	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	1701 DUKE STREET	Alexandria, United States	Income-generating property	Energy Star certification, WELL Health-Safety Rating, UL Verified
	THE HUB	Washington D.C., United States	Income-generating property	LEED Silver, Energy Star certification, WELL Health-Safety Rating, FITWEL v2 (pending) UL Verified

	2001 PENN	Washington D.C., United States	Income-generating property	Energy Star certification, WELL Health-Safety Rating, UL Verified
	901 K STREET	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, Fitwel Certification UL Verified
	1875 K	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	COLUMBIA CENTER	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	CLARENDON SQUARE	Arlington, United States	Income-generating property	WELL Health-Safety Rating, UL Verified
	200 STATE	Boston, United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	2311 WILSON	Arlington, United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
Brockton Everlast	The Dovetail Building	London, UK	In advanced planning	BREEM Outstanding rating, Well Platinum -ו LEED Platinum
	Buildings in the Cambridge Science Park	Cambridge, UK	In initial planning	BREEM Outstanding rating, Well Platinum -ו LEED Platinum

All stated in this section above, regarding projects in planning, development and construction of Group companies, including in relation to the Group companies achieving the sustainability targets they have set for themselves, is forward-looking information that is not under the complete control of the Group companies, and also depends, among other things on the manner in which the properties will be utilized by the tenants.

2. Renewable energy -

The Group is engaged, through Energix Renewable Energy Ltd., in the development, construction and operation of electricity-generation systems from solar and wind energy in Israel, the United States and Poland. The Group, through Energix, has set itself the goal of becoming a private electricity producer, taking an active and leading role in the green energy revolution. The Group emphasizes the creation of additional added value, which is reflected in the Triple Win strategy: contribution to the environment, contribution to the community and added value to the Group's activities, such as establishing projects in the periphery, while investing in infrastructure and creating hundreds of jobs that contribute to the community in which the project is built and to the environment. Such projects help the economic development of the region by creating an additional source of income for landowners and sources for paying taxes and property taxes that strengthen local and/or regional councils in the periphery.

In addition, Amot generates electricity using photovoltaic systems and uses them for the needs of its customers, and purchases electricity from companies that generate electricity using wind turbines and solar energy.

It should be noted that the Group, through Energix, actively supports and participates in the financing of the establishment of visitor centers for education and to expose the younger generation to the sustainability field, with an emphasis on the environment and preservation of the earth's resources.

3. Corporate governance -

The Group conducts itself in accordance with procedures and high standards of corporate governance, strict ethical standards in the business conduct and supports a high level of transparency. Among the Group's core values: fair business conduct, managers' responsibility for their employees, maintaining individual confidentiality and privacy, safeguarding employees' rights and family values.

The Company has an ethical code that presents the above core values, and its policy on social, environmental and community issues, which is published on the Company's website.

It should be noted that 5 of the 8 directors who serve on the Company's Board of Directors are independent directors (including external directors).

4. Proximity to public transportation -

The Group works, in its various branches around the world, to develop projects close to public transportation in order to reduce the use of polluting private transportation, and encourages the use of non-polluting tools by creating designated areas for bicycle parking, installation of charging stations for electric vehicles, etc., in new projects and projects in development.

5. Social responsibility -

The Group considers itself as an integral part of its community and with this in mind, the Group supports many charities, which share its values, such as: reducing inequality, helping and promoting young people, organizations and initiatives related to health and child education and more. The following are several examples of the Group's activities in this area:

- **Contribution to the community -** During 2021, the Group in Israel made contributions in the amount of approx. NIS 6.7 million.
- **Volunteering -** The Group companies encourage their employees to contribute to the community by volunteering and initiate organized volunteering days for employees who are interested. The Group's employees volunteer, among other things, in the education of Beduin youth, in agriculture, protection of agricultural fields, preparation of food packages, the Israel Police and more.
- **Reduction of inequality in minority groups -** The Group, through Energix, creates collaborations with the Bedouin community in the south of Israel, including holding enrichment workshops and seminars, and also with the Druze community in the north of the country, including providing scholarships for pre-military preparatory schools.
- **Gender equality -** 40% of the Group's employees in Israel are women. 29% of the Group companies' employees in Israel are women and 42% of the Group companies' directors in Israel are women.
- **Accessibility -** Most of the group's properties are fully accessible to people with disabilities, in recognition of the importance of equal rights for people with disabilities.
- **Environmental development -** The group works to develop ancillary facilities in its various projects for the benefit of its customers and the public, such as: open and shaded gardens (by building tall buildings and clearing the land resource for the public), ornamental pools, green roofs, some of which are open to the general public, conference halls, restaurants and cafes (even when it is not economically viable for the Group).
- **Capital remuneration -** The Company considers the great importance of its employees identifying with its goals and accordingly, the Company employees enjoy capital remuneration. Each year, the Company allocates, without consideration, non-tradable option warrants that can be exercised for the Company's shares, on preferential terms, from a long-term perspective.
- **The Corona crisis -** During the Corona crisis, and out of a sense of social responsibility, the Group thought it appropriate to maintain its workforce and refrained from sending workers on unpaid leave and/or layoffs and even refrained from reducing wages.

The Group intends to continue to operate, out of a commitment to environmental and social responsibility, while integrating environmental considerations and environmental risk management into the business and managerial decision-making system of the Group companies, in order to benefit the environment, society and community in which the Group operates.

4. Market risk exposure and management

Mr. Nathan Hetz, the Company's CEO, is responsible for the risk management. For details in his regard, see the reporting according to Regulation 26 in the report on Additional Information on the Corporation.

4.1 Description of market risk to which the company is exposed::

The Group's business results and the value of its properties are affected by the following factors:

- The Company's management estimates that the appearance of a severe global recession, to the extent it occurs, will affect the Group's income from its income-generating property activities in Israel and in the markets in which it operates. These effects may be reflected in a slowdown and/or a decline in demand with the possibility of a decrease in prices and/or a decline in the value of the income-generating properties. Decreases in share prices may, among other things, have an adverse affect on the compliance with financial ratios, lead to an increase in financing prices, difficulty in obtaining financing sources and difficulty in the recycling of existing loans.
- Amot, Carr, the Boston property companies and BE operate in the income-generating property market in Israel, the U.S. and in the UK (respectively) and are exposed to risks including: economic slowdown, decline in demand for rental space (including possible implications of a transition to a hybrid work model that combines work at the office and from home), decrease in rental prices, excess speculative construction, an increase in the cost of raising capital, an impairment of the strength of major tenants and an increase in the prices of construction inputs, including delays in the supply chain to projects in development and an increase in equipment and shipping costs.
- Most of the Group's continuing operations are carried out through the holding of shares in the companies holding income-generating property in Israel, the U.S. and the UK. Consequently, the changes in interest rates (and in their risk margins), the exchange rates and the demand for real estate in the above countries may have a material impact on the Group's business results. In addition, the volatility of the stock markets in which the shares of some of the Group's companies are traded may have an effect on the ability to realize them and on their future value, if and when the Group seeks to realize these investments as well as on the financial covenants related to the value of collateral connected with the loans taken by the Group.
- The Group is dependent on the capital market and the banking system from which it raises capital and debt. The Group's activity in the capital market is subject to fluctuations due to the influence of macroeconomic factors in Israel and abroad and regulatory changes on which the Group has no influence. These fluctuations affect the rates of securities traded on the stock exchange, the amount of the credit sources provided by the banking system and the extent of the public's activity in the capital market. These fluctuations may affect the Group and the options it will have at its disposal for raising the financing sources that will be needed to continue its operations.
- The Company has CPI-linked NIS financing sources (mainly bonds). As a result, the Group is exposed to changes in the CPI. As of December 31, 2021, the Company's net exposure (expanded solo) to the CPI amounted to NIS 0.5 billion (excess liabilities over assets). Because the Company considers its investment in Amot, and part of its investment in Energix (the CPI-linked part), as CPI-linked investments from an economic perspective (for the long term), the Company has excess assets over CPI-linked liabilities in the amount of NIS 4.1 billion as of December 31, 2021.
- The Group is exposed to changes in the short-term and long-term interest rates in the international markets in which it operates. In addition, the investees have loans that are linked to the SONIA, WIBOR and Libor interest rates, as well as transactions in derivatives for these loans.
- The Group has investments and sources of financing denominated in foreign currency. Therefore, the Group is exposed to changes in the exchange rates of these currencies against the NIS.
- The Group, through Energix, is exposed to the risk of a decline in the price of green certificates or a decline in the demand for them, and as a result, it is exposed to a reduction in the flow of revenues from the Group's projects in Poland and in the U.S. The Group is also exposed to changes in electricity prices in Poland and in the U.S.
- The Group's revenues from the sale of electricity are exposed to changes that may occur in the Israeli, American and Polish regulatory environments, among other things, regarding tariffs set for the sale of electricity, to the various conditions Energix must meet in order to receive the licenses for the construction of renewable energy facilities, the regulatory conditions in Poland, changes in the Polish Renewable Energy Law, changes in the American tax regime, such as a reduction in the tax benefits granted to photovoltaic facilities.
- The Group's revenues from the sale of electricity are significantly affected by weather conditions. At wind farms, revenues are affected by the strength of the wind and photovoltaic systems are affected by the intensity of solar radiation (radiation level and hours of radiation), temperature conditions and other climatic parameters. In addition, extreme weather conditions can also lead to delays in project construction or in extreme cases, to the temporary shutdown of electricity-generation systems.

The following are the risk factors described above and their impact, according to the Company's management, on its business results:

	Degree of Risk Factor's Impact on the Company's Activity	
	Major	**Moderate**
Macro-economic risk factors:		
Interest risks	X	
Changes in exchange rates	X	
Lack of growth and severe economic recession	X	
Changes in the value of tradable securities	X	
Regulatory changes in banking, capital markets and taxation	X	
Change in employment rate	X	
Changes in inflation rates		X
Industry risk factors:		
Change in the demand for rental space	X	
Changes in rental prices	X	
Excess speculative construction	X	
Increase in capital raising cost	X	
Financial strength of tenants		X
Increase in construction input costs, including delays in the supply chain for projects in development and rising equipment and shipping costs		X
Changes in electricity prices and in the price of green certificates in Poland		X
Changes in the regulatory environment in Israel, Poland and the U.S. regarding Energix's activity in these countries		X
Cyber risk		X
Weather conditions, seasonality and climate change		X

For details regarding interest, inflation and currency exposure risks, see Note 22 to the financial statements.

4.2 The Corporation's policy for market risk management

4.2.1 The Company has a policy of partially hedging the currency exposure for its investments, as follows: 35%-45% of the Company's capital will be "allocated" (through hedging as required) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio (according to market value on an expanded solo basis), but the Company's management will have the authority to increase or decrease exposure in each currency.

Regarding the exposure of the Company's equity to the various currencies, see Section 2.7.3. above.

Regarding financial derivative positions, see Note 22 to the financial statements.

4.2.2 The Group has a conservative financial management policy that is reflected in financial flexibility resulting from maintaining a high level of unencumbered assets and long-term average durations of financial liabilities, while carefully maintaining unutilized credit facilities (except for short-term facility utilization as needed) and reasonable leverage ratios.

4.2.3 The Group companies invest, on a cumulative basis, in hundreds of income-generating properties with an extensive variety of thousands of tenants that generates a regular, steady and long-term cash flow.

4.2.3 The Group companies with a significant development component, engage with construction contractors in contracts that include structured engineering milestones, including mechanisms to protect against increases in project costs.

4.3 Means of monitoring and implementing the Corporation's market risk management policy

The Company's CEO and CFO regularly monitor developments in relevant markets. In the event of unusual developments in the currency and interest markets, they study the data, and from time to time reach decisions to perform actions in the derivative markets in order to protect against interest and exchange rate risks.

The Company's Board of Directors receives reports on developments in the market risk management, if any, on a quarterly basis.

4.4 Cyber risk

The Company has various databases. The Company estimates that the amount of damage that could be caused it as a result of a cyber attack is not high. Nevertheless, the Company is assisted by information security consultants, and purchases systems designed to protect against cyber threats, loss of information, the risk of information hijacking and destruction by malicious parties, and works to back up information and the ability to recover quickly in the event of an attack.

In addition, the Group companies operating in the field of income-generating property have various databases that contain both confidential and personal information in relation to their customers. Failure and/or an information security event in relation to the systems used by the Group companies and in which such information is stored, may affect their ongoing activities, their customers, the provision of the services provided by them and their reputation. However, the Group estimates that the extent of the damage that may be caused to it by a cyber attack is not high. Nevertheless, each of the Group companies works to secure the information accumulated in their systems and, for that purpose, is assisted by information security consultants. The Group companies work to implement technological and organizational measures, including work procedures for the purpose of securing information from unauthorized discovery and/or use and/or loss of information, including dealing with cyber attacks and recovery in the event of an attack.

Energix, which operates in the field of renewable energy, makes regular use of information technology systems, communications and data processing systems. Any damage to such systems may expose Energix to delays and disruptions in the supply of electricity generated at its facilities and/or cause damage to the information in its possession. In addition, Energix also has various databases that are located in various technological systems, which it uses for its ongoing operations. Energix works with the assistance of Energix's Information Systems Manager, Information Security Manager (CISO) and other external professional consultants, from time to time, to protect its various systems from cyber attack and to maintain rapid recovery capability in the event of an attack, all while regularly updating the various measures in accordance with the latest technological developments.

During the reporting period, Energix worked to strengthen the resilience of its information security system, including the implementation of an identification and response system for cyber events, a 24/7 monitoring and notification service, a two-step verification mechanism for remote access to Energix systems and to the email, a solution for detecting malware and a system for detecting and preventing phishing attempts. At the same time, it should be clarified that there can be no certainty regarding the ability of Energix to completely prevent cyber attacks. Also, despite the many actions taken by Energix to prevent cyber attacks, the occurrence of such an event may have a material effect on Energix's activity. In addition, Energix may be required to bear the costs of protecting information systems as well as repairing damage caused by such attacks to the extent they occur including, for example, establishing internal defense systems, implementing additional safeguards against cyber threats, protecting against litigation as a result of a cyber attack, payment of compensation or taking other corrective action against third parties.

The risks mentioned in Section 4 above are the risks that, according to the Company management's estimates, may have a specific impact on the Company due to the nature and scope of its activities. It should be noted that other risks that are not necessarily specific to a company of the this type may have an influence on the Company, including risks of war, hostilities, regulation risks, changes in fiscal policy, economic crises and geopolitical crises in countries in which the Group operates.

5. Aspects of Corporate Governance

5.1 The Company Board of Directors; Board Members with Accounting and Financial Capabilities

As of the date of publication of this report, the Company's Board of Directors consists of 8 members, 6 of whom have accounting and financial expertise.

5 members of the Board of Directors (2 of which are external directors) are independent directors (as the term is defined in the Companies Law).

During 2021, 12 meetings of the Company's Board of Directors were held, with the average attendance of members of the Board of Directors at 96%.

The Company considers Messrs. Aviram Wertheim, Nathan Hetz, Gittit Guberman, Prof. Zvi Eckstein, Mia Likvernik and Shlomi Shuv, who serve on the Company's Board of Directors, as having accounting and financial expertise, based on their education and business experience as specified in Regulation 26 in the Additional Information on the Corporation.

For details regarding the minimum number of directors with accounting and financial capabilities appropriate for the Company, see Section 9(a) of the Corporate Governance Questionnaire attached to the Periodic Report.

5.2 The Company's accountant - for details regarding the Company's accountant, see Appendix D.

5.3 The Company's internal auditor – for details regarding the Company's internal auditor, see Appendix C.

5.4 Internal enforcement plan

On May 21, 2012, the Company adopted an internal enforcement plan regarding securities, which was updated in August 2013. On November 20, 2019, the Company adopted a new internal enforcement plan regarding securities that replaced the previous plan as of that date. The above two enforcement plans were prepared in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15, 2011.

5.5 Charitable Donations

According to the Company's policy on donations, it regularly allocates up to 1.4% of the Group's annual profits (not including the real estate value adjustment and capital gains component) for contributions to the community that are mainly dedicated for mainly intended for supporting, educating and helping disadvantaged youths.

Within the framework of this policy, in 2021 the Group contributed a total of NIS 6.7 million to non-profits and organizations with the aforementioned goals (2020: NIS 6.2 million and 2019: NIS 6.3 million).

To the best of the Company's knowledge, and according to a review conducted, there are no links between entities to whom the amount of contributions in 2021 exceeded NIS 50 thousand, and the Company and/or a Director and/or the CEO, except:

1. During 2021, the Group donated NIS 95 thousand to the Hetz Vamatara Association. The Hetz Vamatara Association is an association founded by the daughters of Mr. Nathan Hetz, a Company director and CEO, in which Ms. Adva Sharvit, a Company director, serves as CEO. The Association operates a bicycle riding center for at-risk children and youths.
2. The Lasova Association, to which the Company has donated for over 20 years, in order to maintain three youth homes (Hetz-Kadima)[30], and the Society for the Advancement of Education in Tel Aviv-Yafo[31], both of which sent groups of at-risk youths to activities at the Hetz Vamatara Association for a payment of 35% of the cost of the activity.
3. Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, is a member of the "Masa Israeli" (I Belong Israel) organization[32].
4. During 2021, the Company donated a total of NIS 100 thousand to the IDC Herzliya ("**Reichman University**") for the establishment of the "Reichman Foundation" for the provision of scholarships to needy students. Prof. Zvi Eckstein is the Dean of the School of Economics at Reichman University and CPA Shlomi Shuv is the Head of the Accounting Program and the Deputy Dean of the School of Business Administration at Reichman University.

6. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 25 to the financial statements.

7. Dedicated disclosure for bondholders

For details regarding bonds issued by the Company and regarding the rating reports, see Appendix E below.

In 2021, the Company donated NIS 1,370 thousand to the Lasova Association.30
31. In 2021, the Group donated NIS 260 thousand to the Society for the Advancement of Education in Tel Aviv-Yafo.
32 In 2021, the Group donated the amount of NIS 150 thousand to the Masa Israeli.

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 – Details of the Company's Internal Auditor

Appendix D – Details of the Company's Accountant

Appendix E – Details of Bonds Issued by the Company

Appendix F – Information regarding Material Valuations

Appendix A – Financial Information, Expanded Solo

1 Financial Statements – Expanded Solo

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

1.1 Condensed expanded solo balance sheet (NIS thousands):

	As of December 31	As of December 31
	2021	2020
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	113,137	602,932
Tradable securities	-	39,537
Investment in associate held for sale	-	200,311
Loan to a consolidated company	153,854	-
Other accounts receivable	151,062	105,791
Total current assets	418,053	948,571
Non-current assets		
Securities measured at fair value through profit and loss:	157,341	186,335
Investments in Investees	11,653,879	9,589,274
Others	93,817	67,334
Total non-current assets	11,905,037	9,842,943
Total assets	**12,323,090**	**10,791,514**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	481,587	347,541
Other accounts payable	245,586	123,069
Total current liabilities	727,173	470,610
Non-current liabilities		
Bonds	3,620,795	3,461,797
Loans from banking corporations and others	-	593
Deferred taxes	335,818	446,365
Others	1,130	10,283
Total non-current liabilities	3,957,743	3,919,038
Equity	7,638,174	6,401,866
Total liabilities and equity	**12,323,090**	**10,791,514**

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

	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Group share in the profits of associates, net	1,657,741	306,656	1,124,095
Profit from decrease in rate of holding, from purchase and realization of investees	5,030	200,953	96,680
Net profits (losses) with respect to investments in long-term securities and securities held for sale	43,265	(15,250)	24,711
Other revenues, net	19,172	14,134	14,424
	1,725,208	506,493	1,259,910
Expenses			
Administrative and general (including contributions)	39,464	32,757	37,392
Financing expenses, net	99,091	96,659	97,410
	138,555	129,416	134,802
Profit before taxes on income	1,586,653	377,077	1,125,108
Income tax expenses	28,706	74,079	169,008
Net profit for the period	**1,557,947**	**302,998**	**956,100**

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

	Bonds(*)	Bank Loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current Maturities	472,395	5,455	477,850	12
Second Year	471,532	-	471,532	12
Third Year	521,836	-	521,836	13
Fourth Year	522,320	-	522,320	13
Fifth year	524,030	-	524,030	13
Sixth year onward	1,518,323	-	1,518,323	38
Total repayments	4,030,436	5,455	4,035,891	100
Others			96,885	
Asset balance in connection with foreign currency forward transactions			(216,228)	
Total financial debt (taking foreign currency forward transactions into account)			3,916,548	

(*) 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. For additional information, see Note 11(c) to the financial statements.

(**) The table does not include bonds issued by the Company subsequent to the balance sheet date by way of an expansion of existing bond series. For details, see Section 2.4.3 above.

For information regarding the Company's total financial debt (expanded solo) as of December 31, 2021, see Section 2.4.3 above.

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

As of December 31, 2021 **NIS thousands**	In Unlinked NIS	In CPI-Linked NIS	In USD	In GBP	Other (Mainly PLN and CAD)	Total Total	Adjustments - Non-Monetary Items	Total
Current assets								
Cash and cash equivalents	8,814	-	16,454	87,735	134	113,137	-	113,137
Loan to a consolidated company	-	-	-	153,854	-	153,854		153,854
Other accounts receivable	143,428	-	124	-	-	143,552	7,510	151,062
Total current assets	152,242	-	16,578	241,589	134	410,543	7,510	418,053
Non-current assets								
Securities measured at fair value through profit and loss:	145	-	-	157,196	-	157,341	-	157,341
Investments in associates	-	-	-	-	-	-	11,653,879	11,653,879
Others	90,531	-	-	-	-	90,531	3,286	93,817
Total non-current assets	90,676	-	-	157,196	-	247,872	11,657,165	11,905,037
Total assets	242,918	-	16,578	398,785	134	658,415	11,664,675	12,323,090
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	261,150	219,863	574	-	-	481,587	-	481,587
Other payables	66,448	19,835	132	-	31	86,446	159,140	245,586
Total current liabilities	327,598	239,698	706	-	31	568,033	159,140	727,173
Non-current liabilities								
Bonds	3,393,493	227,302	-	-	-	3,620,795	-	3,620,795
Deferred tax liabilities	-	-	-	-	-	-	335,818	335,818
Others	105	-	778	-	-	883	247	1,130
Total non-current liabilities	3,393,598	227,302	778	-	-	3,621,678	336,065	3,957,743
Total liabilities	**3,721,196**	**467,000**	**1,484**	**-**	**31**	**4,189,711**	**495,205**	**4,684,916**
Excess assets over liabilities (liabilities over assets)	(3,478,278)	(467,000)	15,094	398,785	103	(3,531,296)	11,169,470	7,638,174
Financial derivatives	3,856,947	-	(2,212,703)	(1,644,244)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	378,669	(467,000)	(2,197,609)	(1,245,459)	103	(3,531,296)	11,169,470	7,638,174
Distribution of non-monetary assets (liabilities), net – by linkage basis	(107,078)	4,595,204	3,695,549	2,840,968	144,827	11,169,470	(11,169,470)	-
Excess assets over liabilities (liabilities over assets)	271,591	4,128,204	1,497,940	1,595,509	144,930	7,638,174	-	7,638,174

Appendix C - Details of the Company's Internal Auditor

Auditor's name: Yisrael Gewirtz of Fahn Kanne Control Management Ltd.

Start of term in office: May 23, 2017.

Appointment: The appointment of the current internal auditor (who is an internal auditor from the same firm as the Company's previous internal auditor) was approved by the Audit Committee at its May 16, 2017 meeting and by the Company's Board of Directors at its May 23, 2017 meeting. The firm of Fahn Kanne Control Management Ltd. was selected (at the August 18, 2010 meeting of the Board of Directors) from a number of candidates whose candidacy was examined by the Audit Committee, while assigning a great deal of significance to the fact that Fahn Kanne Control Management Ltd. is a reputable and experienced company with a large number of employees with expertise in internal audits.

Auditor's qualifications: The Auditor has a degree in Accounting and Economics from Bar Ilan University and certification in Risk Management Assurance (CRMA). The Auditor is a CPA and a CIA (Certified Internal Auditor).

The auditor provides internal auditor services as an external entity through Fahn Kanne Control Management Ltd. The above company, which is a subsidiary of Fahn Kanne & Co. (Grant Thornton Israel), is a company engaged in control and auditing services for over 30 years, which employs approx. 80 dedicated employees: accountants, internal auditors (CIA), information systems auditors (CISA) and embezzlement auditors (CFE).

Scope of employment: In 2021, the internal auditor invested 145 hours in the audit work he carried out in the Company. The internal auditor serves as the internal auditor at the consolidated company Energix – Renewable Energies Ltd., where he is directed by the Energix Audit Committee, while Amot Investments Ltd. has a separate internal auditor directed by the Amot Investments Ltd. Audit Committee.

Audit plan and audit reports submitted and discussed in the reporting period:

In recent years, the internal auditor's audit plan is an annual plan, and is derived from a multi-year plan.

The annual audit plan is approved by the Audit Committee after discussion of the Auditor's proposal. The annual planning of audit tasks, setting of priorities and audit frequency are affected by the following factors:

The exposure to risk of activities and operations, the probability of the existence of managerial and administrative deficiencies, findings from previous audits, subjects in which audits are required by administrating bodies, legally mandated subjects, according to internal or external procedural directives and the need for maintaining recurring cycles.

The work plan is received and approved by the Audit Committee at the end of each year for the following year or at the beginning of each year for the current year.

On March 14, 2019, the Audit Committee approved a multi-year work plan, based on a risk survey, for the years 2019-2022. The plan was updated on December 26, 2019.

On November 12, 2020, the Audit Committee approved the work plan for 2021, which includes the following subjects:

a) bank accounts and current investments; (b) financing and cash flow; (c) examination regarding the implementation of recommendations in the Internal Auditor's report on information systems[33]; and (d) dealing with the Corona crisis.

On November 8, 2021, the Audit Committee approved the work plan for 2022, which includes the following subjects:

(a) Internal Enforcement Plan; (b) Information Systems - Backups; (c) Insurance and (d) Wages (including executive wages).

The internal auditor may not deviate from the work plan determined, at his sole discretion.

33 At its meeting on May 13, 2021, the Audit Committee discussed the implementation of the recommendations in the Internal Auditor's report on information systems and at its meeting on November 8, 2021, it determined that this discussion replaces the Internal Auditor's audit report on this matter.

In the period from January 1, 2021 until the publication of this report, the following internal auditor reports were submitted in writing to the Company and the Audit Committee and discussed:

Subject of Report	Date of Submission in Writing to the Company	Date of Discussion in Audit Committee	Work Hours Dedicated	The report refers to the Company's activity / the report refers to the activity of investees outside of Israel
Bank accounts and current investments Financing and cash flows	April 2021	13.5.2021	75	The Company's activity in Israel
How the Group's subsidiaries are dealing with the Corona crisis	June 2021	10.8.2021	70	The Company's activity in and outside of Israel

Significant corporate holdings – the audit plan addresses the management of the Company's holdings in corporations that constitute significant holdings controlled by the corporation, with the exception of the consolidated companies Amot Investments Ltd. and Energix Renewable Energies Ltd., which maintain a separate internal auditors.

Professional standards – The internal auditor is in compliance with all conditions determined in Section 3(a) of the Internal Audit Law, 1992 ("**the Audit Law**"). The internal auditor, according to his statement, conducts the internal audit in accordance with accepted professional standards, as stated in Section 4(b) of the Audit Law. The Auditor is complies with Section 146(b) of the Companies Law, 1999 and Section 8 of the Audit Law.

The Auditor's organizational supervisor – The Company's CEO.

The scope, nature and continuity of the internal auditor's activity and work plan – To the best of the Company Board of Directors' knowledge, the nature and continuity of the Auditor's activities and work plan are reasonable under the circumstances and are able to achieve the goals of the corporation's audit.

Free access for the internal auditor – The internal auditor is provided free access as stated in Section 9 of the Audit Law, 1992, which includes constant and direct access to the corporation's information systems, including financial data.

Remuneration - The Auditor's fees for 2021 amounted to approx. NIS 37 thousand. Remuneration for the audit work is according to the internal auditor's working hour budget. There are no concerns that the remuneration detailed above, which derives from the auditor's actual work hour budget, may influence the application of the auditor's professional judgment.

Appendix D – Details of the Company's Accountant

The following are the fees for the Company's auditing accountants and for its significant consolidated companies (in NIS thousands):

Company Name	Accountants	2021 Audit and Tax Services	2021 Other Services	2020 Audit and Tax Services	2020 Other Services
Alony-Hetz Properties and Investments Ltd.	Brightman Almagor Zohar & Co.	601	99	520	82
Amot Investments (Ltd.)	Brightman Almagor Zohar & Co.	790	450	646	181
Eilot Companies Group	Ziv Haft Accountants	470	100	331	-
Energix Renewable Energies Ltd.	Brightman Almagor Zohar & Co.	708	325	630	410
Energix Renewable Energies Ltd.	Deloitte Poland	200	-	137	-
Energix Renewable Energies Ltd.	Deloitte USA	466	-	234	-
Brockton Everlast Inc. (**)	Deloitte UK	1,155	51	1,124	35
	Total fee	**4,390**	**1,025**	**3,622**	**708**

(**) The fees are paid in GBP. The translation into NIS is according to the average exchange rate for the period.

In its August 12, 2021 meeting, the Financial Statements Examination Committee examined the planned scope of work of the Company's auditing accountant and his proposed wage for 2021, taking the Company's size and the complexity of its statements into consideration. In its August 17, 2021 meeting, the Company's Board of Directors approved the wage of the Company's auditing accountant for auditing activity in 2021. The Financial Statements Examination Committee, at its meeting on March 16, 2022, was satisfied, immediately prior to the Company Board of Directors' approval of the 2021 Periodic Report, that the extent of the work of the auditing accountant and his wage in the reporting year are sufficient for performing auditing and reviewing work appropriate for the financial statements in the reporting year.

Appendix E - Details of Bonds Issued by the Company

The following are details regarding the Company's bonds as of December 31, 2021 (in NIS thousands)[34]

	NIS thousands	Bonds (Series H)	Bonds (Series I)[37]	Bonds (Series J) [36]	Bonds (Series K)	Bonds (Series L)[35]
1	Issue date	February 26, 2012	December 1, 2015	December 1, 2015	August 11, 2019	August 11, 2019
2	Par value on issue date	246,113	275,000	275,000	200,932	400,730
3	Par value as of December 31, 2021	415,821	1,056,355	1,315,153	200,932	1,041,319
4	Linked par value as of December 31, 2021	439,727	לא רלוונטי	לא רלוונטי	לא רלוונטי	לא רלוונטי
5	Value in the financial statements as of December 31, 2021 (at amortized cost)	447,166	1,077,733	1,329,126	198,430	1,044,472
6	Stock exchange value as of December 31, 2021	471,250	1,177.835	1,388,933	214,676	1,095,155
7	Accrued interest as of December 31, 2021	16,574	34,002	2,607	4,483	21,050
8	Interest Rate / Fixed Annual Margin	4.45%	3.85%	2.24% above Bank of Israel interest rate, as it will be from time to time	2.66%	2.41%
9	Materiality of the Series [38]	Yes	Yes	Yes	No	Yes
10	Principal payment dates	8 annual payments: the first payment at a rate of 5.5% of the principal will be repaid on February 24, 2016, and seven payments of 13.5% of the principal, each, will be repaid on February 24 of each of the years 2017-2023.	8 annual payments: the four (4) first payments of 10% of the principal each will be paid on February 28 of each of the years 2020-2023; and four (4) payments of 15% of the principal, each, will be repaid on February 28 of each of the years 2024-2027.	Four (4) annual payment of 25% of the principal, to be paid on February 28 of each of the years 2024-2027.	6 annual payments, in cash or in Company shares, according to the Company's absolute discretion - see Section 13 of bonds, in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	6 annual payments in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;
11	Principal payment dates	February 24 of each of the years 2013 to 2023 (inclusive).	February 28 of each of the years 2016-2027 (inclusive).	Four payments per year, on February 28, May 31, August 31 and November 30 of each of the years 2016-2027 (inclusive)	February 28 of each of the years 2020-2031 (inclusive) The interest will be paid either in cash from February 22, 2022 or in Company shares, at the absolute discretion of the Company (see Section 13 below).	February 28 of each of the years 2020-2031 (inclusive)

.34 Not including bonds issued by Amot Investments Ltd. and Energix Renewable Energies Ltd.

35 Subsequent to the date of the report, in January 2022, the Company issued NIS 437 million PV of bonds (Series L) by way of a series expansion.

36 Subsequent to the date of the report, in January 2022, the Company issued NIS 84 million PV of bonds (Series J) by way of a series expansion.

37 Subsequent to the date of the report, in January 2022, the Company issued NIS 221 million PV of bonds (Series I) by way of a series expansion.

38. The bond series is material if the amount of the Company liabilities according to it as of the end of the reporting period as presented in the Company's separate financial Statements (according to Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, constitutes 5% or more of the Company's total liabilities as presented in the data stated.

	NIS thousands	Bonds (Series H)	Bonds (Series I)[37]	Bonds (Series J) [36]	Bonds (Series K)	Bonds (Series L)[35]
12	Linkage base (principal and interest)	CPI for January 2012	Unlinked	Unlinked	Unlinked	Unlinked
13	Conversion right	None	None	None	As of February 28, 2022, the Company may, at its absolute and exclusive discretion, pay the principal and/or the interest, with its shares, all as detailed in Section 7 of the Bond.	None
14	Main conversion conditions	N/R	N/R	N/R	The Company's absolute discretion	N/R
15	Guarantee for payment of the liability	None	None	None	None	None
16	Early redemption	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	(1) In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines; or (2) at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment; or (3) according to a decision by the Company's Board of Directors, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.
17	Liens in favor of bondholders	None[43]	None[42]	None[41]	None[40]	None[39]
18	Limitations on the creation of additional liens	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series H).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series I).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series J).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series K).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series L).
19	Limitations regarding the authority to issue additional bonds	None	None	None	None	None
20	Lien validity period	N/R	N/R	N/R	N/R	N/R

.39 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series L) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

.40 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series K) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

.41 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series J) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

.42 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series I) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

.43 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series H) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.3 of the deed of trust.

	NIS thousands	Bonds (Series H)	Bonds (Series I)[37]	Bonds (Series J) [36]	Bonds (Series K)	Bonds (Series L)[35]
21	Bond conditions for changing, releasing, replacing or canceling a lien	In this regard see Section 5.3 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust
22	Changes in the bond conditions regarding liens during the reporting period	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred
23	The manner in which the changes were approved	N/R	N/R	N/R	N/R	N/R
24	Did the Company, during and at the end of the reporting year, comply with all the conditions and obligations according to the deed of trust	Yes	Yes	Yes	Yes	Yes
25	Have the conditions for the immediate repayment of the bonds or the realization of the guarantees been met	No	No	No	No	No
26	Description of the breach (if any)	N/R	N/R	N/R	N/R	N/R
27	Was the Company was required to take various actions by the trustee	No	No	No	No	No
28	Name of Trust Company Name of Series Supervisor Address Telephone	Reznik Paz Nevo Trusts Ltd. Yossi Reznik, C.P.A. 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200
29	Holders' Meetings	No holders' meeting was held.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 14, 2021, a holders' meeting was held to approve the trustee's term of service.	On July 14, 2021, a holders' meeting was held to approve the trustee's term of service.
30	Rating					
	Rating Company	Maalot	Maalot	Maalot	Maalot	Maalot
	Rating on the issue date	N/R	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating as of December 31, 2021 [44]	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating Company	Midroog	Midroog	Midroog		Midroog
	Rating on the issue date	A1 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook

.44 In January 2012, Maalot announced the ratification of the ilA rating with a stable outlook for the Company's bonds in circulation and the raising of debt through a new series of bonds. In January 2013, Maalot announced that it was raising the Company's rating to A+ with a stable outlook. In October 2014, Maalot ratified its ilA+ rating for the bond series in circulation and raised the outlook from stable to positive. In December 2014, Maalot confirmed its rating of ilA+ with a positive outlook for the bond series in circulation. In May 2015, Maalot announced that it was raising the Company's rating to ilAA- with a stable outlook. In November 2015, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series I and Series J). In July, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series K and Series L).

	NIS thousands	Bonds (Series H)	Bonds (Series I)[37]	Bonds (Series J) [36]	Bonds (Series K)	Bonds (Series L)[35]
	Rating as of December 31, 2020 [45]	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook

Up-to-date rating reports [46]

- For an up-to-date Midroog rating report, see the immediate report published by the Company on January 27, 2022 (Ref: 2022-01-012175).
- For an up-to-date rating report by Maalot, the Israeli Securities Rating Company Ltd. rating report, see the immediate report published by the Company on January 27, 2022 (Ref: 2022-01-012319).

45In January 2012, Midroog announced the ratification of its A1 rating with a stable outlook for the Company's bonds in circulation and for the raising of debt through a new bond series. In January 2014, Midroog announced that it was ratifying the rating of ilA for the Company and for the bond series in circulation, and raising the outlook from stable to positive. In December 2014, Midroog announced that it would be raising the rating of thee bonds in circulation from A1 with a positive outlook to Aa3 with a stable outlook. In November 2015, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series I and Series J). In July 2019, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series L).

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

Appendix F – Information regarding Material Valuations according to Regulation 8b.(i) of the Securities Regulations (Periodic and Immediate Reports), 1970

Material valuation - Devonshire Quarter (the Dovetail Building)

Parameters	December 31, 2021
Subject of the valuation	Investment property
Property name	DEVONSHIRE QUARTER) The Dovetail building(
Property location	HOUNDSDITCH, LONDON, EC3
Holding structure in the property	BE holds 100% indirectly in the property
Property acquisition date	March 2019
Identity of valuer	John Barham - Cushman & Wakefield
Type of valuer	Cushman & Wakefield – Mr. John Barham, Certified Valuer since 1989 and registered as a Valuer on behalf of RICS (Royal Institute of Certified Reviewers). Mr. Barham has specialized in valuations of income-generating properties in central London since 2000. He serves as Team Head of Income-Generating Property Valuation in Central London at C&W. The team is regularly responsible for property valuations amounting to approx. GBP 100 billion in central London. Mr. Barham has signed reports on the properties - British Land (Broadgate), the Kings Cross Estate, Grosvenor Estate and Nuveen's office fund assets in central London.
Independent valuer?	Independent
Indemnity agreement?	No
Validity date of the valuation (the date to which the appraisal refers)	December 31, 2021
Valuation model	Extraction method

The following is a summary of additional key data on the valuation:

Parameters	GBP millions	In NIS millions[47]
Fair value shortly before the valuation date (fair value as of Dec. 31, 2020)	104	455
Fair value as of the valuation date (Dec. 31, 2021)	185	778
Revaluation gains in 2021	72	312
Total expected construction cost	500-550	2,101-2,312
NOI predicted on the date of completion of construction	30-40	126-168

Parameters	
Discount rate	4.10%
Rate of return on investment	15%
Area for construction (thousands of sq.ft.)	461
Area for construction (thousands of sq.ft.)	43
Main use at end of construction period	Offices
Start of construction	H2 2023
End of construction	H2 2027

[47] The data are translated from GBP to NIS at the closing exchange rate as of December 31, except for revaluation gains in 2021, which are translated according to the average exchange rate in 2021.

Material valuation - EMG Site

Parameters	December 31, 2021
Subject of the valuation	Investment property
Property name	EMG Site, 379-381 Milton Road
Property location	Cambridge CB4
Holding structure in the property	BE holds 100% indirectly in the property
Property acquisition date	July 2021
Identity of valuer	John Barham - Cushman & Wakefield
Type of valuer	Cushman & Wakefield – Mr. John Barham, Certified Valuer since 1989 and registered as a Valuer on behalf of RICS (Royal Institute of Certified Reviewers). Mr. Barham has specialized in valuations of income-generating properties in central London since 2000. He serves as Team Head of Income-Generating Property Valuation in Central London at C&W. The team is regularly responsible for property valuations amounting to approx. GBP 100 billion in central London. Mr. Barham has signed reports on the properties - British Land (Broadgate), the Kings Cross Estate, Grosvenor Estate and Nuveen's office fund assets in central London.
Independent valuer?	Independent
Indemnity agreement?	No
Validity date of the valuation (the date to which the appraisal refers)	December 31, 2021
Valuation model	The method of comparison is based on similar transactions on a price-per-acre basis

Parameters	GBP millions	In NIS millions[48]
Acquisition price	20.5	92
Fair value as of the valuation date (Dec. 31, 2021)	75	315
Revaluation gains in 2021	48.6	211
Price-per-acre in comparison transactions	20	84

Parameters	
Land area in acres	5.2

[48] The data are translated from GBP to NIS at the specific exchange rate (on the date of acquisition and as of December 31, 2021), except for revaluation gains in 2021, which are translated according to the average exchange rate in 2021.

Consolidated Financial Statements

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, Signal House, Washington DC

Contents

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of Alony Hetz Properties and Investments Ltd. Regarding Audit of Components of Internal Control over Financial Reporting in accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of **Alony Hetz Properties and Investments Ltd.** and subsidiaries (hereafter - "the Company") as of December 31, 2021. Those components of control were determined as explained in the following paragraph. The Board of directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their evaluation of the effectiveness of the components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" thereto (hereafter – "Audit Standard (Israel) 911"). These Components are: (1) Organization level control, including control over the financial closing and reporting process and information technology general controls; (2) control over accounting and debt management; (3) control over corporate investment; (4) control over investment property at Amot Investments Ltd and Brockton Everlas Inc. Limited; (5) control over rental income and management of investment property at Amot Investments Ltd and Brockton Everlast Inc. Limited; (6) control over project procurement at Energix - Renewable Energies Ltd; (7) revenues from the sale of electricity at Energix - Renewable Energies Ltd; (all together referred to hereafter as "the Audited Components of Control").

We conducted our audit in accordance with Audit Standard (Israel) 911. That Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance as to whether those components of control were maintained effectively in all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, identification of the Audited Components of Control, evaluation of the risk that a material weakness exists in the Audited Components of Control, and examination and evaluation of the effectiveness of the planning and operation of such components of control, based on the estimated risk. Our audit regarding such components of control also included the performance of other such procedures that we considered necessary under the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual effects between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections based on the present evaluation of effectiveness are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, based on our audit, the Company effectively maintained the Audited Components of Control in all material respects, as of December 31, 2021.

We also have audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2021, and 2020, and for each of the three years in the period ending on December 31, 2021, and our report as of March 22, 2022, expressed an unqualified opinion on those financial statements based on our audit.

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

Tel Aviv March 22, 2022

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English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Auditors' Report to the shareholders of
Alony Hetz Properties and Investments Ltd.

We have audited the accompanying consolidated statements of financial position of **Alony Hetz Properties and Investments Ltd** (hereafter – "the Company") as of December 31, 2021, and 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies whose assets included in consolidation constitute approximately 13% and 15% of total consolidated assets as of December 31, 2021, and 2020, respectively, and whose revenues included in consolidation constitute approximately 8%, 20% and 10% of total consolidated revenues for the years ended on December 31, 2021, 2020 and 2019, respectively. Furthermore, we did not audit the financial statements of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 3,969 million NIS and 4,013 million NIS as of December 31, 2021, and 2020, respectively, and the share of the results of which for the years ended on December 31, 2021, 2020 and 2019, amounted to approximately 78 million NIS, 167 million NIS and 350 million NIS, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2021, and 2020, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended on December 31, 2021, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2021, and our report dated March 22, 2022, included an unqualified opinion on the effective maintenance of those components.

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

Tel Aviv, March 22, 2022

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

		As of December 31	
		2021	2020
	Note	NIS thousands	NIS thousands
Assets			
Current assets			
Cash and cash equivalents	3a	1,163,289	2,214,781
Deposits, tradable securities and restricted cash	3d	30,433	90,340
Trade receivables	3b	55,537	60,565
Current tax assets, net	20	16,855	11,462
Other receivables	3c	553,879	258,811
		1,819,993	2,635,959
Investment in associate held for sale	6h	-	200,311
Total current assets		1,819,993	2,836,270
Non-current assets			
Investment property	4	18,024,793	15,100,135
Investment Property in Development and Land Rights	4	3,351,322	1,149,644
Long-term investments:			
Securities measured at fair value through profit or loss	5	209,719	186,335
Investments in associates	6	4,401,259	4,301,655
Deferred tax assets	20	46,145	10,646
Electricity-generating facilities:			
Connected electricity-generating facilities	7	1,914,928	1,635,328
Right-of-use asset	7	276,831	198,657
Electricity-Generating Facilities in Development	8	1,491,890	781,818
Restricted Deposits	9	51,223	47,768
Fixed assets, net	7	113,592	94,257
Other assets		254,897	157,861
Total non-current assets		30,136,599	23,664,104
Total assets		31,956,592	26,500,374

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

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

		As of December 31	
		2021	2020
	Note	NIS thousands	NIS thousands
Liabilities and equity			
Current liabilities			
Short term credit and current maturities of long-term loans	10a	75,249	148,333
Current maturities of bonds	11	1,098,874	876,816
Current maturities of lease liabilities	2n	8,949	4,722
Current tax liabilities, net	20	365,251	118,333
Payables and credit balances	10b	898,116	628,087
Total current liabilities		2,446,439	1,776,291
Non-current liabilities			
Bonds	11	11,423,918	10,334,792
Loans from banking corporations and financial institutions	12	3,515,437	2,245,626
Lease liability	2n	374,861	222,806
Deferred tax liabilities	20	1,914,430	1,809,154
Provisions	15	16,483	16,483
Other liabilities	14	435,460	182,392
Total non-current liabilities		17,680,589	14,811,253
Equity	16		
Equity attributable to Company shareholders		7,638,174	6,401,866
Non-controlling interests		4,191,390	3,510,964
Total equity		11,829,564	9,912,830
Total liabilities and equity		31,956,592	26,500,374

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

On behalf of the Board of Directors:

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

March 22, 2022

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

	Note	2021 NIS thousands	2020 NIS thousands	2019 NIS thousands
		For the Year ended December 31		
Revenues and profits				
Revenues from rental fees and management of investment property	17a	989,381	891,632	830,156
Fair value adjustment of investment property	17b	1,715,469	(187,782)	995,791
Group share in the profits of associates, net	6f.	126,719	99,670	413,437
Net profits (losses) from investments in securities measured at fair value through profit or loss		43,822	(15,250)	24,711
Profit from decrease in rate of holding, from purchase and realization of associates		17,396	200,953	96,680
Revenues from sale of electricity and green certificates		260,836	261,803	237,126
Other revenues (expenses), net		8,264	(553)	1,027
		3,161,887	1,250,473	2,598,928
Costs and expenses				
Cost of investment property rental and operation	17c	104,404	74,622	67,990
Development, maintenance and operation costs of electricity-generating facilities		39,247	37,565	30,482
Depreciation and amortizations		84,947	82,598	60,549
Administrative and general	17d	172,369	125,024	121,799
Financing income	17f	(32,815)	(9,270)	(21,739)
Financing expenses	17e	435,291	279,799	363,390
		803,443	590,338	622,471
Profit before taxes on income		2,358,444	660,135	1,976,457
Income tax expenses	20	324,952	194,650	528,382
Net profit for the period		2,033,492	465,485	1,448,075
Company shareholders		1,557,947	302,998	956,100
Non-controlling interests		475,545	162,487	491,975
		2,033,492	465,485	1,448,075
Net earnings per share attributable to Company shareholders (in NIS):	**19**			
Basic		8.98	1.75	5.55
Fully diluted		8.91	1.74	5.52
Weighted average of share capital used in calculation of earnings per share (thousands of shares)				
Basic		173,455	172,784	172,170
Fully diluted		173,660	173,060	172,992

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

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	2,033,492	465,485	1,448,075
Other comprehensive loss			
Amounts to be classified in the future to profit or loss, net of tax			
Loss from the translation of financial statements for foreign activities	(398,554)	(375,228)	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	3,088	(17,678)	3,021
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate, net of tax	1,532	8,977	2,305
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(3,557)	(13,250)	(11,213)
Profit 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	205,782	122,483	171,859
Profit (loss) from exchange rate differentials and changes in fair value of instruments used for cash flow hedging, net of tax	(25,841)	11,112	(21,672)
Company share in other comprehensive income (losses) of associates, net of tax	28,969	(1,050)	(57,746)
Other comprehensive loss for the period, net of tax	(188,581)	(264,634)	(377,790)
Total comprehensive income for period	1,844,911	200,851	1,070,285
Attribution of comprehensive income (loss) for period			
Company shareholders	1,406,070	56,119	596,962
Non-controlling interests	438,841	144,732	473,323
	1,844,911	200,851	1,070,285

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2021 (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 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	-	-	(182,378)	30,501	-	1,557,947	1,406,070	438,841	1,844,911
Dividend paid to Company shareholders	-	-	-	-	-	(246,223)	(246,223)	-	(246,223)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(224,722)	(224,722)
Exercise of employee options	1,180	41,796	-	(4,534)	-	-	38,442	-	38,442
Allocation of benefit in respect of options to employees and officers	-	-	-	3,391	-	-	3,391	20,470	23,861
Issue of capital in consolidated companies	-	-	-	39,887	-	-	39,887	448,444	488,331
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(5,259)	-	-	(5,259)	(4,574)	(9,833)
Change in non-controlling interests	-	-	-	-	-	-	-	(4,775)	(4,775)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	6,742	6,742
Balance as of December 31, 2021	192,112	2,514,378	(746,743)	309,109	(589)	5,369,907	7,638,174	4,191,390	11,829,564

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2020 (NIS thousands)

	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 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
Issue of capital in consolidated companies	-	-	-	203,873	-	-	203,873	407,522	611,395
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(1,242)	-	-	(1,242)	(21,048)	(22,290)
Change in non-controlling interests	-	-	-	-	-	-	-	(1,578)	(1,578)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-			-	46,158	46,158
Balance as of December 31, 2020	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2019 (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 attributable to Company Shareholders	Non-Controlling Interests	Total Equity
Balance as of January 1, 2019	189,216	2,417,916	(8,885)	(17,185)	(589)	3,271,030	5,851,503	2,286,986	8,138,489
Impact of initial implementation of IFRS 16	-	-	-	-	-	(2,940)	(2,940)	(1,142)	(4,082)
Balance as of January 1, 2018 after initial implementation	189,216	2,417,916	(8,885)	(17,185)	(589)	3,268,090	5,848,563	2,285,844	8,134,407
Total comprehensive income for period	-	-	(296,802)	(62,336)	-	956,100	596,962	473,323	1,070,285
Dividend paid to Company shareholders	-	-	-	-	-	(268,559)	(268,559)	-	(268,559)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(191,916)	(191,916)
Exercise of employee options	1,600	50,683	-	(5,190)	-	-	47,093	-	47,093
Allocation of benefit in respect of options to employees and others	-	-	-	3,350	-	-	3,350	21,322	24,672
Issue of capital in consolidated companies	-	-	-	115,118	-	-	115,118	588,235	703,353
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(5,982)	-	-	(5,982)	(8,287)	(14,269)
Issue of options to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	2,769	2,769
Balance as of December 31, 2019	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835

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

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net profit for the period	2,033,493	465,485	1,448,075
Net income not entailing cash flows (Appendix A)	(1,461,695)	240,159	(761,044)
	571,798	705,644	687,031
Changes in working capital (Appendix B)	94,528	48,681	19,399
Net cash provided by operating activities	666,326	754,325	706,430
Cash flows - Investing activities			
Investment in investment property funds	(26,205)	(12,024)	(61,716)
Proceeds from the repayment of investments in investment property funds	-	10,468	65,089
Proceeds from the realization of long-term securities and securities intended for sale, net (of taxes)	210,873	-	-
Proceeds from the realization of investment in associates	-	1,359,305	447,073
Investment in fixed assets and investment property (including investment property in development and land rights)	(3,454,930)	(1,139,492)	(1,927,177)
Investment in electricity-generating facilities	(1,193,824)	(627,883)	(481,320)
Investment in associates	(81,109)	(179,588)	(290,470)
Increase in pledged deposit and restricted cash	(35,908)	(35,658)	(156,730)
Decrease in pledged deposit and restricted cash	-	172,981	32,798
Acquisition of companies consolidated for the first time (see Appendix E below)	(120,828)	-	(1,911,619)
Repayment of loans provided to associates, net	6,981	6,312	7,622
Repayment of investment in associate	164	3,250	-
Decrease (increase) in deposits and tradable securities, net	95,054	(48,966)	(27,387)
Cash provided by (used in) forward transactions and options designated for hedging	116,763	25,070	19,145
Proceeds from sale of consolidated partnership (Appendix E below)	6,644	-	-
Provision of loans	(95,084)	-	-
Others	95	330	197
Net cash used in investing activities	(4,571,314)	(465,895)	(4,284,495)
Cash flows – Financing activities			
Proceeds from the Group's issue of bonds and bond options, net	2,263,146	2,299,631	2,745,048
Repayment of bonds	(881,405)	(874,411)	(811,336)
Receipt of long-term loans, less capital raising expenses (payment of capital raising expenses)	2,137,961	427,769	1,581,523
Repayment of long-term loans	(589,484)	(664,092)	(364,337)
Proceeds from the issue of shares and options	28,577	3,687	47,093
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	483,767	616,352	698,040
Purchase of shares and options from non-controlling interests in consolidated companies, net	(9,833)	(22,290)	(14,269)
Decrease in short-term credit and used long-term credit frameworks from banks	(91,628)	(165,270)	(84,047)
Dividend paid to Company shareholders	(246,223)	(200,446)	(268,559)
Dividend paid to non-controlling interests in consolidated companies	(224,722)	(256,507)	(191,916)
Others	(380)	-	-
Net cash provided by financing activities	2,869,776	1,164,423	3,337,240
Increase (decrease) in cash and cash equivalents	(1,035,212)	1,452,853	(240,825)
Cash and cash equivalents at beginning of period	2,214,781	771,749	1,014,115
Effect of changes in exchange rates on foreign currency cash balances	(16,280)	(9,821)	(1,541)
Cash and cash equivalents at end of period	1,163,289	2,214,781	771,749

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

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Adjustments required to present cash flows from operating activities			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its sale	(1,715,469)	187,782	(995,791)
Net profits from changes in holding rate and from realization of investments in investees	(17,396)	(200,953)	(96,680)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	111,573	(83,993)	(5,005)
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(47,319)	18,342	(17,591)
Company share in results of associates, less dividends and capital reductions received	(126,820)	131,507	(200,671)
Net loss (profit) from tradable securities	(5,358)	146	(11,437)
Deferred taxes, net	230,640	81,935	481,049
Depreciation and amortizations	84,947	82,598	60,549
Allocation of benefit in respect of share-based payment	22,405	22,537	24,672
Miscellaneous, net	1,102	258	(139)
	(1,461,695)	240,159	(761,044)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in other receivables	2,216	(5,906)	(43,308)
Decrease (increase) in current tax assets, net	(5,332)	(6,028)	10,628
Increase in payables and credit balances	83,088	7,052	43,395
Increase in current tax liabilities, net	47,875	53,563	8,684
Purchase of CAP options	(33,319)	-	-
	94,528	48,681	19,399
c. Non-cash activity			
Exercise of employee options against receivables	15,634	1,205	8,082
Investment in electricity-generating systems against supplier and creditor credit	8,369	30,399	130,959
Dividends not yet received from companies accounted for using the equity method	1,750	-	-
Increase in right-of-use asset against lease liabilities	112,925	57,691	47,626
Investment in real estate and fixed assets against other accounts payable	57,657	11,210	99,675

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

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
d. Additional information			
Interest paid (*)	343,157	398,748	369,241
Interest received	8,453	17,022	6,045
Taxes paid (**) (***)	93,153	63,109	29,972
Taxes received	24,398	2,586	6,436
Dividend and capital reductions received	48,545	283,888	231,712
e. Acquisition of companies consolidated for the first time			
1. Acquisition of buildings through the acquisition of house companies			
The amounts recognized on the acquisition date in respect of assets and liabilities:			
Cash and cash equivalents	1,890	-	41
Investment property	45,457	-	1,934,545
Working capital	(273)	-	(15,983)
Other liabilities	-	-	(6,943)
Total	47,074	-	1,911,660
Net cash flow			
Total consideration	47,074	-	1,911,660
Less - deferred consideration	(1,364)	-	-
Less cash and cash equivalents consolidated	(1,890)	-	(41)
	43,820	-	1,911,619
2. Acquisition of NCRE (see Note 8c)			
Working capital (including cash and cash equivalents)	2,431	-	-
Projects in development	74,772	-	-
Goodwill	423	-	-
Net assets consolidated	77,626	-	-
Net cash flow			
Total acquisition consideration	77,626	-	-
Less cash and cash equivalents consolidated	(618)	-	-
	77,008	-	-
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	-	-
Payables and credit balances	(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	7,805	-	-
Total consideration	(1,161)	-	-
Less cash and cash equivalents previously consolidated	6,644	-	-

(*) Interest paid in 2020 includes early repayment fee. See Note 17e.
(**)Taxes paid in 2020 include taxes paid in respect of a tax assessment agreement in Amot's consolidated companies. See Note 20d.
(***) The taxes paid in 2021 include the tax payments in the amount of NIS 29 million from the sale of shares of a company classified in investing activities.

Note 1 – General

A. General Description of the Company

The Company was incorporated in Israel, its shares were listed for trading on the Tel Aviv Stock Exchange Ltd. (the TASE) in January 1993 and its registered office is located in Ramat Gan. The Group, as defined in Section (c) below, focuses mainly on long-term investments in income-generating property in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy. As of December 31, 2021, the Group has the following material investments:

- **Amot** – Holdings of 55.52% in **Amot Investments Ltd.** (hereinafter - "**Amot**"), a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., which has extensive income-generating property in Israel. For additional information, see Note 6c.

- **Carr** – Holdings of 50.77% in the rights in **Carr Properties Holdings LP** (hereinafter - "**Carr Holdings"**). **Carr Holdings** is an American partnership that holds (through indirect holdings of 87.05%) a partnership that has income-generating property in the Washington DC metropolitan area, in Boston and in Austin, Texas in the United States. For additional information, see Note 6g.

- **BE** – Holdings of 97.26% in the rights in **Brockton Everlast Inc. Limited** (hereinafter - "**BE**"), a company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. For additional information, see Note 6d.

- **Boston** – Holdings of 55% of the rights in three property companies in the Boston metropolitan area, two of them in the Boston CBD[1] and one in East Cambridge, USA. For additional information, see Note 6i.

- **Energix –** Holdings of 53.33% in the capital stock of **Energix Renewable Energy Ltd.** (hereinafter - "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange. Energix is engaged in the initiative, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of the electricity generated in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has activity in Israel, Poland and the United States. For additional information regarding Energix, see Note 6e.

B. The global Corona pandemic – 2021

The outbreak of the Corona virus in China, which spread to other parts of the world towards the end of the first quarter of 2020, has resulted in a global health and economic crisis. Capital markets around the world reacted harshly and with volatility to the event and sharp declines in stock prices and increases in corporate bond yields were recorded. In most countries, new emergency regulations were issued that significantly restricted the access of workers to places of employment, including the closing of shopping and entertainment centers. In addition, general closures were imposed in cities, international traffic was restricted, gatherings in public places were banned and in some countries, entry to non-residents was also banned. In the first quarter of the year, there was a gradual return to routine in Israel and around the world due to the effectiveness of the vaccines and their scope, which led to a sharp decline in morbidity rates. In July 2021, there was a renewed outbreak in Israel and around the world as a result of the spread of the Delta strain followed by the Omicron strain. The combination of extensive morbidity and the fact that the Omicron strain is less dangerous and causes a relatively mild disease has led to a return to full activity in markets in Israel and around the world.

Regarding waivers of lease payments recorded by Amot- see Note 2w.

The Company's management is of the opinion that its financial strength and that of all the Group companies (Amot, Energix, Carr and Brockton Everlast), as well as the tenant mix, the average duration of rental agreements and the quality of their properties, will enable them to cope with a recession. In addition, the Company estimates that the status of the Group's liquidity, cash balances and credit facilities, the average duration of its debts, leverage level, current cash flows and access to bank credit and to the capital market will enable it to continue its operations and meet its obligations.

[1] Central Business District

Note 1– General (continued)

C. Definitions

The Company Alony-Hetz Properties and Investments Ltd. as well as legal entities wholly owned by it directly and indirectly.

The Group The Company and its consolidated companies (as defined below). Details on the investments in the Group's substantial companies are provided in Note 6.

Consolidated companies Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, whose financial statements are fully consolidated with the Company's financial statements.

Associates Companies in which the Company has significant influence, as defined in IAS 28.

Investees Consolidated companies, companies consolidated in proportionate consolidation and associates.

Joint arrangements Companies held by a number of entities who have a contractual arrangement for joint control.

Related parties As defined in IAS 24.

Interested parties As defined in the Securities Law, 1968, and its regulations.

CPI The Consumer Price Index, as published by the Central Bureau of Statistics.

Forward-looking information As defined in Section 32A of the Securities Law, 1968.

NOI Net Operating Income - Profit from the operation of properties, with the neutralization of depreciation and amortization.

KW/KWp Peak kilowatt units used to measure the installed output for the production of electricity of photo-voltaic systems and wind turbines.

MW/MWp 1,000 peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

Note 2 – Significant Accounting Policies

A. Statement regarding the implementation of International Financial Reporting Standards (IFRS):

The Group's consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**") and interpretations thereof published by the International Accounting Standards Board (IASB). The main accounting policies detailed below have been consistently applied for all reporting periods presented in consolidated financial statements, with the exception of changes in accounting policies stemming from the initial application of new standards, new interpretations and amendments to existing standards as detailed in Note 2(cc) below.

B. The Financial Statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010 (hereinafter - "**Financial Statement Regulations** ").

C. Format for the presentation of the Statement of Financial Position; the operating cycle period

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items. The Company's operating cycle is 12 months.

Note 2 – Significant Accounting Policies (continued)

D. Consolidated Financial Statements

General

The Group's Consolidated Financial Statements include the financial statements of the Company and of entities directly or indirectly controlled by the Company. An investing company controls an investee company when it is exposed, or has rights, to variable yields from its holding in the investee, and when it has the ability to influence those yields by exerting force on the investee.

The operating results of subsidiaries purchased or sold during the reported period are included in the Company's Consolidated Statements of Income starting from the date control was achieved or until the date control ended, as the case may be.

For consolidation purposes, all inter-company transactions, balances, revenues and expenses are fully canceled.

Non-controlling interests

Some of the non-controlling interests in the net assets of consolidated companies are presented separately within the Group's equity. These interests include the amount of non-controlling interests on the original date of acquisition of a business combination as well as the share non-controlling interests in the changes that have occurred in the capital of the acquired corporation since the date of its inclusion.

The results of transactions with non-controlling interests dealing with the purchase or sale of an additional Group investment in a consolidated company while retaining control, are allocated to the equity attributed to the parent company shareholders.

E. Joint Arrangements and Associates

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

There are two types of joint arrangements. The type of arrangement depends on the rights and obligations of the parties to the arrangement:

1. **A "joint venture" is a joint arrangement in which the parties have rights to the net assets attributed to the arrangement.**

In joint arrangements that constitute a joint venture, the Group recognizes the joint venture as an investment and accounts for it using the equity method.
Regarding the equity method, see Section (f) below.

2. **A "joint operation" is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.**

In joint arrangements that constitute a joint operation, the Group recognizes its relative share of the joint operation's assets and liabilities in the Group's Statement of Financial Position, including assets held and liabilities created jointly. The Statement of Income includes the Group's relative share of the revenues and expenses of the joint operation, including revenues produced and expenses created jointly.

An associate is a corporation in which the Group has significant influence. Significant influence is the ability to take part in decision making regarding the associate's financial and operational policy, which does not constitute control over these decisions. Significant influence exists, as a rule, when the Group holds 20% or more of the voting rights of the investee corporation (unless it can be clearly proven that this is not the case). Significant influence also exists when the Group's holdings in the associate is less than 20%, provided that it can be clearly shown that such influence exists.

Note 2 – Significant Accounting Policies (continued)

F. Investments in Associates and Joint Ventures

The results, assets and liabilities of joint ventures are included in these financial statements using the equity method. According to the equity method, investments in joint ventures are included in the Consolidated Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the net assets, including capital reserves.

The results, assets and liabilities of associates are included using the equity method. According to the equity method, investments in associates are presented in the Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the associates' net assets, including capital reserves.

When an initial acquisition of an associate is carried out that constitutes a business, the Company applies the acquisition method. According to this method, the Company determines the acquisition consideration as the aggregate fair value (as of the acquisition date) of assets given, liabilities created, and the fair value of the Group's holdings in the acquired entity prior to the acquisition. A contingent consideration arrangement contingent upon the continued employment of the selling shareholders does not constitute part of the acquisition consideration, but is treated separately as compensation for future labor services.

The excess acquisition cost of an associate or joint venture over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the time of acquisition is recognized as goodwill. Goodwill is included in the book amount of the investment in the associate or joint venture, and is tested for impairment as part of the investment. Any excess of the Group's portion of the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of the associate or joint venture, after revaluation, is recognized immediately in the Statement of Income.

Profits or losses from transactions between the Group and an associate, or a joint venture of the Group, are canceled according to the Group's share in the Company's rights in the relevant joint venture.

Upon partial realization of the holding in an associate, the part of the profits or losses accrued up to the date of realization, and which were recognized in other comprehensive income, including acquisitions in various periods, is recognized in profit and loss according to the relative share of the shares actually realized.

G. Investment in Associate Held for Sale

An investment is presented as held for sale when its sale is highly probable, it is available for immediate sale in its current state and when the management has committed to making the sale within one year from the classification of the non-current asset as held for sale.

Therefore, the Company's investment in PSP is presented as an asset "held for sale" as of March 31, 2020 and is presented in current assets. The recognition of a share in profits (losses) of associates to profit or loss is discontinued from the date of classification of an investment in an associate. The comparative figures relating to the asset held for sale are not reclassified as stated.

The investment in an associate held for sale (PSP) is measured at the lower of its book value and its fair value less realization costs.

H. Impairment of Investments accounted for according to the Equity Method

As of each Statement of Financial Position date, the Group examines its investments in associates with the aim of determining whether there is objective evidence to indicate an impairment of their value. If such evidence exists, the recoverable amount of these investments is estimated in relation to their book value in order to determine the amount of the impairment loss that should be recognized, if any. An impairment loss is recorded to the Statement of Income.

The impairment examination is conducted for the investment as a whole. Accordingly, a recognized impairment loss of an investment is not attributed to the assets that make up the investment account, including goodwill, but is attributed to the investment as a whole, and therefore the Group recognizes the reversal of losses recognized in respect of investments accounted for according to the equity method, when an increase occurs in their recoverable amount.

Note 2 – Significant Accounting Policies (continued)

In order to determine the amount of the impairment loss, if any, the investment's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the investment net of realization costs and its value in use. In determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows expected from the associate's operations and its realization or the present value of the estimated future cash flows, which are expected to stem from dividends received from the investment and from its ultimate realization.

I. Statement of Income; Statement of Comprehensive Income; Statement of Cash Flows

Statement of Income presentation – The Group's activity and the nature of its revenues and expenses permit, in the opinion of the Company's Management, the presentation of Statement of Income items according to the single-step method, since this presentation format is compatible with the Company's nature as an investment and holding company.

1. **Statement of Comprehensive Income** – The Group has selected a presentation format of two separate statements – a Statement of Income and a Statement of Comprehensive Income.

Statement of Cash Flows – A statement of cash flows from operating activities is presented using the indirect method; interest paid and received by the Group is classified in the statement of cash flows as part of operating activities, with the exception of credit costs which are capitalized to a qualifying asset in which the investment in it and its construction is classified as investment activity; the cash flows resulting from income taxes and indirect taxes are classified under operating activities, unless they can be specifically identified with investment or financing activities; dividends paid are included in financing activities; dividends received from investees and other companies, including distribution by way of capital reductions recognized as income in its financial statements, are included in operating activities.

J. Functional Currency and Presentation Currency

Functional and presentation currency – The financial statements of each Group company are prepared in the currency of the main economic environment in which it operates (hereinafter - "**Functional Currency**"). The Company's functional currency, and that of the majority of companies and corporations held by it, is the NIS. The Company's Consolidated Financial Statements are presented in NIS (hereinafter - "**Presentation Currency**").

Translation of transactions and balances not in the functional currency – Transactions carried out in a currency other than the functional currency of each Group corporation (hereinafter - "**Foreign Currency**") are translated into the functional currency for inclusion in the financial statements of that corporation, at exchange rates in effect on the date of each transaction. Statement of financial position items originating in or denominated in foreign currency are translated as follows: monetary items denominated in foreign currency are translated according to exchange rates in effect on each statement of financial position date; non-monetary items included at fair value denominated in foreign currency are translated according to exchange rates in effect on the date the fair value was determined; non-monetary items measured at cost are translated according to the exchange rates in effect on the date the transaction was carried out for the non-monetary item.

Recording of exchange rate differentials – exchange rate differentials are, as a rule, recorded to the Statement of Income in the period in which they arose, with the exception of the following cases, in which exchange rate differentials are recorded directly to comprehensive income:

Exchange rate differentials in respect of loans and forward transactions on foreign currency designated for hedging investments in foreign operations, net (see Section r).

Translation of financial statements of investees whose functional currency is different from NIS – For the presentation of Consolidated Financial Statements, the financial statements of foreign activities whose functional currency is different from NIS are translated to NIS in the following manner: assets and liabilities are translated to NIS according to exchange rates in effect as of the date of the statement of financial position; revenue and expense items are translated to NIS according to the average exchange rates in the reporting period, unless significant fluctuations have occurred in the exchange rates during the reporting period.

Note 2 – Significant Accounting Policies (continued)

Translation differences are recorded to the "Capital Reserve from Translation of Financial Statements for Foreign Activities" item and are recognized in other comprehensive income. These exchange rate differences are classified in full to profit or loss on the date of realization of the entire foreign activity in respect of which the translation differences were created and when partial realization of foreign operations involves the loss of control or in a transition from an investment accounted for according to the equity method to a financial asset. In a partial realization of a subsidiary that includes foreign activity that does not involve loss of control, a relative share of the cumulative amount of exchange rate differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign activity. In any other partial realization, only the relative share of the aggregate amount of exchange rate differences recognized in other comprehensive income is reclassified to profit or loss.

Regarding the hedging of a net investment in a foreign activity, see Section r.4.

K. Cash and Cash Equivalents; Deposits and Tradable Securities

Cash and cash equivalents include cash that can be redeemed immediately, bank deposits that can be withdrawn immediately, as well as fixed-term deposits, which have no limit on use and whose maturity date, at the time of investment, does not exceed three months. This item also includes investments in monetary funds and certificates of deposit in Israel.

Deposits for which limitations exist on their use or for which the repayment period upon investment is greater than three months and no greater than one year are classified under deposits and tradable securities under current assets.

Deposits that have a restriction on their use for a period exceeding one year are classified as "restricted deposits" in non-current assets.

L. Investment Property, Investment Property in Development and Land Rights

Investment property is real estate (land or building – or part of a building – or both) held by the Group for the purpose of producing rental fees or for increasing capital value, or both, and not for administrative use or for sale in the ordinary course of business (hereinafter - "**Investment Property**"). The Group's investment property, including owned or leased buildings and land (mostly land leased from the Israel Lands Administration) that would otherwise comply with the above definition of investment property, are also classified and treated as investment property.

Investment Property is initially recognized at its purchase cost, which includes direct transaction costs such as purchase tax, professional consultant fees for legal and economic services. In addition, in accordance with IFRS 13, the Company allocates transaction costs created when purchasing new assets to the Statement of Income. In periods following initial recognition, investment property is measured at fair value. Profits or losses resulting from changes in the fair value of investment property are included in the Statement of Income in the period in which they arise, and are presented under "fair value adjustments of investment property".

In order to determine the fair value of investment property, the Group's management relies mainly on valuations performed by independent external real estate assessors with the required knowledge, experience and expertise and on the experience of the Group's management. For the manner of determining the fair value of investment property, see also Section z.4 below.

Investment property in development and land rights – Investment property in development designated for future use as investment property is also measured at fair value, as noted above.

M. Fixed Assets and Connected Electricity-Generating Facilities

1. General

A fixed asset is a tangible item that is held for use in the manufacture or supply of goods or services, or for rental to others, which is expected to be used for more than one period.

Recognition and measurement

Fixed assets and photovoltaic and wind turbine facilities for electricity generation are measured at cost less accumulated depreciation and impairment losses.

Note 2 – Significant Accounting Policies (continued)

The cost includes payments that can be directly attributed to the asset's purchase. The cost of assets developed independently includes the cost of materials and direct labor costs, as well as any additional costs that may be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. When significant parts of fixed assets have different lifespans, they are treated as separate items (significant components) of the fixed asset.

Profit or loss from the disposal of a fixed asset item is determined by comparing the proceeds from the disposal of the asset to its book value, and is recognized on a net basis in other income or other expenses, as applicable, in the Statement of Income.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

The depreciation of fixed assets is carried out separately for each component of a depreciable fixed asset item with a cost that is significant relative to the total cost of the item. Depreciation is carried out systematically (as detailed below) over the expected useful life of the item's components, from the date on which the asset is ready for its designated use, taking into account the expected residual value at the end of the useful life.

The method of depreciation of fixed assets best reflects the expected pattern of consumption of the future economic benefits inherent in the asset. The Group depreciates its fixed assets at equal annual rates based on estimates of the residual values. The depreciation method and useful life of the asset are reviewed by the Company's management at the end of each fiscal year. Changes are treated as changes in estimates, on a prospective basis.

The Group depreciates its assets using the straight-line method. Assets leased under lease arrangements are depreciated over their expected useful life on the same basis as owned assets, or over the lease term, the shorter of the two.

The useful life and the rates of depreciation used in calculating the depreciation are as follows:

	Useful Life	Depreciation %	Depreciation Method
Structures for self-use	10-50	2-10 (mainly 2)	Straight line
Vehicles	6.67	15	Straight line
Office furniture and equipment	3-16	6-33	Straight line
Electricity generating systems - wind energy	30	~3.33	Straight line
Electricity generating systems - photovoltaic energy (*)	10-35	~2.9-10	Straight line

(*) A significant residual value is calculated for these facilities in Israel.

N. Leases

General:

The Group usually leases land for the installation and operation of photovoltaic systems and wind farms.

The Group assesses whether a contract is a lease (or includes a lease) at the time of engagement. On the one hand, the Group recognizes a right-of-use asset and on the other hand, a lease liability for all lease contracts in which it is the lessee, except in short-term leases (for a period of up to 12 months) and leases of low-value assets for which the Group recognizes the lease payments as operating expenses on a straight-line basis over the lease term.

Determining the lease term

The term of the lease is the non-cancelable period for which the lessee has the right to use the leased asset, including periods covered by an option to extend the lease if the lessee is reasonably sure that this option will be exercised. The likelihood of the exercise of the extension options is examined while taking into consideration, among other things, significant capital investments made by the Group in the leased asset (construction of electricity generating facilities), which is expected to have a significant economic benefit to the group during the extension period, extending the lease period so that it is consistent with the expected operating period of the electricity generating facilities, costs relating to the termination of the lease, the arrangement framework for the leased property, the location of the leased property and the availability of suitable alternatives.

Note 2 – Significant Accounting Policies (continued)

Right-of-use Asset

A right-of-use asset is measured according to the cost model and depreciated in a straight line over the shorter period between the lease term and the useful life. The cost of the right-of-use asset at the start of the lease is determined by the amount of the initial measurement of the lease liability (see below), any lease payments made on or before the start of the lease, and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The depreciation of the asset is recorded as a depreciation expense and starts from the date of the start of the lease, which is the date on which the lessor makes the underlying asset available for use by the lessee. The useful life of the Group's leased assets is 23-20 years in Israel, 30 years in Poland and 35 years in the United States.

Right-of-use assets are presented in a separate item in the Statement of Financial Position. Land lease expenses recorded in previous periods in an item under this name join the right-of-use assets as of the date of application of the Standard.

The Group implements the provisions of IAS 36, Impairment of Assets, to determine if the right-of-use asset has been impaired and to deal with any impairment loss identified.

Lease liability

The lease liability is presented in the Long-term Lease Liability Item in the Statement of Financial Position. Liabilities that will be repaid in the next 12 months are recorded in the Current Maturities of Short-term Lease Liabilities item in the Statement of Financial Position.

The lease payments included in the measurement of the lease liability consist of the following payments:

- Fixed payments;
- Variable lease payments that depend on the CPI, which are initially measured by using the CPI existing at the start of the lease.

The lease liability is initially measured on the date of the start of the lease at the present value of the lease payments that are not paid at the start of the lease, discounted using the lessee's incremental discounting interest rate, since the discount rate inherent in the lease is not easily determinable.

After the initial measurement, the lease liability will be measured by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the book value to reflect the lease payments made.

The Group remeasures the lease liability (against an adjustment to the right-of-use asset) when:

- There has been a change in the term of the lease. In this case, the lease liability is measured by discounting the updated lease payments using an updated discount rate;
- The Group remeasures the lease liability using the original interest rate of the lease (against an to the right-of-use asset) when there is a change in future lease payments resulting from a change in the CPI used to determine these payments.

Variable lease payments that are not dependent on the CPI or the interest rate (for example, lease payments that are set as a % of the electricity output of the facilities installed on the leased assets) are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognized as an expense in the Statement of Income during the period in which the event or condition that activated these payments occurred.

O. Financial Assets

1. General

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual terms of the instrument. Investments in these financial assets are initially presented at fair value plus transaction costs, except for investments in financial assets classified in the category of fair value through profit or loss, which are presented at fair value.

Note 2 – Significant Accounting Policies (continued)

The Group's financial assets are classified into the categories listed below. The classification into these categories depends on the nature and purpose of the holding of the financial asset, and is determined on the date of initial recognition of the financial asset or in subsequent reporting periods if the financial assets can be reclassified to another category:

- Financial assets at fair value through profit or loss; and
- Financial assets measured at amortized cost

Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" when those assets are held for trading purposes, when they are investments in equity instruments that are not held for trading purposes and are not designated at fair value through other comprehensive income or when they are designated as financial assets at fair value through profit or loss. The Group's financial assets included in this category include tradable securities held for trading and presented in current assets, investments in non-tradable equity instruments presented in non-current assets and forward transactions in foreign currency that are not hedged.

A financial asset is classified as held for trading if:

- It was purchased primarily for sale in the near future; or
- It is part of a portfolio of identified financial instruments managed together by the Group and for which there is evidence of a recent pattern of activity for the purpose of generating short-term profits; or
- It is a derivative that is neither a financial guarantee nor intended and effective as a hedging instrument.

A financial asset at fair value through profit or loss is presented at its fair value as of the date of the Statement of Financial Position. Profits or losses resulting from changes in fair value, including those due to changes in exchange rates, are recorded to the Statement of Income in the period in which the change occurred. Interest income and dividends originating from these assets are classified under the same item in the Statement of Income. Regarding the manner of determining fair value, see Section (z).

Financial assets measured at amortized cost

Debt instruments are measured at a amortized cost when the following two conditions are met:

- The Group's business model is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the asset set exact dates on which the contractual cash flows will be received, which constitute principal and interest payments only.

Trade receivables, deposits, long-term and short-term loans and receivables, and other receivables with defined payments, are classified as financial assets measured at amortized cost, since the Group's business model is to hold these assets in order to collect contractual cash flows and the contractual terms of these assets specify the exact dates on which the contractual cash flows, which are only principal and interest payments, will be received.

The amortized cost of a financial asset is the amount at which the financial asset is measured when initially recognized, less principal payments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for a provision for any loss.

The effective interest method is a method used to calculate the amortized cost of a debt instrument and allocate and recognize interest income in profit or loss over the relevant period.

Impairment of financial assets measured at amortized cost:

Impairment of financial assets at amortized cost is recognized and measured according to the projected credit losses.

The measurement of predicted credit losses is a function of the probability of a failure occurring, the amount of the loss in the event of a failure occurring and the maximum exposure to a loss in a failure event. Estimates of the probability of failure occurring and the amount of the loss are based on historical data adjusted by forward-looking information.

Regarding trade receivables, lease clients and lease assets, in accordance with IFRS 15, the Group applies the lenient approach to measuring the provision for impairment according to the probability of default over the lifetime of the instrument. Predicted credit losses over the life of the instrument are the predicted credit losses from all possible failure events during the predicted lifetime of the instrument.

Note 2 – Significant Accounting Policies (continued)

The predicted credit losses for these financial assets are estimated using a provision matrix based on the Group's past experience of credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend in conditions and the forecast trend of the conditions as of the reporting date.

P. Financial Liabilities and Equity Instruments issued by the Group

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

- **Financial liabilities at fair value through profit or loss**

The Group's financial liabilities at fair value through profit and loss include various derivatives, as detailed in Section (q) below and non-hedging foreign currency forward transactions.

A financial liability at fair value through profit and loss is presented at fair value. Any profit or loss stemming from changes in the fair value is recorded to the Statement of Income. Profit or loss for these liabilities also includes interest paid in their respect. Transaction costs are recorded on the initial recognition date to the Statement of Income.

- **Other financial liabilities**

The Group's other financial liabilities include short-term credit, other payables, bonds, and loans from banking corporations and others.

Other financial liabilities are initially recognized at fair value after deducting transaction costs. In periods following the initial measurement, other financial liabilities are measured, to the extent that such measurement results are material, on an amortized cost basis, with financing costs generally recognized in the Statement of Income based on the effective interest method. Regarding the treatment of other financial liabilities linked to the CPI, see Section (q).

- **Equity instruments**

An equity instrument is any contract that indicates a residual right to the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the amount of the proceeds received for them less expenses relating directly to their issuance.

- **Options for the purchase of shares of the Company and/or a consolidated company**

Receipts for the issue of options for the purchase of the Company's shares, which give the holder the right to purchase a fixed number of shares of common stock in exchange for a fixed amount of cash, are presented in capital under "receipts on account of stock options". Receipts for options issued by consolidated companies are presented in non-controlling interests. In this regard, an exercise price that varies according to the exercise date, when the exercise price can already be determined at each possible exercise date, is considered a fixed amount.

- **Split proceeds from the issuance of a securities block**

The proceeds from the issuance of a block of securities are attributed to the various package components. The consideration is initially attributed to financial liabilities measured at fair value through profit or loss and to other financial liabilities, which are measured at fair value only on the date of initial recognition, while the balance is attributed to equity instruments. When a number of equity instruments are issued as part of a securities block, the consideration for the block is attributed according to their relative fair value. The fair value of each of the block components measured at fair value is determined based on the market prices of the securities immediately after their issue. Issue costs are allocated among each of its components relative to the value determined for each component issued. The issue costs allocated to financial liabilities measured at fair value through profit or loss are recorded to profit or loss on the issue date. Issuance costs allocated to other financial liabilities are presented net of the liability, and are recognized in profit or loss using the effective interest method. Issuance costs allocated to equity instruments are presented as a deduction from capital.

Q. CPI-Linked Financial Assets and Liabilities

The Group has financial assets and liabilities linked to the CPI that are not measured at fair value through profit or loss. For these assets and liabilities, financing income or costs are recorded according to the effective interest rate, to which linkage differentials are added based on actual changes in the CPI up to the date of each Statement of Financial Position, so that CPI-linked balances are presented according to the last known index on the date of the Statement of Financial Position (the CPI for the month preceding the date of the Statement of Financial Position in each period), or according to the CPI in lieu of the last month of the reporting period, according to the terms of the transaction.

Note 2 – Significant Accounting Policies (continued)

R. Derivative Financial Instruments and Hedge Accounting

1. General

The Group has derivative financial instruments that include, among others, foreign currency forward transactions.

The Group engages in transactions on derivative financial instruments, such as forward transactions on currency exchange rates, with the aim of hedging exposures to changes in foreign currency exchange rates. The Group also finances securities investments that are classified as financial assets at fair value through profit or loss or investments in foreign activities, net of credit taken in the foreign currency in which these investments are denominated.

Derivative financial instruments are initially recognized on the date of the engagement, and in each subsequent reporting period, at fair value. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss. The timing of the recognition of the profit and loss of changes in the fair value of derivative financial instruments designated for hedging purposes, where such hedging is effective and meets all conditions for determining hedging ratios, is contingent on the nature and type of hedging, as set out in Sections 2 to 5 below.

The balance sheet classification of derivative financial instruments, as current or non-current, is determined according to the contractual duration of the financial instrument from which they are derived. When the derivative's contractual time remaining exceeds 12 months, the derivative is presented in the Statement of Financial Position as a non-current item. When the contractual time remaining is less than 12 months, the derivative is presented as a current item, as long as the derivative liability is settled in cash, or by an exchange with another financial asset.

2. Hedge accounting

The Group uses various derivative financial instruments to manage exposures to changes in currency exchange rates, interest rates and electricity prices. For additional information regarding the financial derivatives held by the Company for hedging cash flows or for hedging a net investment in foreign operations, see Note 22.

Starting from the 2021 financial statement, the Group applies the hedge accounting model in IFRS 9 as its accounting policy prospectively, in accordance with the transitional provisions of the standard. On the date of the transition from the hedge accounting model in IAS 39 to the hedge accounting model in IFRS 9, the aforesaid had no effect on the Company's capital.

On the date of engagement in the hedging transaction, the Group formally documents the hedging relationship between the hedging instrument and the hedged item.

In the documentation, the hedging instrument, the hedged item, the nature of the hedged risk, the hedge ratio, the objective of the Group's risk management and strategy for carrying out the hedge are identified, and how the Group examines whether the hedging ratios comply with the requirements for hedging effectiveness, including its analysis of the sources of the lack of effectiveness of the hedging and the extent of the impact of the hedging instrument's credit risk on the economic relationship between the hedging instrument and the hedged item, if any.

When the hedge is created and in subsequent periods, the Group assesses whether the hedge is expected to be highly effective in offsetting changes at fair value or in the cash flows that can be attributed to the hedged risk during the period for which the hedge is intended. In addition, starting at the beginning of the hedging relationship and for its duration, the Group documents the degree to which the instrument is effective in offsetting the exposure to changes in the fair value or in the cash flows in respect of the hedged item.

Hedging is effective when the hedge ratio meets all of the following hedging requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The impact of credit risk is no more dominant than the changes in value resulting from this economic relationship; and
- The hedge ratio is the same as the ratio resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the stated amount of the hedged item.

Note 2 – Significant Accounting Policies (continued)

The Group's hedging activity includes the following hedging relationships:

3. Fair value hedging

Changes in the fair value of financial instruments designated for fair value risk hedging, which include changes in the forward rate of the CPI in the case of fair value hedging of unlinked NIS bonds using derivative financial instruments, are recognized in the Statement of Income together with changes in the fair value of the hedged item related to the hedged risk. The hedge accounting is terminated when the hedging instrument expires or is sold, canceled or realized, or when the hedging ratios no longer meet hedging threshold conditions.

4. Hedging of investment in foreign activity, net

Hedging of investments in foreign activity, net through loans taken in the same currency in which the investment was made and through forward and cross currency swap transactions in foreign currency, is treated such that the effective part is recognized in the "Capital Reserve from the Translation of Financial Statements for Foreign Activity" item in the Company's comprehensive income, and the ineffective part is immediately recognized in the Statement of Income. Amounts recognized in comprehensive income are classified to profit or loss upon realization of the investments in the foreign activities, net.

5. Cash flow hedging

Regarding cash flow hedging, a forecast transaction that is a hedged item must be highly expected and result in exposure to changes in cash flows that may ultimately affect profit and loss.

Derivatives are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss as incurred. When the fair value of a derivative on the date of initial recognition differs from the transaction price (hereinafter in this paragraph - "initial measurement date difference") and if the measurement of the value of such derivatives is not based on a quoted price in an active market for an identical derivative, or if it is not based on evaluation methods that use only observable data (in view of the terms of the transaction), the value derived from the initial recognition will be adjusted in order to defer the initial measurement date difference. This difference will be subsequently recognized in the statement of income only if it is due to a change in a factor that a market participant would take into account in determining the transaction price. The Company presents derivatives used to hedge electricity prices in the United States, and to hedge WIBOR interest in Poland, in the statement of financial position, with an adjustment to the fair value as aforesaid.

Subsequent to initial recognition, the derivatives are measured at fair value, with the changes in the fair value treated as follows:

Changes in the fair value of derivatives used to hedge cash flows, in respect of the effective hedging part, are recognized through other comprehensive income directly to a hedge fund. For the part that is not effective, the changes in fair value are recognized in profit or loss. The amount accrued in a hedge fund is reclassified to the statement of income in the period in which the hedged cash flows affect the statement of income and is presented in the same item in the statement of income in which the hedged item is presented.

If the hedging instrument no longer meets the criteria for accounting hedging, or it expires, is sold, canceled or realized, the hedge accounting treatment is discontinued. The gain or loss previously accrued in a hedge fund through other comprehensive income remains in the fund until the forecast transaction takes place or until the forecast transaction is no longer expected to occur. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in respect of the hedging instrument accrued in a hedge fund will be reclassified to profit or loss. In other cases, the amount recorded to a hedge fund is transferred to profit and loss in the period in which the hedged item affects profit and loss.

As of the date of the report, the Group implements cash flow hedge accounting in connection with transactions for the fixing of the price of electricity that it will sell in photovoltaic projects in the United States and in connection with variable interest rates in Poland, using interest rate cap options on the variable interest rate. For additional information, see Notes 7 and 8.

For hedging relationships carried out using interest rate cap options on a variable interest rate on loan bearing variable interest, the time value of the option is not part of the hedge ratio. The time value of the option on the date of its initial recognition (the "hedging cost") is recognized in profit or loss in a straight line over the hedging period (the period in which the hedged interest payments are recognized in profit or loss). The changes in fair value attributed to the time value of the option are recorded to a capital reserve.

Note 2 – Significant Accounting Policies (continued)

S. Holdings in the Company's Shares

Company shares held by the Group are deducted from the Company's equity according to the treasury stock method.

T. Taxes on Income

1. General

Income tax expenses (revenues) in the Statement of Income include all current taxes, as well as total change in deferred tax balances, except for deferred taxes relating to a transaction or event that are recorded directly to equity or to comprehensive income. The tax results resulting from a transaction or event recognized directly to equity or to comprehensive income are also recorded directly to equity or to comprehensive income.

2. Current taxes

Current tax expenses (income) are calculated based on the taxable income of the Company and the Group companies during the reporting period. Taxable income differs from income before income taxes, due to the inclusion or exclusion of income and expense items that are taxable or deductible in different reporting periods, or that are not taxable or deductible. Current tax assets and liabilities are determined using the tax rates and tax laws that have been enacted, or substantively enacted, up to the date of the Statement of Financial Position.

3. Tax Benefits on projects in the United States and agreement with a tax partner in connection with them

Developers who own photovoltaic projects in the United States are entitled under the provisions of U.S. law to a tax benefit (ITC - Investment Tax Credit) which can be exercised against a federal tax liability in the United States. To the extent that the developer does not have a tax liability to offset the full benefit, it is customary for the developer to engage with an entity that has a tax liability and will transfer the tax benefits (in whole or in part) thereto, in exchange for an amount that it will invest in the project (hereinafter - "**Tax Partner**").

Energix entered into a number of agreements with a tax partner according to the above structure, in exchange for the transfer of most of the tax benefits in respect of the project relevant to that agreement, which is mainly a tax credit for the ITC and the depreciation expenses for tax purposes on the photovoltaic facilities (hereinafter in this subsection - "tax benefits"), as well as participation in a proportionate share agreed in the cash flow available for distribution. Eligibility for participation in part of the available cash flow is in effect until the rate of return on the tax partner's investment is reached, as stipulated in the agreement. After reaching the rate of return, the tax partner's share in the profit and cash flow decreases to a minimum rate as determined in the agreement.

The amounts received from the tax partners are presented as a liability under the 'liability in respect of an agreement with a tax partner' item in the statement of financial position. Amounts predicted to be paid to the tax partners from the available cash flow for its investment in the project constitute a financial liability, which is measured at a amortized cost according to the effective interest method. The projected tax benefit amounts to be transferred from the project partnerships to the relevant tax partner constitute a non-financial liability recognized in profit or loss as tax revenues in a straight line over a period of 5 years (the period in which Energix is required to meet various conditions in order to be entitled to the tax benefits), except for the depreciation benefits, which are recognized in profit or loss over the benefit period, usually 12 years.

For additional information regarding agreements with tax partners and the tax benefits in Energix projects in the United States, see Note 7 below.

4. Deferred taxes

The Company and the Group companies make an allocation of taxes for temporary differences between the value of assets and liabilities in the financial statements and their tax basis and for losses and benefits for tax purposes, which are expected to be realized. The deferred taxes are calculated at the tax rates expected to apply at the time of their application, based on the tax rates and tax laws enacted, or substantively enacted, until the end of the reporting period.

Note 2 – Significant Accounting Policies (continued)

Deferred tax liabilities are generally recognized in respect of all temporary differences between the value for tax purposes of assets and liabilities and their amounts in the financial statements. Deferred tax assets are recognized in respect of all deductible temporary differences up to the expected amount of taxable income against which the deductible temporary difference can be utilized.

BE, Carr, and the Boston companies are defined as REITs for tax purposes in the UK and the United States, respectively, and do not record tax reserves in respect of revaluation gains on real estate assets in their books.

In accordance with the REIT rules in the UK, BE is not required to distribute a dividend originating in capital gains from the sale of real estate assets, and accordingly, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds 97.3% of the rights in BE (see Note 6d) and therefore has control on the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends originating in capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

According to the REIT rules in the United States, Carr and the Boston companies are required to distribute their taxable income for tax purposes, including capital gains from the sale of real estate assets, and accordingly, the Company records tax reserves in its financial statements in respect of its share in revaluation gains and depreciation differences for Carr and the Boston companies - see Notes 6g and 6i.

The deferred tax calculation does not take into account: taxes that would apply in the event of the realization of investments in investees which, according to the Group's intentions, are expected not to be realized in the foreseeable future; taxes in respect of a distribution of profits in the Group for cases where dividend payments from investees are not expected to be taxable; taxes on profits of Group companies whose distribution is taxable, but the Group does not intend to distribute them as a dividend; taxes in respect of receipts distributed by way of capital reduction by associates and the Company estimates that these receipts will be classified in Israel as capital gain; deferred taxes that would apply to investment property acquired in a non-business combination transaction, which at the time of the transaction does not affect the accounting profit nor the taxable income at the time of the transaction.

Deferred tax assets and liabilities of each investee are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes imposed by the same tax authority, and the intention of that investee to settle its current tax assets and liabilities on a net basis.

U. Provisions

A provision is recognized when the Group has a commitment (legal or implied) as a result of a past event that is more likely than not to require a negative flow of resources, as long as a reliable estimate of the commitment amount to be discharged can be made. The provisions reflect the management's best estimate of the amounts that will be required to settle the commitments as of the date of the Statement of Financial Position, taking into consideration the risks and uncertainties involved.

When all or part of the amount required to settle the commitment as of the date of the statement of financial position is expected to be settled by a third party, the Group recognizes an asset, for the restitution, up to the amount of the provision recognized, only when it is virtually certain that the indemnity will be received and can be reliably estimated.

The financial statements include provisions for legal proceedings and taxes that are contingent on the date of the Statement of Financial Position, against some of the Group companies that, according to the management's estimation based on its legal advisors for these proceedings, it is more likely than not that they will be realized.

V. Share-Based Payment

In share-based payment transactions with employees (including officers and others who provide similar services) that are settled in the Group's equity instruments (usually options), the benefit inherent in equity instruments granted is determined based on their fair value on the grant date. The fair value inherent in granted options is estimated on the basis of option pricing models (such as the Black and Scholes model), where, at each date of the Statement of Financial Position, the Group estimates the number of equity instruments expected to mature and any change in the estimate over previous periods is recognized in the Statement of Income over the remaining vesting period.

Note 2 – Significant Accounting Policies (continued)

The benefit is recognized as an expense in the Statement of Income against an increase in equity, in a straight line over the vesting periods of the equity instrument granted, such that each sub-grant is considered a separate series (graded vesting).

In share-based payment transactions with employees (including with officers and other providing similar services) settled in cash, the Group measures the labor services and the liability created in respect of share-based payments cleared in cash according to the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the settlement date, with any changes in the fair value recognized in profit or loss for the period. If the arrangement includes vesting conditions, the Group recognizes the services received, and the liability to pay for them, over the vesting period.

W. Recognition of Revenue

Revenue is recognized in the financial statements as long as their collection is estimated to be expected on the date they are recognized and when the amounts of revenue and costs can be reliably measured. Revenue is measured and recognized according to the fair value of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for the benefit of third parties (such as taxes).

1. Revenues from rental fees and investment property management are recognized in the Statement of Income as they accrue over the rental period. In leases where the rent increases at a fixed rate throughout the rental period, the effect of the fixed increase in rents is recognized in the Statement of Income evenly throughout the rental period. Revenue is recognized in the financial statements as long as its collection is estimated as expected as of the date of recognition and when the amount of revenue can be reliably measured.

   Waiver in respect of lease payments from operating lease arrangements for which the projected due date has expired – Amot handles waivers granted to tenants in operating lease arrangements in respect of lease payments whose contractual due date has passed, which constitute a lease amendment, as a disposal of a financial asset in accordance with Accounting Standard IFRS 9 and consistent with the Securities Authority Staff Position 19-3. Accordingly, and after taking into account projected credit losses to the extent such exist, Amot deducts the balance of the debtors in respect of an operating lease to the statement of income on the date the contractual rights to cash flows expired. In respect of the deduction of the debtors' balance, Amot recorded a decrease in revenues in the amount of approx. NIS 20 million in 2021 (for 2020, Amot recorded a decrease in revenues of approx. NIS 47 million).

   Operating lease arrangements that combine fixed lease fees and variable lease fees – In operating lease arrangements that combine fixed lease fees and variable lease fees, Amot recognizes the fixed lease payments on a straight-line basis over the lease period. In lease agreements of this type, in which the tenants were given relief attributed to the corona crisis (COVID-19), according to which the fixed component was reduced to a lower amount for a fixed period, while leaving the variable component intact, Amot considers the updated floor of the fixed component as a systematic basis that better presents the pattern in which the benefit is reduced from the use of the underlying asset, and this is replaced by the spread of the reduction in the fixed component over the balance of the lease period on a straight-line basis. Accordingly, in each period Amot recognizes the difference between the total actual lease payments and the amount received on a straight-line basis as positive or negative variable lease payments. This accounting policy is in accordance with IFRS 16 and the Securities Authority Staff Position 19-3. In respect of the reduction of the fixed component to the updated floor, in 2020, Amot recorded a decrease in revenues in the amount of approx. NIS 17 million. In respect of 2021, there is no effect.

Dividend income is recognized in the Statement of Income on the determining date for dividend eligibility.

Profits (losses) from the realization of investment property and investments in associates are recognized in the Statement of Income on the date of completion of the sale transaction upon transfer of control of the property to the buyer.

Revenue from electricity sales is recognized in the Statement of Income as accumulated over the production period.

Note 2 – Significant Accounting Policies (continued)

Revenues from green certificates are measured according to the market price of the certificates at the end of the month in which they accumulated and recorded against the green certificates inventory. At the time of realization of the certificate, revenues from the sale of green certificates are adjusted based on the actual sale price, except in cases of impairment of the value of the certificates. Impairments and cancellations are recognized in the expense items in the Statement of Income. Regarding green certificates, see Note 7.

Financing income includes interest income in respect of invested amounts, changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues through the effective interest method.

X. Credit Costs

Credit costs attributable to the construction of qualifying assets, the preparation of which for their intended use or sale require a significant time period, are capitalized to the cost of those assets until such time that the assets are mostly ready for their intended use or sale.
Credit costs were calculated as the multiple of the Group's average interest rate by the actual asset invested.

Revenues stemming from a temporary investment of specific credit received for the purpose of investing in qualifying assets is deducted from the credit costs qualifying for capitalization.

All other credit costs are recognized in profit or loss as incurred.

Y. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the Company's common stock shareholders, by the weighted average number of shares of common stock in circulation during the reporting period.

In order to calculate diluted earnings per share, the profit attributed to the Company's common stock shareholders, and the weighted average number of shares in circulation, is adjusted for the effects of all potential shares of common stock originating in the Company's convertible securities, as long as they result in dilution relative to the basic earnings per share.

Z. Determination of Fair Value

In order to implement some of the accounting policies, the Group is required to estimate the fair value of financial and non-financial assets and liabilities. Fair value amounts are determined mainly based on the following methods:

1. **Non-derivative negotiable financial instruments** – the fair value of non-financial derivatives traded on active markets (mainly shares and other securities) has been calculated according to closing rates as of the balance sheet date quoted on various stock exchanges, multiplied by the amount of issued negotiable financial instruments on that date.

2. **Derivative tradable financial instruments** – The fair value of derivative financial instruments traded in an active market was calculated according to quoted market prices at the end of the reporting period.

3. **Non-traded financial instruments** – The fair value of financial instruments, including derivatives, that are not traded in an active market (mainly forward and cross currency swap transactions in foreign currency and financial assets at fair value through profit or loss that are not traded) is estimated using generally accepted economic valuation techniques and models based on reasonable assumptions derived from the existing economic conditions at the end of each reporting period. The valuation methods include models for pricing options and the present value of future cash flows discounted at a discount rate that reflects, in the Company management's estimation, the level of risk inherent in the financial instrument.

Note 2 – Significant Accounting Policies (continued)

4. Investment property

The Group's investment property is presented at its fair value, with changes in its fair value recognized as income or expense in profit or loss.

For the purpose of determining the fair value of investment property, the Group's management relies mainly on assessments made by independent external real estate appraisers with the required knowledge, experience and expertise. Company management determines fair value using generally accepted real estate assessment methods, primarily debt cash flow (DCF) and the comparison of sales prices of similar properties and Group properties in the surrounding area (and for property in development, mainly according to the "extraction" approach).

When the discounted cash flow method is used, the interest rate used to discount the net cash flows expected from the asset has a significant impact on its fair value.

Determination of the value takes into account, among other things and where relevant, the location and physical condition of the property, the quality and stability of the tenants, the rental periods, rental prices for similar assets, adjustments required to existing rental prices, the actual predicted occupancy of the property and its operating costs. A change in the value of some or all of these components can have a significant impact on the property's fair value as estimated by the Company's management.

The Group aims to determine fair value in objective a manner as possible, but at the same time the process of assessing fair value of investment property also includes subjective components, originating among other places in past experience of Group management and its understanding of future occurrences and developments in the investment property market on the date on which the fair value assessment was determined. In view of this, and in view of that stated in the previous paragraph, determination of the fair value of the Group's investment property requires discretion.

Changes in assumptions used to determine fair value can significantly affect the Group's financial condition and operating results.

5. Option warrants to employees and officers –

The fair value of the benefit inherent in the granting of stock options to employees and officers, providing similar services, is determined based on the fair value of each stock option on the grant date estimated using an option pricing model (such as the Black and Scholes model).

Determining fair value takes into account, among other things, the share price, the exercise price, the predicted volatility, the life of the option, expected dividends and the risk-free interest rate. Predicted volatility is estimated based on the past volatility of the stock price for the same period as the estimated life of the option; the life of the option is determined in accordance with management's forecast of the stock option recipients' holding period of the stock options granted to them, given their role in the Company and the Company's past experience regarding the departure of employees; in estimating the predicted dividends, the Company takes into consideration the dividend distribution policy known on the grant date; the risk-free interest rate estimate is based on the yield inherent in government offerings, the remaining period of which is equal to or similar to the forecast period of the assessed option.

AA. Main Estimates and Uncertainties

Main estimates and uncertainties

The addition of information that was not available to the Company at the time an estimate was made may cause changes in the quantitative value of the estimate and therefore also affect the Company's financial position and operating results.

Therefore, although estimates or valuations are made in the best of the Company management's judgment, based on its past experience considering the unique factors of each case, and where relevant, even with the help of external experts, the final quantitative impact of transactions or matters requiring estimates may only become clear when these transactions or matters are concluded. Consequently, when the actual results in an event that requires determination of estimates and valuations becomes clear, they may differ, sometimes substantially, from these estimates and valuations when they are initially determined and updated over time.

Note 2 – Significant Accounting Policies (continued)

The estimates and their underlying assumptions are reviewed periodically, and updated following information coming to the attention of the Company's management or an event that has occurred after the last date on which the estimate was made, and which was not available in the previous period when the estimate was made or last reviewed. Changes to accounting estimates are recognized in the period in which the estimate is changed, or also in future periods after the change is made if the change has implications that affect both the current and future periods.

The following are the main areas that require estimates and assessments to determine their value in the financial statements, which the Group management believes are expected to have a particularly significant impact:

- **Fair value of investment property and investment property in development and land rights –** see Note 4c.
- **Fair value of financial instruments** – as described in Note 23. The Company's management exercises discretion in selecting appropriate valuation techniques for financial instruments that do not have a quoted price in an active market. The valuation techniques used by the Company's management are those applied by market participants. The fair value of financial instruments is determined based on the discounted cash flows expected from them, based on assumptions supported by observable market prices and their rates. The fair value estimate of financial instruments that are not listed for trading in an active market includes a number of assumptions that are not supported by observable prices and market rates.
- **Impairment of investments in associates –** The Company tests for impairment of investments in associates in accordance with the provisions of IAS 36. As part of the impairment testing, the Company refers to a variety of indications, including, among other things, the investee's business situation, changes in its operating activities, rising trends in terms of operating and financial indices such as occupancy rates, cap rates, operating cash flows, ability to repay and raise debt, financial ratios, asset value per share, dividend per share, the duration of the period in which the investment cost exceeds its value according to stock market prices if there is a continuous decline in stock market prices over long periods, or if the decline in stock market prices is expected to be significant in view of a real deterioration in the investee's business, and so on.

  If, after examining all of the above parameters, the conclusion is that this is not an impairment, there is no need to estimate the amount of the loss.
- **Provisions for legal proceedings** – In order to examine the legal issues of the legal claims, and to determine the likelihood that they will materialize to the Group's detriment, the Group's management relies on the opinion of legal and professional advisors. Once the Group's advisers formulate their legal position and the group's prospects regarding the subject matter of the claim, or the proceeding, whether the Group will have to bear the consequences or can reject them, the Group's management estimates the amount to be recorded in the financial statements, if any. A different interpretation from that of the Group's legal counsel regarding an existing legal situation, a different understanding by the Group's management regarding engagement contracts, as well as changes stemming from relevant rulings or new facts, may have an effect on the value of the overall provision for the legal and tax proceedings that are pending against the Group, thereby significantly affecting the Company's financial position and operating results.
- **Taxes on income** – The Group operates in several countries that have different tax regimes. The Group recognizes a tax liability according to the tax rates applicable to the Group companies in accordance with the applicable tax laws. In determining the provision for current and deferred taxes, the management makes estimates and assessments, especially regarding transactions for which the tax rates or tax liability are not certain or final. When there is uncertainty, the Company's management usually assesses, based on the opinions of various tax advisors, whether it is more likely than not for that the Group has additional tax exposure, and the best estimate of the additional tax expense to be incurred by the Company. In addition, in cases where the Company's management estimates that additional tax is expected due to its international operations and the fact that it operates in several countries where different tax regimes exist, the Company recognizes a deferred tax liability according to the expected tax rates.
- **Deferred tax assets –** Deferred tax assets are recognized for losses carried forward for tax purposes and temporary unused differences, if it is expected that there will be future taxable income against which they can be utilized. Management's judgment is required to determine the deferred tax asset amount that may be recognized based on timing, the amount and source of expected taxable income and tax laws in the various tax territories. See additional information in Section (t).

Note 2 – Significant Accounting Policies (continued)

BB. Exchange Rates and Linkage Bases

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

Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the CPI of the month preceding the month of the financial statement date) or according to the Consumer Price Index for the last month of the reporting period (the CPI for the month of the financial statement date), according to the transaction terms.

Below are details of the Consumer Price Index and the exchange rates of the following currencies against the NIS, as well as the increase (decrease) in the Consumer Price Index and changes in the exchange rates of the following currencies against the NIS:

	As of December 31 / For the Month of December			For the Year ended December 31		
	2021	2020	2019	2021	2020	2019
				%	%	%
Consumer Price Index						
(2000 base)						
In Israel (in lieu CPI)	136.354	132.634	133.561	2.80	(0.69)	0.60
In Israel (known CPI)	135.956	132.766	133.561	2.40	(0.60)	0.30
Exchange Rate against the NIS						
CHF	3.405	3.650	3.575	(6.71)	2.10	(6.09)
USD	3.110	3.215	3.456	(3.27)	(6.97)	(7.79)
GBP	4.203	4.392	4.560	(4.30)	(3.68)	(4.86)
PLN	0.765	0.854	0.911	(10.49)	(6.17)	(8.81)

Note 2 – Significant Accounting Policies (continued)

CC. Newly Published Financial Reporting Standards and Interpretations and Amendments to Standards

A. New standards, new interpretations and amendments to standards affecting the current period and/or previous reporting periods:

- **IFRS 7, IAS 39, IFRS 9, IFRS 4 and IFRS 16 (regarding the Interbank Interest Rate Reform (IBOR)) - Phase II**

The amendments include reliefs that allow entities to reflect the change in interest rates resulting from the reform of interbank interest rates while reducing the accounting effects that may result. The amendments mainly affect entities with financial assets and financial liabilities at variable interest (including lease liabilities) as well as entities that apply hedge accounting in accordance with IFRS 9 or IAS 39 regarding hedge ratios affected by the reform.

The amendments stipulate that an entity is not required to adjust the book value of financial instruments at a variable interest rate due to changes in the anchor interest rate resulting from the reform, but will update the effective interest rate by discounting the new cash flows to the book value of those financial instruments on the date of the change (application of Section B5.4.5 of IFRS 9). The amendments also determine additional temporary relief from the implementation of specific hedge accounting requirements in order to enable entities to continue to implement hedge accounting under certain conditions.

The amendments apply to all entities and are not optional. The amendments are applied retroactively to annual reporting periods starting January 1, 2021 or thereafter.

The standard did not have a material impact on the Group.

B. Standards, interpretations and amendments to standards that have been published and are not in effect, and have not been adopted with early adoption by the Group, which are expected or may have an impact on future periods:

- **IFRS 10 - "Consolidated Financial Statements" and IAS 28 - "Investments in Associates and Joint Ventures" (regarding the sale or transfer of assets between an investor and an associate or joint venture):**

  The amendment determines that when selling/transferring assets that constitute a "business" to an associate or to a joint venture, or when losing control in a subsidiary that constitutes a "business" while maintaining joint control / significant influence therein, the full profit or loss from the transaction, including in respect of a loss of control, must be recognized. On the other hand, when selling/transferring assets that do not constitute a "business" to an associate or to a joint venture, or when losing control in a subsidiary that does not constitute a "business" while maintaining joint control / significant influence therein, the profit or loss should be recognized only in the amount of the other investors' share in the same associate or joint venture. No commencement date has been set for implementation of the amendment. Early application is possible.

- **IFRS 9 - "Financial Instruments"**

  The amendment clarifies which fees are included in the 10% test for the purpose of derecognizing a financial liability. Only fees paid or received between the borrower (the entity) and the lender should be included, including fees paid or received by one of them for the benefit of the other.

  The amendment will be applied to financial liabilities that were modified or replaced at the beginning of the annual reporting period in which the amendment is initially applied or thereafter. The amendment will be applied to annual reporting periods beginning on or after January 1, 2022. Early application is possible.

- **Amendment to IAS 12 - "Taxes on Income" (regarding deferred taxes in respect of assets and liabilities stemming from the same transaction)**

Note 2 – Significant Accounting Policies (continued)

The amendment clarifies that the exception for the initial recognition of deferred taxes does not apply to transactions which at the time of initial recognition of the asset and the liability arising therefrom, cause both a deductible temporary difference and a taxable temporary difference in equal amounts. Therefore, deferred taxes for these temporary differences should be recognized.
This amendment applies to annual reporting periods starting January 1, 2023 or thereafter. Early application is possible. The amendment will be applied retrospectively in respect of transactions that have occurred since the beginning of the earliest comparison period presented in the financial statements.

In addition, at the beginning of the earliest comparison period presented in the financial statements, an entity will recognize a deferred tax asset and a deferred tax liability stemming from:

- Right-of-use assets and lease liabilities, and
- A liability in respect of liquidation and rehabilitation and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

The cumulative effect of the application of the amendment to the beginning of the earliest comparative period presented will be recognized against an adjustment of the opening balance of retained earnings (or another component of equity, as necessary) as of that date.

The Group is of the opinion that the implementation of the amendment is not expected to have a material effect on its financial statements.

- **Amendment to IAS 16 - "Fixed Assets" (regarding receipts before the intended use)**

The amendment prohibits the deduction of net proceeds from the sale of any items produced for the purpose of bringing the item to the location and condition necessary for it to operate in the manner intended by management (such as samples produced when testing the asset's functioning) from the cost of a fixed asset item. The proceeds from the sale of these items and the cost of their production will be recognized in profit or loss. The cost of these items will be measured in accordance with the provisions of IAS 2 "Inventory". Disclosures will be made in the notes to the amounts of receipts and costs included in profit or loss in respect of these items, and in which items they are included.

The amendment clarifies that "testing whether the asset is functioning properly" means examining whether the technical and physical performance of the asset is such that the property can be used in the manufacture or supply of goods or services, for rent to others or for administrative purposes.

The amendment will be applied to annual reporting periods beginning on or after January 1, 2022. Early application is possible.

The Company is of the opinion that the implementation of the amendment is not expected to have a material effect on its financial statements.

Note 3 – Additional Information regarding Current Asset Items

A. Cash and Cash Equivalents

	Interest Rate As of December 31 2021	As of December 31 2021	As of December 31 2020
	%	NIS thousands	NIS thousands
Cash in banking corporations		581,552	1,031,529
Short-term deposits in banking corporations	0.01-0.0.08	581,671	1,183,252
Monetary funds (*)		66	-
		1,163,289	2,214,781

(*) Investment in short-term NIS mutual funds, and the average duration of their repayment date at the time of investment does not exceed 3 months.

Note 3 – Additional Information regarding Current Asset Items (continued)

B. Trade Receivables

Composition:

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Outstanding debt	31,966	37,146
Checks receivable	6,926	8,298
Income receivable	31,649	29,520
	70,541	74,964
Less provision for doubtful debts	(15,004)	(14,399)
	55,537	60,565

In determining the likelihood of payment of customer debts, the Group examines changes in the quality of customer credit from when the credit was extended and up to the reporting date.

The Group's management of credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group.

The Group does not have significant exposure to credit risk in respect of a specific customer or a group of customers with similar characteristics. The Company defines customers as having similar characteristics if they are related entities. The credit concentration level is limited due to the fact that the customer base is large and not related to each other. There have been no changes in compliance techniques or in significant assumptions carried out in the current reporting period. The Group writes off customer debts when information exists that indicates that the customer is in severe financial difficulty and there is no real chance to recover the debt. For example, when the customer goes into liquidation or bankruptcy proceedings.

C. Other Receivables

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Income receivable – interest, dividends, rental fees and other	4,859	1,865
Institutions	135,570	24,551
Prepaid expenses	12,389	5,738
Partners in joint ventures	-	297
Joint arrangements	5,955	8,055
Related companies and current maturities of long-term loans to investees presented according to the equity method	6,947	6,694
Green Certificates	13,926	22,892
Derivative financial instruments designated as hedges (see Note 23)	211,140	136,751
Receivables in respect of contingent consideration arrangement	-	18,348
Short-term loans to others (*)	100,015	-
Receivables in respect of option plan	16,957	1,205
Others	46,122	32,415
	553,880	258,811

(*) This amount includes a loan in the amount of GBP 18 million for a one year period that BE granted in April 2021 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%.

Note 3 – Additional Information regarding Current Asset Items (continued)

D. Deposits, tradable securities and restricted cash

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Tradable securities		
Stocks	-	39,537
Bonds	-	50,160
Short-term restricted deposits	30,433	643
	30,433	90,340

Note 4 – Investment Property; Investment Property in Development and Land Rights

A. Composition and movement:

	Investment property		Investment property in development and land rights		Total
	Israel (Amot)	UK (BE)	Israel (Amot)	UK (BE)	
	NIS thousands				
Balance as of January 1, 2020	12,318,246	2,573,708	550,354	-	15,442,308
Additions from acquisitions	2,273	452,292	232,352	-	686,917
Transfer from investment property to fixed assets	(13,797)	-	-	-	(13,797)
Effect of changes in exchange rates		(103,844)		-	(103,844)
Transfer from investment property in development to investment property	187,537	-	(187,537)	-	-
Transfer from investment property to investment property in development	(207,099)	-	207,099	-	-
Investments and other	59,091	25,275	341,611	-	425,977
Profit (loss) from fair value adjustments, net	(149,457)	(44,090)	5,765	-	(187,782)
Balance as of December 31, 2020	12,196,794	2,903,341	1,149,644	-	16,249,779
Additions from acquisitions	1,385,895	617,634	656,049	512,791	3,172,369
Transfer from investment property to fixed assets	(8,550)	-	-	-	(8,550)
Effect of changes in exchange rates		(182,087)	-	(47,112)	(229,199)
Transfer from investment property to investment property in development	(243,637)	-	243,637	-	-
Investments and other	141,904	82,792	189,776	61,774	476,246
Profit from fair value adjustment, net	606,071	524,636	133,944	450,819	1,715,470
Balance as of December 31, 2021	14,078,477	3,946,316	2,373,050	978,272	21,376,115
Discount rate in 2021	7.00%-5.00%	5.46%-3.57%			
Discount rate in 2020	7.75%-6.1%	5.77%-4.34%			

- For information regarding revenues from rental fees originating in investment property, see Note 17a.
- For information regarding fair value adjustments of investment property, see Note 17b.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

B. Transactions in and subsequent to the reporting year related to investment property, property in development and property in planning and development:

Amot

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

In March 2021, Amot signed an agreement for the acquisition of half of the rights in a logistics center near Kibbutz Hafetz Haim for the amount of NIS 71 million (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, and 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).

Beit Shemesh Logistic Center

In June 2021, Amot signed an agreement for the acquisition of 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, the partners (Amot and its partner to the project) intend to plan and build a two-story logistics center, with a total gross area of approx. 45 thousand sq.m. Amot is currently advancing a master plan to increase the built up area on the lot, to approx. 50 thousand sq.m. As part of the agreement in the partnership, it was agreed that they would jointly construct an advanced logistic center on two high floors of approx. 15 meters each floor, at a total cost of approx. NIS 300 million, with Amot's share at NIS 180 million. As of the date of the report, the project is at the beginning of the excavation and quarrying work.

Acquisition of the complex known as the Tzrifin Logistic Park

In September 2021, Amot signed an agreement for the acquisition of the rights in the complex known as the Tzrifin Logistic Park for the amount of NIS 1,518 million (not including transaction costs). The complex includes 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 with a total built up area of approx. 113 thousand sq.m. The complex is located in the Sdot Dan Regional Council area, 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 28 tenants, and the aggregate rent received in respect of the lease agreements is an annual amount of approx. NIS 58 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 property value includes building volumes and unutilized building rights, which were classified under the 'property in development' item in the amount of NIS 250 million.

Cargal Logistic Center

In March 2022, subsequent to the date of the financial statement, Amot (through a wholly owned subsidiary) entered into an agreement with Cargal Ltd. (hereinafter: "**Cargal**"), according to which on March 3, 2022, the lease agreement between the parties was terminated (which was originally to due to end only on May 31, 2032) under which Cargal leased land from Amot in Lod with a total area of approx. 106 dunams, on which several logistics buildings are located and leased to a number of subtenants for long periods (hereinafter - "the complex" and "the subtenants").

Following the conclusion of the agreement, the full rights and obligations under the lease agreements with the subtenants were transferred to Amot, in exchange for payment in the amount of NIS 51.3 million (plus VAT according to the law). Due to its designation, size and strategic location, the complex is another significant development reserve for Amot in the logistics sector.

Projects in construction, planning and development stages:

Amot Holon

The project includes a 22-story office tower with a total above-ground space of approx. 60 thousand sq.m., and a 5-level underground parking garage, (Amot's share - 77.8%). The tower will be built and operated as an income-generating rental property that will be managed by a joint Amot and Municipality management company. As of the date of the report, the project has received Form 4 for the public spaces and is in the final stages of completion of the upper structure and of the parking basements. Amot estimates the amount of its investment in the project at NIS 570 million. As of the date of the Statement of Financial Position, NIS 470 million have been invested.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Amot Modi'in

The project includes a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period, at annual rental fees calculated according to an 8% return on the total investment cost. The logistic center began generating income starting in mid-July 2020. The expected investment amount for the partnership in the construction of the project was estimated at NIS 420 million (Amot's share of the investment (75%) is estimated at NIS 320 million, Shufersal's share is 25%). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the reporting date, the project is in the finishing work stage at the logistic center with an emphasis on the work of the automation contractor and also at the start of the finishing work on the office building.
Until the reporting date, NIS 383 million was invested in the property (Amot's share – 75%).

Halehi Complex

The lot is located in the Bnei Brak's Northern business complex, adjacent to Hayarkon Park and the Ramat Hachayal complex and near the Ayalon Mall. Amot and its partner in the project (Allied) ("**the Partnership**") are working together to plan, develop and build an office and commercial project, which will include 82 thousand sq.m. of above-ground space, including 42 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the partners at approx. NIS 1,200 million (Amot's share - 50%). As of the reporting date, the project is in the reinforcement, excavation, groundwater degradation and foundation stages.

ToHa2 (Totzeret Ha'aretz)

In August 2021, Amot and Gav Yam ("**the Partners**"), purchased, 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).

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 constructed by Amot and Gav-Yam Real Estate Ltd. (hereinafter – "the Partners"), which jointly hold the rights, in equal parts, in the land at the intersection of Totzeret Ha'aretz, Yigal Alon and Hashalom Streets in Tel Aviv. The project is connected and adjacent to the ToHa1 project, which is also owned by the partnership.

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 (the Company's share - NIS 1.5 billion), of which a total of approx. NIS 660 million has been paid so far (Amot's share - NIS 330 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).

K Complex – Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project amounts to approx. 79 thousand sq.m. above ground according to the current City Building Plan and approx. 103 sq.m. above ground according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%). The investment in the project's construction, including the land component, is estimated by the parties at approx. NIS 1,100 million (Amot's share - approx. NIS 550 million). At this stage, quarrying work is being carried out on the project.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

BE

Cambridge Science Park

In the reporting period, BE purchased land reserves for development with a total area of approx. 100 dunams in the Cambridge Science Park, for a consideration of GBP 238 million (approx. NIS 1.1 billion) (non including transaction costs).

In view of the BE management's expectations for a significant expansion of business activity in the area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in all the aforementioned areas over several years.

As of the date of the report, five buildings have been built on the land reserves with a total rental area of approx. 180 thousand sq.f., which yield an annual NOI in the amount of approx. GBP 6 million.

As of December 31, 2021, the value of all the assets specified in this paragraph above is GBP 383 million (approx. NIS 1.6 billion).

For the acquisition of the assets specified in this paragraph, the Company invested a total of GBP 120 million (approx. NIS 535 million) in BE's capital and also provided BE with bridging loans, the balance of which as of the date of the report is GBP 36 million (approx. NIS 152 million). Subsequent to the balance sheet date, BE repaid the full balance of the bridging loans.

For details regarding bank credit taken by BE against a lien on some of the aforesaid assets, see Note 12e.

That stated in this Section (b) regarding the feasibility of projects being developed, expected investment costs and expected completion of construction, as well as expected NOI and expected rental revenue, is forward-looking information.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

C. Determination of Fair Value:

The following table presents the investment properties measured at fair value according to Level 3 (not including investment property in Amot's joint ventures). For definitions of the various levels of the hierarchy see Note 23(b).

Description of the valuation technique for investment property measured at fair value as of December 31, 2021:

Amot

Investments in Investment Property in Israel	Fair Value as of December 31, 2021 (in NIS thousands)	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices	6,369,050	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	87
			Discount rate	7.00%-5.75%
			Occupancy Rate	96.20%
Industrial and logistic parks	4,184,671	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	39
			Discount rate	7.25%-5.00%
			Occupancy Rate	99.90%
Commercial centers	2,615,158	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	115
			Discount rate	7%-6.25%
			Occupancy Rate	96.60%
Supermarkets	703,769	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	103
			Discount rate	6.25%-6.75%
			Occupancy Rate	100%
Others	205,829	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	57
			Discount rate	7%-6.25%
			Occupancy Rate	100%
Investment property in development and land rights	2,373,050	Comparison, costs, discounted cash flow (DCF)	-	-

BE

Investments in Investment Property in the UK	Fair Value as of December 31, 2021 NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices (*)	3,946,316	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	GBP 55
		Extraction method	Discount rate	3.57%-5.46%
			Occupancy Rate	82.7%-100%
Land	978,272	Comparison	Price per acre	GBP 14M - GBP 18M

(*) One of the above properties includes office space as well as an open commercial center.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of the valuation technique for investment property measured at fair value as of December 31, 2020:

Amot

Investments in Investment Property in Israel	Fair Value as of December 31, 2020 NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices	6,126,355	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	84 7.25%-6.1% 94.90%
Commercial centers	2,535,251	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	118 7%-6.25% 97.20%
Supermarkets	685,466	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	101 6.25%-6.75% 100%
Industrial and logistic parks	2,577,256	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	39 7.75%-6.5% 99.70%
Others	205,306	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	60 7%-6.25% 100%
Assets for betterment	67,160	Comparison	-	-
Property in development	1,149,644	Comparison, costs, discounted cash flow (DCF)	-	-

BE

Investments in Investment Property in the UK	Fair Value as of December 31, 2020 NIS thousands	Valuation Technique (**)	Description of Unobservable Data	Range (Weighted Average)
Offices (*)	2,903,341	Discounted cash flow (DCF)	Monthly rental fees per sq.m. Discount rate Occupancy Rate	54£ 4.34%-5.77% 82.7%-100%

(*) One of BE's five properties includes office space as well as an open commercial center.
(**) For one of the five BE assets, the appraiser used the extraction method.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of valuation processes used to determine fair value

The entities at Amot and BE responsible for the fair value measurement process for items classified at Level 3 (see Note 23) is the companies' senior management. The managements of Amot and BE report to the Financial Statements Committee of Amot and BE, respectively, on the fair value of investment property, and examine the appropriateness of the data and valuation methodology used to determine the fair value.

Amot's and BE's valuations are examined quarterly and when needed, adjustments are made in order to estimate the fair value in the most precise manner Amot and BE believes possible.

Fair value is measured based on valuation techniques, such as: the market approach - an approach that uses prices and relevant information created by comparable market transactions, to which adjustments are made, such as the comparison method. Revenue approach – an approach that converts future amounts (for example, future cash flows) to the current amount (discounted), such as the Discounted Cash Flow method (DCF).

In determining fair value, the following, among other things, are taken into account: the discount rates used to discount future cash flows, the length of the rental period, the stability of the tenants, the amount of available space in the property, the lengths of the lease agreements and the amount of time required to rent out the vacant properties, the implications of investments needed for the development, completion of the project and/or maintenance of existing properties and deduction of uncovered operating costs, etc.

Regarding investment property in development, its fair value is determined by estimating the fair value of the investment property after completion of its construction less the current value of estimated construction costs expected for its completion and less development profit, when relevant, taking into account the rate of return adjusted for the relevant risks and characteristics of the investment property.

D. Sensitivity analysis:

The following is a sensitivity analysis of the value of the Amot Group's investment property at a cap rate on the basis of a standardized NOI (including joint arrangements):

Based on an annual NOI of approx. NIS 878 million, any 0.25% change in the cap rate will result in a change in fair value of approx. NIS 594 million (less deferred taxes at a rate of 23% – approx. NIS 457 million).

The following is a sensitivity analysis of the value of the BE Group's investment property at a cap rate:

Any 0.25% change in the cap rate will result in a change in fair value of approx. GBP 152 million (approx. NIS 641million).

E. Additional information:

For information on liens, see Note 13.

Note 5 – Securities Measured at Fair Value through Profit or Loss

			As of December 31	
			2021	2020
		Exposure Currency	NIS thousands	NIS thousands
Securities measured at fair value through profit or loss				
Brockton Real Estate Investment Fund (partnership)	(1)	GBP	209,575	160,197
Other investments in tradable and other securities		NIS	144	26,138
			209,719	186,335

Note 5 – Securities Measured at Fair Value through Profit or Loss (continued)

1. Brockton Real Estate Investment Funds (hereinafter - "the Funds")

As of December 31, 2021, the Group is a partner in three real estate funds (Brockton Capital Fund I LP, Brockton Capital Fund II LP, Brockton Capital Fund III LP). The Group's share in the total value of the funds is NIS 210 million (GBP 50 million). In the reporting period, the Group invested an amount of NIS 26 million (GBP 6 million).

The funds are in the process of realizing the balance of their portfolio, which is expected to be completed in the coming years.

For additional information, see Note 23.

Note 6 – Investments in Investees

A. Significant Group subsidiaries

1. List of Subsidiaries

Name of Subsidiary	See Section	Main Location of Activity	Rate of Holdings and in Voting		Value of Holdings at Stock Market Prices		Amount of Investment in Investee (*)	
			As of December 31		As of December 31		As of December 31	
			2021	2020	2021	2020	2021	2020
			%		NIS thousands		NIS thousands	
Amot Investments Ltd. (**)	b.	Israel	55.52%	57.06%	6,217,360	4,204,603	4,192,979	3,586,540
Energix Renewable Energies Ltd.	c.	Israel	53.33%	53.96%	3,449,668	3,816,764	769,069	821,405
Brockton Everlast Limited Inc. (***)		UK	97.26%	96.02%	-	-	2,854,231	1,386,009

(*) The Company's share in the consolidated companies' equity (not including options (Series 11) of Amot).

(**) In addition, as of December 31, 2021, the Company held a total of 2,880,000 options (Series 11) of Amot.

(***) Through Brockton Holdings LP, a partnership in Guernsey.

B. Subsidiaries that have non-controlling interests that are material to the Group

The following is condensed financial information from Amot's statements:	As of December 31	
The following amounts are before inter-company cancellations:	2021	2020
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	44.48%	42.94%
Current assets	511,095	717,798
Non-current assets	17,064,154	13,925,944
Current liabilities	1,036,844	940,033
Non-Current Liabilities	8,937,866	7,387,662
Total assets, net	7,600,539	6,316,047
Book value of Amot's non-controlling interests	3,388,717	2,718,897

Note 6 – Investments in Investees (continued)

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	841,602	768,533	759,064
Fair value adjustment of investment property, net	742,641	(143,640)	847,259
Profit	932,186	289,455	1,070,423
Other comprehensive income (loss)	-	-	(37)
Total comprehensive income	932,186	289,455	1,070,386
Profit attributable to Amot's non-controlling interests	410,219	128,270	467,197
Net cash flows provided by operating activities	595,055	495,862	461,314
Net cash flows used in investing activities	(2,285,607)	(738,384)	(1,365,258)
Net cash flows provided by financing activities, without dividends to non-controlling interests	1,697,514	1,008,682	855,517
Dividend paid to non-controlling interests	182,328	221,756	191,916

The following is condensed financial information from Energix's statements:	As of December 31	
The following amounts are before inter-company cancellations:	2021	2020
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	46.67%	46.04%
Current assets	849,752	1,078,041
Non-current assets	3,933,303	2,732,968
Current liabilities	471,384	302,596
Non-Current Liabilities	2,798,422	1,920,942
Total assets, net	1,513,249	1,587,471
Book value of Energix's non-controlling interests	743,975	759,061

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Total revenues	266,626	263,069	238,559
Profit	79,204	77,821	62,972
Other comprehensive loss	(74,100)	(39,366)	(48,557)
Total comprehensive income	5,104	38,455	14,415
Profit attributable to Energix's non-controlling interests	36,526	34,359	24,207
Net cash flows provided by (used in) operating activities	103,489	171,318	151,588
Net cash flows used in investing activities	(1,272,939)	(490,742)	(606,273)
Net cash flows provided by financing activities, without dividends to non-controlling interests	833,555	1,177,049	518,254
Dividend paid to non-controlling interests	40,848	34,751	-

Note 6 – Investments in Investees (continued)

The following is condensed financial information from BE's statements: The following amounts are before inter-company cancellations:	As of December 31 2021	As of December 31 2020
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	2.74%	3.98%
Current assets	196,518	93,187
Non-current assets	5,085,935	2,984,024
Current liabilities	368,332	65,979
Non-Current Liabilities	2,001,272	1,599,601
Total assets, net	2,912,849	1,411,631
Book value of BE's non-controlling interests	58,618	25,622

	For the Year ended December 31 2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	152,098	126,878	74,487
Fair value adjustment of investment property, net	975,455	(44,090)	152,608
Profit (loss)	994,332	(3,519)	90,662
Other comprehensive income (loss)	9,575	(4,417)	539
Total comprehensive income (loss)	1,003,907	(7,936)	91,201
Profit (loss) attributable to BE's non-controlling interests	28,797	(147)	283
Net cash flows provided by operating activities	73,838	22,123	18,392
Net cash flows used in investing activities	(1,273,352)	(439,725)	(2,460,007)
Net cash flows provided by financing activities, without dividends to non-controlling interests	1,202,697	418,920	2,413,482
Dividend paid to non-controlling interests	1,544	-	-

C. Information regarding significant consolidated companies – Amot Investments Ltd. (hereinafter - "Amot")

1. Amot's business

Amot is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company. Amot deals, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel and in the development of land for its own use for rental properties. Amot owns, directly and indirectly, real estate assets that include offices, commercial centers, supermarkets, a central bus station, industrial parks and industrial and logistics buildings.

2. The Company's holdings in Amot

In 2019, 2020 and 2021, Amot raised capital in the amount of NIS 636 million, NIS 415 million and NIS 718 million, respectively. In addition, in 2019, 2020 and 2021, the Company invested in Amot as part of Amot's offerings, stock market purchases and the exercise of options it held, an amount of NIS 162 million, NIS 320 million and NIS 288 million, respectively.

As of December 31, 2021, the rate of the Company's holdings in Amot was 55.22% and fully diluted, taking into account convertible securities issued by Amot, the rate of holdings will be 53.91% (in 2020: 57.06% and 56.05%, respectively, and in 2019: 55.22% and 54.33%, respectively).

In January 2022, Amot issued 11.6 million shares of common stock by way of a private placement, for a (gross) consideration of NIS 302 million.

Near the publication of the financial statement, the Company's rate of holdings in Amot's capital stock is 54% (approx. 53.2% fully diluted).

Note 6 – Investments in Investees (continued)

Amot's dividend distribution policy

In January 2007, Amot's Board of Directors adopted a dividend policy, according to which during the first quarter of each calendar year, Amot will announce the dividend distribution amount planned for that year.

In accordance with the decisions made by Amot's Board of Directors regarding the years 2019-2021, for 2019 Amot paid its shareholders a current dividend and an additional dividend in a cumulative amount of NIS 459 million (the Company's share - NIS 259 million), for 2020 a current dividend in a cumulative amount of NIS 381 million (the Company's share - NIS 212 million). In 2021, a current dividend in the amount of NIS 418.5 million (the Company's share - NIS 236 million).

In March 2022, Amot's Board of Directors determined that in 2022, Amot intends to distribute a minimum annual dividend in the amount of NIS 1.06 per share, to be paid in 4 quarterly payments, with a dividend of NIS 0.26 per share in the first and second quarters and a dividend of NIS 0.27 per share in the third and fourth quarters, respectively, subject to a specific decision of the Board of Directors at the end of each quarter.

In accordance with this policy, in March 2022 Amot declared that it would be distributing a dividend for the first quarter of 2022 in the amount of NIS 0.26 per share. The total dividend to be paid by Amot as stated above, in March 2022, will amount to approx. NIS 118 million (the Company's share - approx. NIS 64 million).

In addition, in March 2022, Amot announced an additional dividend in respect of 2021 in the amount of NIS 0.34 per share (NIS 155 million, the Company's share - NIS 84 million).

Management fee agreement with Amot

In December 2018, the Company signed a management agreement with Amot for the years 2019-2021 according to which the management fees for each of the years will amount to NIS 9 million per year, linked to the CPI for the month of June 2018. The agreement was approved by Amot's General Assembly on November 1, 2018. The Company's Audit Committee meeting on November 15, 2018 and the Company's Board of Directors meeting on November 21, 2018 approved the Company's engagement in this agreement.

Subsequent to the date of the report, in February 2022, Amot convened a General Meeting, and on the agenda was a management agreement between the Company and Amot for the years 2022-2024 according to which the management fees for each of the years will amount to NIS 10.3 million per year, linked to the CPI "in lieu" of the month of December 2021. The agreement is subject to the approval of Amot's General Meeting, which was convened, as stated, on April 7, 2022, and to the approval of the Company's Audit Committee and the Board of Directors.

D. Information regarding Significant Consolidated Companies – Brockton Everlast Inc. Limited (hereinafter - "BE")[2]

1. BE's business

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**" and "**BE Managers**") in a series of agreements according to which the Company, together with BE Managers, established Brockton Everlast Inc. Limited, a company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. At the same time, Brockton continues to manage the three existing funds until completion of the realization of all their investments, a process that is expected to be completed in the coming years (for details, see Note 5(1) above).

The total fair value of BE's properties as of December 31, 2021 is GBP 1.2 billion (NIS 4.9 billion). For details of BE's transactions for the acquisition of real estate in the reporting period, see Note 4b above.

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[2] BE is held through Brockton Holdings LP.

Note 6 – Investments in Investees (continued)

Subsequent to the balance sheet date, on February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations of the Menora Mivtachim Group (hereinafter - "**Menora**"), under which Menora invested an amount of GBP 112 million in BE's capital, which gives Menora a holding of 13.6% of BE's capital. In addition, Menorah was granted an option to invest additional capital in BE until May 23, 2023, in the amount of GDP 75 million (hereinafter: "the **Option**"). If and to the extent that the option is exercised, Menora's rate of holding in BE will increase to up to 20%. Regarding provisions established in connection with corporate governance and restrictions on transferability, see Subsections 4 and 5 below, respectively.

As of December 31, 2021, the Company indirectly held approx. 97.3% of the rights in BE. As of the date of publication of the report, the Company indirectly holds 82.7% of the rights in BE.

2. Information regarding the scope of the Company's investment in BE

From BE's establishment until the date of publication of the report, the Company has invested GBP 473 million in BE's capital, of which a total of GBP 150 million (NIS 671 million) was invested during 2021. In addition, subsequent to the balance sheet date, the Company invested GBP 17 million (approx. NIS 72 million) in BE's capital.

BE's dividend distribution and capital reductions

BE is defined as a REIT for UK tax purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of its current taxable income from real estate activity.

In September 2021, BE distributed a dividend to its shareholders in the amount of GBP 12 million (approx. NIS 53 million, the Company's share - approx. NIS 52 million).

In February 2022, BE distributed a dividend to its shareholders in the amount of GBP 16 million (approx. NIS 70 million, the Company's share - approx. NIS 69 million).

Corporate Governance in BE and in the BE Group

As part of the set of agreements entered into by the Company, BE, the BE Managers and Menora, a number of provisions were established in connection with corporate governance in BE, as follows: (a) The BE Board of Directors will consist of 3 representatives of the Company (including the Chairman) and 2 representatives of the BE Managers. In addition, the Company, Menora and the BE Managers will have the right to appoint an observer on their behalf (in relation to Menora, the right to appoint an observer is conditional on a minimum holding of 5%. The Company has the right to appoint the observer as a director at any time. The observer on behalf of Menora may be appointed as a director, subject to the exercise of the option and minimum holdings by Menora of 15%); (b) As a rule, decisions will be made by a simple majority except for the following decisions: interested party transactions with the Alony-Hetz Group involving a benefit to the Alony-Hetz Group (not including indemnification and insurance of directors), amendment of the employee remuneration plan, which expires at the end of 2025; a decision to dissolve BE in court proceedings and decision on a drastic change in business strategy. In addition, BE has board committees in which the Company's representatives will constitute a majority.

Limitation on the transferability of rights

In the partnership agreement between the Company, the BE Managers and Menora, a number of restrictions were determined on the transferability of rights in BE, as follows: (1) In a four-year period ending in March 2026, there will be no transfer of rights in BE, except by "authorized transfers", to certain transferees and under conditions specified in the partnership agreement ("the **Restriction Period**"); (2) After the restriction period, the Company will have the right to sell or transfer all of its rights in BE to a third party, and to drag along the other rights holders, subject to conditions specified in the partnership agreement; (3) After the restriction period, the Company will have the right to sell or transfer some or all of its rights in BE to a third party, subject to the granting of a tag along right to the BE Managers and to Menora. In such a case, the BE Managers and Menora will have the right to join the sale, under the same conditions and in equal proportion to the sale of rights by the Company, provided that to the extent that Alony-Hetz's holdings fall below 25% as a result of the sale, Menora will have the right to sell all of its holdings in that sale; (4) From the end of the restriction period, all BE rights transfers carried out by the BE Managers will be subject to the Company's right of first refusal, whereas the BE rights transfers carried out by Menora are subject to a right of first offer to the Company.

Note 6 – Investments in Investees (continued)

Non-compete commitment

The Company has made a non-compete committed in BE's business as long as it holds at least 25% of the capital and as long as Menora holds at least 5% of BE's capital.

Regarding the accounting treatment of Brockton Capital LLP, see Note 6j.

E. Information regarding significant consolidated companies – Energix Renewable Energies Ltd. (hereinafter – "Energix")

1. Energix's business –

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

Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. As of the reporting date, has facilities connected to the electricity grid with a total capacity of approx. 600 MW – see Note 7.

The total representative annual revenue expected in 2022 from all facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2022 (according to Energix's share of the cash flow), is approx. NIS 400-430 million.

Information regarding the representative annual revenue for 2022 constitutes forward-looking information.

Regarding financing arrangements for the projects, see Note 12d.

In addition, Energix is acting and examining the possibility of constructing additional facilities in Israel under new arrangements as well as the construction of photo-voltaic and/or wind farm projects in Israel, Poland and in the United States – see Note 8 below.

2. The Company's holdings in Energix –

In 2019, 2020 and 2021, Energix raised capital in the amount of NIS 254 million, NIS 576 million and NIS 10 million, respectively. In addition, in 2019 and 2020, the Company invested in Energix as part of Energix's offerings, stock market purchases and the exercise of options it held, a total of NIS 34.5 million and NIS 59 million, respectively.

As of December 31 2021, the rate of the Company's holdings in Energix was 53.33% and fully diluted, taking into account convertible securities issued by Energix, the rate of holdings will be 53.91% (in 2020: 57.06% and 56.05%, respectively, and in 2019: 55.22% and 54.33%, respectively).

In January 2022, Energix raised capital in the amount of NIS 337 million, of which approx. NIS 170 million was invested by the Company.

Near the publication of the financial statement, the Company's rate of holdings in Energix's capital stock is 53.2% (approx. 49.3% fully diluted).

Energix's dividend distribution policy

In March 2021, Energix's Board of Directors adopted a dividend policy taking into account the continued growth of Energix and depending on its needs, according to which, close to the approval of its annual reports each year, Energix will announce the amount of the dividend planned for that year. The amount of the annual dividend will be divided into 4 quarterly payments, taking business considerations into account and in accordance with the provisions of any law, the Board of Directors may at any time make adjustments or change the amount of the dividends distributed, or decide not to distribute them at all.

In accordance with the above decision, during 2021 Energix paid its shareholders a current dividend in the cumulative amount of NIS 86 million (the Company's share - NIS 47 million).

Note 6 – Investments in Investees (continued)

In March 2022, Energix's Board of Directors determined that in 2022 Energix intends to distribute an annual dividend of NIS 0.20 per share to be paid in four quarterly payments of NIS 0.05 per share, all subject to a specific decision by Energix's Board of Directors at the end of the quarter.

Following this policy, in November 2022, Energix declared that it would distribute a dividend for the first quarter of 2022 in the amount of NIS 0.05 per share (approx. NIS 26 million) (the Company's share - approx. NIS 14 million), to be paid in April 2022.

Energix's rental agreements for electricity generation facilities

Energix leases land and roofs of buildings for the installation and operation of photovoltaic systems and leases land for the installation and operation of wind systems. Regarding accounting policy - see Note 2n. Regarding the leasing of roofs from Amot - see Note 18f.

Management fee agreement with Energix

The Company has a management agreement with Energix for an additional period of three years ending on June 30, 2023 (hereinafter: "**the New Management Agreement**"). Starting July 1, 2020, the New Management Agreement replaces the previous management agreement that ended on June 30, 2020 (hereinafter - "**the Previous Management Agreement**").[3]

According to the New Management Agreement, for the management services, Energix pays the Company a management fee consisting of a fixed payment of NIS 1.2 million per quarter (linked to the CPI) and a variable payment of 0.045% per quarter (i.e. 0.18% on an annual basis) of the original cost in Energix's books for its electricity generating facilities, which are actually producing electricity (Energix's share) and which commenced commercial operation from July 1, 2020 onwards. In total, the variable payment will not exceed the amount of NIS 3.2 million per year (linked to the CPI). The maximum annual management fee ceiling will be the amount of NIS 8 million (linked to the CPI).

The engagement in the New Management Agreement with Energix was approved by the Audit Committee and the Company's Board of Directors at their meetings of May 13, 2020 and May 20, 2020, respectively, and by Energix's General Meeting in June 2020.

The management fees paid to the Company in 2021, 2020 and 2019 amounted to NIS 5.8, 5 and 4.8 thousand, respectively.

[3] The previous management agreement included regular annual payments in the amount of NIS 500 thousand and variable payments at an annual cumulative rate of 0.18% of the original cost of Energix's total facilities that are in the commercial operation stage. The annual management fee ceiling was NIS 4.3 million.

Note 6 – Investments in Investees (continued)

F. Investments in associates and joint ventures

1. Composition of investments

Name of Associate	See Section		Country of Incorporation	Rate of Holdings in Associate's Capital Rights		Amount of Investment in Associate		Stock Exchange	Fair Value	
				As of December 31		As of December 31			As of December 31	
				2021	2020	2021	2020		2021	2020
				%		NIS thousands			NIS thousands	
PSP Swiss Property	h.	Associate	Switzerland	-	1.16%	-	200,311	Switzerland	-	229,404
Carr Properties Holdings LP (**)	g.	Jointly controlled entity	USA	(*) 50.77%	(*) 50.77%	2,989,792	3,004,322		-	-
OPG 125 Summer REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	(*) 55%	(*) 55%	438,909	462,997		-	-
OPG 745 Atlantic REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	(*) 55%	(*) 55%	115,929	68,960		-	-
Davenport REIT Investor (DE) LLC	i.	Jointly controlled entity	USA	(*) 55%	(*) 55%	273,508	246,273			
Brockton Capital LLP	j.	Associate	UK	100%	100%	72,536	60,386		-	-
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	Associate	Israel	10.00%	10.00%	14,031	12,915		-	-
Others (mainly Amot and Energix joint ventures)	k.					496,554	445,802		-	-
						4,401,259	4,501,966			

(*) Voting rights – 50%.

(**) The balance of the investment in PSP as of December 31, 2020 is presented under current assets in the 'investment in an associate held for sale' item.

2. Composition of the Group's share in the profits of associates, net

Name of Associate	See Section	Details of Equity Gains		
		For the Year ended December 31		
		2021	2020	2019
		NIS thousands		
PSP Swiss Property (*)	h.	-	12,631	154,088
Carr Properties Holdings LP (**)	g.	53,723	129,118	81,311
OPG 125 Summer REIT Investor (DE) LLC	i.	(17,512)	5,974	120,662
OPG 745 Atlantic REIT Investor (DE) LLC	i.	42,228	(36,794)	13,861
Davenport REIT Investor (DE) LLC	i.	50,527	27,018	29,119
Brockton Capital LLP	j.	(23,422)	(36,539)	(34,161)
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	l.	1,758	(618)	(2,578)
Others (mainly Amot and Energix joint ventures)	k.	19,417	(1,120)	51,135
		126,719	99,670	413,437

(*) As of December 31, 2020, classified in current assets as an investment in an associate held for sale.
(**) In 2019, equity gains include amortization of excess cost in the amount of NIS 22 million.

Note 6 – Investments in Investees (continued)

G. The Company's holdings in Carr (joint ventures)

1. General

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

Carr Holdings has full control (through a corporation under its full control) and holdings of 87.05% in the Carr Properties Partnership (hereinafter - "**Carr**" and "**Carr Properties**").

As of December 31, 2021, the Group's weighted rate of holdings in Carr Properties is 44.19% (and JPM's is 34.96%).

Upon the investment in Carr Holdings (August 2013), the Company and JPM entered into a number of agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the limitation on the transfer of rights.

In view of the above, the Company's investment in Carr Holdings is considered a shared transaction presented in the Company's Financial Statements according to the book value method starting from Q3/2013.

In January 2018, Carr raised a total of USD 300 million (NIS 1.06 billion) from Clal Insurance (for itself and for institutional bodies it manages) (hereinafter - "**Clal's Investment**"). Clal's rate of holdings in Carr after the above fundraising amounted to 13.65% while the Company and JPM had holdings of 43.65% and 34.81% in Carr, respectively.

The Company, together with JPM, continues to maintain joint control in Carr with no change in the shared control agreement prior to Clal's investment.

For additional information on the agreements between the Company, JPM and Clal Insurance (including provisions regarding the transferability of rights), see Note 6g.8 below.

2. Investments in Carr Holdings in the reporting periods

The total cost of the Company's cumulative investment in Carr Holdings as of December 31, 2021 is USD 812 million.

The Company's investment in Carr Holdings as of December 31, 2021, which is presented in the Group's financial statements based on the equity method, amounts to USD 961.3 million (NIS 3 billion).

During the second quarter of 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 60 million. To the extent that the redemption right is exercised, the Company intends to acquire the redemption rights in full.

3. Carr's Business

Carr deals in the investment, acquisition and developing of income-generating property for rental purposes, including the management and maintenance of office buildings under its ownership in urban areas in the Washington D.C. metropolitan area, in Boston, Massachusetts and in Austin, Texas in the United States.

Carr fully or partially owns 16 office buildings with a total rental space of 4.3 million sq.ft. (400 thousand sq.m.) (Carr's share) and a value of USD 3.2 billion (Carr's share). The properties are rented to hundreds of tenants for various time periods. As of December 31, 2021, the occupancy rate in Carr's properties is 87.9% (the rental rate is 92.8%).

As of December 31, 2021, Carr owns 2 properties under development and construction (one property in the Washington DC metropolitan area and one project in development in Boston) with a total area of 1.2 million sq.ft. (1 million sq.ft. - Carr's share) whose value in the financial statements as of December 31, 2021 amounts to approx. USD 0.7 billion (Carr's share), with a construction budget of USD 0.9 billion (Carr's share).

Note 6 – Investments in Investees (continued)

The following are the main transactions carried out by Carr over the course of the reporting period:

A. Expansion of activity in Austin, Texas

- **100 Congress**

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 approx. USD 190 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 90.3% as of December 31, 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 approx. USD 86 million.

- **Block 16**

In February 2022, subsequent to the balance sheet date, Carr signed a 99-year lease agreement for a land division known as Block 16 with an area of 4 dunams in the CBD of Austin, Texas for the purpose of developing and building an office tower.

In accordance with existing policy in the area, Carr plans to receive a specific master plan and related approvals for the construction of an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 510-520 million. Carr expects construction of the tower to begin in the first quarter of 2023 and end in June 2026, and the projected NOI cash flow in the first year in a state of stabilization, will amount to approx. USD 40 million (after deducting the lease fee).

Carr intends to add a partner at a rate of 49% to the project, which together with Carr will provide the necessary equity component (45%), and to finance the balance of the project budget through a bank loan (55%).

The aforementioned information regarding the feasibility of the projects in development, the projected NOI, the date of completion of construction and the possibility of adding a partner is forward-looking information.

B. Property realizations in the reporting period

- **Partial sale of the Midtown Center complex:**

In April 2021, Carr sold 49% of the rights and the debt of the Midtown Center in Washington DC ("**the Complex**"), according to a total value of the Complex of USD 980 million (a value equal to the value in Carr's financial statements as of December 31, 2020 and as of the end of March 2021). A loan of USD 525 million (to be repaid in October 2029) was deducted from the value of the Complex, which is guaranteed by a lien on the Complex, so that the scope of the transaction (100%) amounted to USD 455 million. The sale consideration received by Carr for 49% of the rights in the Complex, less the loan as stated, 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).

- **Realization of land held for development:**

In January 2021, Carr sold land that was held jointly with a partner for development located in the Washington DC metropolitan area, for a consideration of USD 19 million (similar to the property's value in Carr's financial statements as of December 31, 2020).

Note 6 – Investments in Investees (continued)

4. Fair value adjustments of investment property

In the reporting period, Carr recorded a net negative revaluation of USD 4 million in its financial statements, consisting of a positive revaluation of USD 87 million in respect of projects in development (including projects which were transferred during the year from 'projects in development' to 'income-generating projects), which were offset by a negative revaluation of USD 90 million in respect of income-generating properties (the Company's share in the negative revaluation before tax is approx. USD 1.4 million, approx. NIS 4 million).

5. Carr's financial debt

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%). As of December 31, 2021, the balance of Carr's unutilized facility amounted to USD 226.5 million.

As of December 31, 2021, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.5 billion[4] (Carr's share) at a weighted interest rate of 2.5% and for an average duration of 4.27 years.

6. Carr's dividend distribution and capital reduction policy

The corporation through which Carr Holdings owns Carr Properties is defined as a REIT for United States tax purposes and must meet certain conditions, which include, among other things, the obligation to distribute a dividend of at least 90% of its adjusted taxable income.

The Company received the amount of USD 28.3 million (NIS 91 million) from Carr in respect of 2021.

7. Condensed financial information on Carr Holdings

	For the Year ended December 31		
	2021	2020	2019
	USD thousands		
Revenues (not including real estate valuations)	215,045	247,596	242,543
Adjustment of investment property value (*)	(4,133)	(2,039)	(9,580)
Net profit from ongoing activity	35,266	80,535	60,704
Other comprehensive income (loss)	25,622	(186)	(44,156)
Total comprehensive income (including share of non-controlling interests in profit)	60,888	80,349	16,548
Company share in Carr's net income in USD thousands	16,409	37,694	29,354
Company share in Carr's comprehensive income in USD thousands	28,025	37,763	8,423
Company share in Carr's net income in NIS thousands	53,723	129,118	102,836
Company share in Carr's comprehensive income in NIS thousands	91,478	129,120	27,855

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

[4] Does not include a lease commitment in accordance with IFRS 16 in the amount of USD 144 million in respect of ground lease agreements.

Note 6 – Investments in Investees (continued)

The following is condensed financial information from Carr's statements:

	As of December 31	
	2021	2020
	USD thousands	
Investment property	2,403,873	2,796,120
Property in development and land for development	169,254	646,316
Investment in investees	705,632	318,983
Other non-current assets	147,411	179,037
Other current assets	53,940	87,976
Total assets	3,480,110	4,028,432
Current liabilities	200,620	226,565
Non-current liabilities	1,241,623	1,818,074
Total liabilities	1,442,243	2,044,639
Equity attributable to shareholders	1,893,706	1,840,762
Non-Controlling Interests	144,161	143,031
Equity (including non-controlling interests)	2,037,867	1,983,793
Total liabilities and equity	3,480,110	4,028,432
Company share in net assets - in USD thousands	961,347	934,470
Book value of investment – in NIS thousands	2,989,789	3,004,321

8. Significant agreements

The Company and JPM have several agreements in connection with the corporate governance of a corporation that is 100% controlled by Carr Holdings (in this section only - "**Carr**") and their relationship as holders of rights in Carr's capital, including, among other things, the following provisions, determined (or executed, ass appropriate):

A. Corporate governance:

- Carr's Board of Directors consists, at any time, of eight representatives (including, among others, three representatives appointed by the Company and three representatives appointed by JPM).
- The Board of Directors quorum required to approve operations is the presence of at least two representatives appointed by the Company and at least two representatives appointed by JPM.
- All decisions under the authority the Board of Directors of Carr and its subsidiaries will require the agreement of all members of the Board of Directors appointed by the Company participating in the meeting and of all of the Board members appointed by JPM participating in the meeting.
- The Board of Directors established an Operations Committee consisting of three members – one representative appointed by the Company, one representative appointed by JPM and the CEO of Carr, Oliver Carr. Any decision by the Operations Committee will require the approval of the two representatives appointed by the Company and JPM.
- The Board of Directors established an Audit, Remuneration and Financial Statements Committee consisting of two members – one representative appointed by the Company and one representative appointed by JPM.
- Nathan Hetz serves as Chairman of Carr's Board of Directors, with the Chairman of Carr's Board of Directors not having a deciding vote. The Company and JPM have the right to replace the serving chairman as their own representative every two years.

Note 6 – Investments in Investees (continued)

B. Provisions regarding the transferability of rights between the Company and JPM:

1. Any transfer of direct or indirect rights in Carr's capital by one party to a third party is subject to a right of first offer or a tag along right in the other party's favor. When a party wishes to transfer their rights (hereinafter - "**the Offeror**"), the other party ("**the Offeree**") may purchase the rights at a price suggested by the Offeror (hereinafter - "**the Offered Price**"). In the event that the Offeree decides not to purchase the rights, the Offeror may offer (a) to transfer the capital stock to an accredited institutional investor that meets the definition in the agreement and (b) to activate a drag along procedure as detailed below, in order to cause the Offeree sell their rights in Carr along with the Offeror to a third party.

2. Until August 2023, to the extent that one of the parties initiates a drag along procedure, the dragged party will have a right of first refusal under terms identical to the terms offered by the proposed buyer as part of the drag along procedure. In the event that a drag along procedure is carried out, the proceeds paid to the dragged party for the realization of their rights will be no less than the higher of: (a) Carr's net asset value (NAV) determined according to generally accepted accounting standards in the United States (US GAAP), (b) the NAV determined according to IFRS principles, and (c) the proposed price.

3. The limitation on the transferability described above will end on the date of the initial public offering (IPO) of Carr shares, raising equity in an amount exceeding USD 100 million (hereinafter: "Approved Offering").

C. Provisions regarding the transferability of rights between the Company and JPM, and Clal:

As part of Clal's investment agreement (see this Note above), a specific provision is included pertaining to the relationship between the Company and Clal.

In addition, the investment agreement includes provisions regarding Clal's right to join the Company (on a pro rata basis) in cases in which the Company realizes shares on a tag-along basis for sales made by JPM or if the Company purchases shares from JPM whether as a result of exercising its right of first offer or its right of first refusal granted by JPM, as described above.

D. Provisions regarding non-controlling interests:

- A non-controlling interest may transfer his rights in the partnership, with the consent of the Company and JPM, as long as any such agreed-upon transfer will be to an institutional investor and will be subject to the Company's and JPM's right of first refusal.
- Until the date of an approved offering, a non-controlling interest (except Clal) is entitled to compel the partnership to acquire his rights in the partnership (in certain cases the partnership has the right to reject the obligation). The purchase price of such rights will be equal to the net asset value (NAV) of his rights in the partnership; compared to non-controlling interests who are not Carr employees, it will be 97% of the NAV of these rights in the partnership. Therefore, these rights are presented in Carr's financial statements as a liability.

H. The Group's Holdings in PSP Swiss Property (hereinafter: "PSP") – an associate

PSP is a company whose securities are traded on the Zurich Stock Exchange, Switzerland.

In the first half of 2021, the Company sold the remaining 531 thousand PSP shares in its possession for a consideration of CHF 60.7 million (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 6 – Investments in Investees (continued)

I. The Company's holdings in Boston – associates

1. General

As of December 31, 2021, the Company holds approx. 55% of the equity rights and 50% of the controlling rights (through wholly owned corporations), in three companies that hold a cumulative three office towers (2 in Boston's CBD - the Central Business District - and one in East Cambridge) the total value of which at the end of 2021 is USD 811 million (NIS 2.5 billion) (hereinafter together: "**Boston Partnerships**"). The Boston Partnerships took long-terms loans, the balance of which, as of December 31, 2021, is in the amount of approx. USD 320 million (NIS 1 billion) at 3.9% weighted interest.

The Company's partner in the Boston corporations is the Oxford Properties Group (hereinafter - "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

In 2021, positive property valuations were recorded for the three properties in the cumulative amount of USD 35 million (before tax) (the Group's share – USD 19.3 million, approx. NIS 62.7 million).

The balance of the Group's investment in the Boston Partnerships as of December 31, 2021 amounts to USD 266 million (NIS 828 million).

In March 2021, We Work, which leased 131 thousand sq.ft. in the building at 745 Atlantic in Boston (one of the two buildings in the Boston CBD), decided to leave the building. This space constitutes 76% of the total rental space in the building. 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 in May 2022 and begin construction work in the second quarter of that year. The project's cost of is estimated at approx. USD 142 million[5] (the Company's share - USD 78 million) and the expected completion date for the conversion is in September 2023.

That stated in this Section above regarding the dates for the start and completion of construction and the estimated cost of the project is forward-looking information.

The total rental area of the two other buildings (not including the 745 Atlantic building, which is expected, as stated, to become a laboratory building for the Life Sciences) is 696 thousand sq.ft. (65 thousand sq.m.) and the weighted occupancy rate as of December 31, 2021 is 90.6%. The two buildings generated a total annual NOI in 2021 in the amount of USD 26.7 million (NIS 86 million).

Limitation on the transferability of rights

As part of the series of agreements the Company entered into, through its partially and/or wholly owned companies with Oxford in connection with the Boston Partnerships, a number of provisions were determined in connection with the limitation on the transferability of rights in the three Boston Partnerships as follows:

- **Right of first offer** – The sale of rights will be by way of selling all rights to a qualified investor, as defined in the agreement, subject to the granting of the right of first offer to the remaining partner, as specified in the agreement, with the exception of a sale or transfer to related parties, which is not subject to the right of first offer.
- **Compelled sale** – The sale of rights to a third party, subject to the granting the right of first offer to the remaining partner, as noted above, will grant the selling party the right to compel the remaining party to sell their rights to the same third party, subject to terms specified in the agreement.
- **Purchase-Sale** – Each of the partners will have the right to activate a purchase-sale mechanism, through an irrevocable notice to the other partner, as specified in the agreement.

5 The balance as of December 31, 2021 is USD 138 million.

Note 6 – Investments in Investees (continued)

Dividend distribution and capital reduction policy

The foreign corporations through which the Group holds office buildings (the "**Boston REITs**") are defined as REITs for US tax law purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of their adjusted taxable income.

In 2021, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 11 million (NIS 35 million).

J. Investment in Brockton Capital LLP

In March 2018, BE acquired the full rights in Brockton Capital LLP (hereinafter: "**Brockton LLP**"), which manages the Brockton Funds, for a total of GBP 40 million (NIS 194 million).

Brockton LLP will continue to manage the three existing Brockton Funds until all of the fund assets are realized (which is expected in the coming years). The Company has no control over this activity and therefore, Brockton LLP is presented according to the equity method. For additional information on the Company's investments in the Brockton Funds – see Note 5(1) above.

K. Immaterial joint ventures

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Total book value of joint ventures that are not material in and of themselves	496,995	446,114

	For the Year ended December 31		
	2021	**2020**	**2019**
	NIS thousands	**NIS thousands**	**NIS thousands**
Group share of profit in joint ventures	19,432	(1,133)	51,137

(*) These joint ventures are mainly with Amot.

L. Associates whose statements were / were not attached to the Company's financial statements

The Company attaches Carr Holdings' financial statements to its own financial statements.
The Company does not attach to its financial statements the statements of the Aviv Fund, OPG 125 Summer REIT Investor (DE) LLC, OPG 745 Atlantic REIT Investor (DE) LLC, Davenport REIT Investor (DE) LLC, Brockton Capital LLP and of the joint ventures with Amot and Energix, as the Company's investments in them are immaterial relative to the Company's financial statements.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset:

A. Composition and movement:

	Photovoltaic Systems	Wind Systems	Total Electricity-Generating Facilities	Fixed Assets	Right-of-Use Asset	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost						
Balance as of January 1, 2020	702,779	738,685	1,441,464	105,617	165,975	1,713,056
Reclassification of systems in development to connected systems	509,196	-	509,196	-	-	509,196
Linkage differentials	-	-	-	-	1,648	1,648
Disposals during the year	-	-	-	(1,377)	-	(1,377)
Effect of changes in exchange rate (*)	(26,679)	(45,003)	(71,682)	(65)	(6,591)	(78,338)
Additions during the year	8,547	-	8,547	21,918	50,366	80,831
Balance as of December 31, 2020	1,193,843	693,682	1,887,525	126,093	211,398	2,225,016
Exit from consolidation(**)	(31,232)		(31,232)		-	(31,232)
Reclassification of systems in development to connected systems	456,236	-	456,236	-	-	456,236
Classification from investment property to fixed assets	-	-	-	8,550	-	8,550
Linkage differentials	-	-	-	-	453	453
Disposals during the year	-	-	-	(484)	-	(484)
Effect of changes in exchange rate(*)	(24,803)	(74,697)	(99,500)	(916)	(9,162)	(109,578)
Additions during the year	1,543	-	1,543	19,078	95,444	116,065
Balance as of December 31, 2021	1,595,587	618,985	2,214,572	152,321	298,133	2,665,026
Accumulated depreciation						
Balance as of January 1, 2020	98,798	90,104	188,902	27,719	5,361	221,982
Additions during the year	46,816	23,159	69,975	5,234	7,380	82,589
Disposals during the year	-	-	-	(1,107)	-	(1,107)
Effect of changes in exchange rate (*)	(365)	(6,315)	(6,680)	(10)	-	(6,690)
Balance as of December 31, 2020	145,249	106,948	252,197	31,836	12,741	296,774
Exit from consolidation	(7,541)	-	(7,541)	-	-	(7,541)
Additions during the year	46,996	21,970	68,966	7,277	8,561	84,804
Disposals during the year	-	-	-	(262)	-	(262)
Effect of changes in exchange rate (*)	(818)	(13,161)	(13,979)	(121)	-	(14,100)
Balance as of December 31, 2021	183,886	115,757	299,643	38,730	21,302	359,675
Depreciated cost						
Balance as of December 31, 2021	1,411,701	503,228	1,914,929	113,591	276,831	2,305,351
Balance as of December 31, 2020	1,048,594	586,734	1,635,328	94,257	198,657	1,928,242

(*) Changes in exchange rates due mainly to the Group's operations in Poland and in the United States. The change in exchange rates was recorded to a capital reserve in respect of translation differences.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

B. Details regarding Energix systems:

		Energix's Share	Rate	Date of Operation	Country	Revenues for the Year ended December 31		Connected Electricity-Generating Facilities as of December 31		
						2021	2020	2021	2020	
						NIS millions	NIS millions	NIS thousands	NIS thousands	Reference
Neot Hovav	Photovoltaic	37.5 MWp	NIS 0.65 per kWh	2014	Israel	45.1	44.5	206,842	218,931	c.
Winning projects in competitive procedures in Israel	Photovoltaic	207 MWp	NIS 0.18-2.22 per KWh	2010-2021	Israel	66.4	63.0	595,737	491,544	c.
Virginia project	Photovoltaic	173 MWp	Market prices (fixing transactions)	2020-2021	USA	26.1	6.7	610,024	338,156	d.
Banie Project (Stage A+B)	Wind farm	106 MW	Market prices (fixing transactions)	2015-2016	Poland	113.5	135.3	448,125	523,861	e.
Iława Project	Wind farm	13.2 MW	Market prices (fixing transactions)	2016	Poland	15.5	12.9	54,201	62,836	e.
Total assets, net						266.6	262.4	1,914,929	1,635,328	

C. Photovoltaic projects in Israel

General

Energix's photovoltaic activity in Israel is based on regulations published by the Electricity Authority, according to which projects owned by Energix are entitled to a fixed rate for periods of 20-23 years, CPI-linked, depending on the regulation under which the projects were established (a feed-in tariff quota or winning of a fixed tariff for a quota as part of a competitive procedure for a tariff). According to the Electricity Authority's announcement, starting in 2020, competitive procedures for a guaranteed tariff for the construction of photovoltaic facilities in Israel are combined with storage.

Rights to the land – the projects are established on areas leased for periods of up to 25 years, in which, in some cases, the landowners are offered to take an active part as partners in the project at a variable rate (as owners or holders of rights in the project's free cash flow) while Energix holds the control in the projects.

Financing – Projects that Energix establishes as part of its photovoltaic activity in Israel are usually financed through project financing on a non-recourse basis at a rate of 80% -85% of the total construction cost of the projects (including payments to related parties). For details regarding Energix's financing agreements, see Note 12.

Construction and operation – The planning, construction and operation of the projects is carried out through an operations and construction system established by Energix, which provides services to all the photovoltaic projects it owns, which are priced at the construction cost plus a margin as is customary in the field. In this context, Energix engages, if necessary, with suitable subcontractors to carry out the work in the field, and provides performance guarantees and guarantees for the operating services to ensure the proper functioning of the projects under its construction and operation, as is customary in this field.

For details on projects under construction and in advanced development, see Note 8 below.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

D. Photovoltaic project in the United States

General

Energix's activity in the photovoltaic field in the United States is based on revenue from the sale of electricity generated in Energix's projects and from the sale of green certificates to which renewable energy projects (RECs) are entitled, based on a commitment to production volumes or on actual production volumes (as generated). Electricity and green certificates can be sold at market prices or as part of long-term contracts, including by way of engagements in price hedging or forward sale transactions at a fixed price. In addition, additional revenue may be received in exchange for a commitment to system availability for the production of electricity (capacity) towards the local electricity company.

In addition, photovoltaic projects in the United States are eligible for an investment tax credit (ITC) at a rate of 30% which decreases gradually to a rate of 10%, depending on the start and end dates of the project's construction work. For additional information regarding the engagement with a tax partner, see Note 2t.

Rights to the land – The projects are located on areas that are leased for periods of up to 35 years or on Group-owned land.

Financing – There are several alternatives for project financing in the United States. However, as of the date of the report, Energix's project financing in the United States is carried out only through an engagement with tax partners. For details, see Note 2t above.

Construction and operation – The planning and construction of the projects is carried out through an operations and construction system established by Energix in the United States, which provides services to all the photovoltaic projects it owns, and which engages if necessary with suitable subcontractors to carry out the work in the field. During the reporting period and up to the date of approval of the report, commercially operated projects are operated through operating contractors with whom Energix engages in the United States or through the independent operating system that Energix is establishing in the United States.

Additional information regarding projects in the commercial operation stage –

Virginia 1 projects with a capacity of approx. MWp 82: This is the first set of projects that Energix established in Virginia, USA, and which is in full commercial operation since August 2020. In the financial closing of the projects (agreements for guaranteed electricity prices and engagement with a tax partner), Energix engaged in the following transactions:

- **Guaranteed electricity prices from the projects (hedging transaction –** In August 2019, Energix entered into a long-term agreement with Shell Energy North America (US), LP, to hedge electricity prices for approx. 80% of the expected production capacity for the project and sale of all green certificates from the project for a period of 12 years starting May 2020. The actual sale of all of the electricity produced in these facilities will be carried out in accordance with the agreements signed with the local electric company for 13 years at market prices.

  Energix treats the hedging transaction with Shell as a cash flow hedge.

- **Engagement with a tax partner –** Energix engaged with Morgan Stanley as the tax partner for the Virginia 1 Projects. In this context, the tax partner provided a total of approx. USD 47 million, which was used to finance the construction costs of the Virginia 1 projects provided by Energix, in exchange for rights in the projects, as is customary in such transactions, mainly the Federal Tax Benefit (the Investment Tax Credit - ITC), depreciation expenses for tax purposes in respect of the projects and part of the free cash flow from the project. For additional information regarding the engagement with a tax partner, see Note 2t.

For additional details regarding Energix's projects in construction stages in the United States, see Note 8c.

Additional information regarding projects whose construction and connection to the grid have been partially completed –

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Virginia 2 projects with a capacity of approx. 142 MWp: As of the date of the report, the construction has been completed and the commercial operation has begun for 4 of the 6 facilities in the projects, with a capacity of 91MWp. The following is additional information regarding financial closing status (agreements for guaranteed electricity prices and engagement with a tax partner):

- **Guaranteed electricity prices (electricity sales agreements / hedging transactions)**: 3 of the 6 projects have agreements for 12-15 years for the sale of all the electricity and the green certificates that will be issued for the production of electricity in those projects, with the local electric company or with another final consumer. Regarding the other projects, Energix entered into agreements with the local electric company for green certificates sales transactions for 12 years and with a leading energy company for fixing electricity prices (regarding approx. 80% of the expected production capacity in those projects), for a period of 6 years.

- **Engagement with a tax partner:** In May 2021, Energix engaged with Morgan Stanley as the tax partner for 5 of the 6 Virginia 2 Projects. In this context, the tax partner provided a total of approx. USD 55 million, of which, as of the date of the report and as of the date of approval of the report, an amount of approx. USD 10 million is restricted until conditions are met in connection with a facility that has not yet been commercially operated, and an amount of USD 44 million, which was used to reimburse Energix for the construction costs of the Virginia 2 projects. This is in consideration for rights in the projects, as is customary in such transactions, mainly the Federal Tax Benefit (the Investment Tax Credit - ITC), depreciation expenses for tax purposes in respect of the projects and part of the free cash flow from the project. For information regarding the engagement with a tax partner, see Note 2t.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 407 million in respect of the above projects.

E. Wind energy projects in Poland

General

Energix's wind activity in Poland is based on various regulations, depending on the date of the projects' development and construction.

Energix's commercially operating projects are subject to the provisions of the regulation that was in effect in Poland until the end of June 2016 ("**the previous regulation**"). According to the terms of the previous regulation, these projects are entitled, in addition to the sale of the electricity produced by them, to receive green certificates, traded on the Green Certificates Exchange, for a period of 15 years from the date of commencement of commercial operation of the wind farm.

Energix's projects in development and predevelopment won a tender for a guaranteed electricity production tariff issued by the Polish Electricity Authority. This is in accordance with the regulation based on tariff tenders. Under the terms of the tender, each of the wind farms is eligible, upon commercial operation, for a guaranteed index-linked tariff for 15 years relative to the electricity output submitted to the tender. The balance will be sold on the free market.

Rights to the land – In general, the projects are located on areas that are leased for periods of up to 30 years, or on land owned by Energix.

Financing – To the extent that Energix chooses to finance the wind farm it owns in Poland through project financing, this financing will be on a non-recourse basis that will be made available to SPVs that own the wind farm, at a rate of up to 80% of the total construction cost of the projects. For details regarding Energix's financing agreements, see Note 12d.

Construction and operation – The construction and operation of the projects is carried out through a construction and operation system established by Energix in Poland. For the construction of a wind farm in Poland, Energix engages with civil work contractors, and a turbine supplier who is also responsible for the operation of the turbines for 20-25 years.

Additional information regarding wind energy projects in the commercial operation stage in Poland

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Energix owns two wind farms in Poland with a total operating capacity of 119 MW (Iława project and Banie 1+2 project)

Engagement for the sale of electricity and green certificates

The project companies sell all electricity produced at the 2 wind farms in commercial operation to an electricity broker operating in Poland. According to the agreement, the electricity will be sold according to the electricity price on the local electricity exchange or according to a fixed price that will be determined as part of a price fixing transaction between the parties, as Energix chooses, less adjustments stipulated in the agreement, including adjustments in respect of the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). The green certificates are sold within the framework of a sale on the green certificate exchange in Poland according to the price on the exchange, as well as through future sale transactions at a predetermined price ("**Price-Fixing Transactions**"), in which Energix periodically engages with local brokers.

Energix's revenues from price-fixing transactions are part of the revenues from the sale of electricity and green certificates, as relevant.

As of the date of approval of the report, Energix has sales transactions at fixed prices for setting the price of electricity and green certificates created, as follows:

(a) Price fixing transactions for electricity (commercially operating projects):

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.

(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 in commercial operation as of the date of the report.

(**) Average price in PLN per certificate.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development

	Cost as of December 31		
	2021	2020	
	NIS thousands	NIS thousands	Reference
Projects in the third and fourth competitive procedures with a total capacity of approx. 85 MWp	203,087	171,413	Note 7c above
Extra-high-voltage project in the advanced development stage with a capacity of 90 MWp	57,779	1,294	a.
Wind project in Israel – ARAN, with a capacity of approx. 104 MWp	146,981	43,922	b.
Virginia 2 projects with a capacity of approx. 51 MWp	113,512	209,269	Note 7d above
Photovoltaic projects in advanced development in the U.S. (Virginia project backlog)	441,601	10,729	c.
Fully owned wind farm with a total capacity of approx. 126 MW (Banie 3 and Sepopol)	412,933	110,411	e.
Wind farm with a capacity of approx. 56 MW - Stage D of the Banie project	82,009	1,111	e.
Other PV and wind projects in development in Israel, the United States and Poland	33,987	233,669	
Total assets, net	1,491,889	781,818	

A. Photovoltaic projects in Israel

Extra-high-voltage project in the advanced development stage with a capacity of approx. 90 MWp – In the reporting period and until the date of approval of the report, Energix continued developing a photovoltaic project with a capacity of approx. 90 MWp at extra-high voltage, which Energix is promoting under the quota it won for a guaranteed tariff, through the Israel joint venture[6], as part of the first competitive procedure issued by the Electricity Authority for extra-high voltage.

The plan for the project's construction, which is being promoted by the National Infrastructure Committee ("NIC"), was approved, and subsequent to the date of the report it was submitted for the discussion of objections.

Upon its connection to the electricity grid, the project will be entitled to a guaranteed, index-linked tariff, which is determined in the competitive procedure for extra-high-voltage projects. Until the date of connection, the tariff is linked to various market indices (exchange rates and the CPI). The winning tariff in the tender is in the amount of NIS 0.156 per 1 KWh generated for 23 years from the date of the facility's commercial operation, conditional on completion of the project's construction by the first half of 2023. As of the date of publication of the report, the linked tariff is NIS 0.1484 per 1 KWh generated.

As of the date of the report, the balance of the investment in the project is NIS 58 million.

B. Wind project in Israel – ARAN, with a capacity of approx. 104 MW

Energix holds 100% of the shares granting management rights (including the appointment of all members of the Board of Directors) and 73% of the shares granting the right to receive dividends in a private company that holds the rights to initiate and develop a project for the construction of a wind farm in the Golan Heights with a capacity of approx. 104 MW (hereinafter - "the Project Company" and "**the ARAN Project**", respectively). For the regulation under which Energix is promoting the ARAN Project, see below.

The project was promoted as a national infrastructure project by the National Infrastructure Committee ("NIC")

[6] A limited partnership owned by Energix (70%) and an entrepreneurial company (30%) used for the joint initiative, development, construction, operation and maintenance of projects for the generation of electricity from photovoltaic energy, including energy storage, in Israel.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

After the plan for the project was approved by the NIC and the government, in the reporting period and until the date of approval of the report, Energix completed all the requirements for the building permit, including approval by the Ministry of Defense and payment the improvement levy, and a building permit was granted in February 2022. Energix is also in preparations for completion of the conditions required for the project's financial closure and in this context, in December 2021, the project company signed an agreement to purchase turbines for the project with one of the world's leading turbine suppliers and signed agreements for the ground solution and mine clearance with the Ministry of Defense.

In May 2021, associations and residents from the local population 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 in the stage of document disclosure, after in August 2021 Energix filed a letter of defense. In February 2022, shortly after the building permit for the project was granted, the plaintiffs filed an application for a temporary restraining order, similar to the relief sought in the claim filed in May 2021. In a hearing held at the end of February 2022, Energix rejected the opponents 'claims in full, arguing that in view of the lack of basis for the plaintiffs' claim, bad faith, delaying tactics and the fact that the damage is reversible and compensable for the project, the application should be denied.
Based on the position of its legal counsel, Energix believes that the chances of a restraining order being granted to the applicants are low. As of the date of approval of the report, Energix is awaiting the judge's decision on the application.

As of the date of the report, the balance of the investment in the project amounts to approx. NIS 147 million, which is presented in the 'systems in construction and development' item.

The regulation for large wind systems was first published in Resolution 349 of the Electricity Authority dated October 10, 2011 and was updated from time to time. According to the regulation in effect as of the date of the report, the quota for electricity-generation using wind energy is 730 MW, in the form of a commitment by the IEC to purchase electricity at a guaranteed tariff for a period of 20 years, linked to the CPI. The tariff will be determined according to a calculation formula based on a designated base tariff, distinguishing between facilities connected to the transmission grid and the distribution grid, and linking it to a number of variables such as exchange rates, an index that reflects global wind turbine costs, foreign currency prices, the CPI and interest rates.
According to the Electricity Authority's publications for 2020, the weighted tariff as of the date of publication until the quota of 300 MW is reached is approx. NIS 0.28 per 1 KWh produced in relation to the facilities connected to the transmission grid (extra-high-voltage) and approx. NIS 0.26 per 1 KWh produced in relation to the facilities connected to the distribution grid. After utilizing the initial quota in the capacity of 300 MW, the weighted tariff is updated so that the weighted tariff in relation to facilities connected to the transmission grid (extra-high-voltage) is approx. NIS 0.26 per 1 KWh produced and in relation to facilities connected to the distribution grid, approx. NIS 0.24 per 1 KWh produced. The final tariff in relation to each facility will be determined in accordance with the data of the various variables that affect the base tariff as of the date of approval of the actual tariff, as applicable.

C. Photovoltaic projects in the United States

- Energix has four projects in Virginia with a total capacity of 185 MWp that are predevelopment, of which approx. 85 MWp is part of a U.S. venture and approx. 100 MWp is under its full ownership (including by way of Energix's acquisitions of projects from third parties). All of the projects have rights to the land, a survey of the connection to the electricity grid and the main permits needed to begin construction work.

- A project with a capacity of approx. 110 MWp in Pennsylvania – Shortly before the date of approval of the report, Energix entered into an agreement for the purchase of a project that is predevelopment, for a consideration of approx. USD 3.6 million. Completion of the purchase depends on the meeting of preconditions regarding which, as of the date of approval of the report, there is no certainty that they will be realized. Insofar as the purchase of the project is completed, the project has the full permits required for the start of construction and an electricity connection agreement to the electricity grid. However, Energix intends to work to improve some of the permits in order to maximize the electricity-generation capacity from the project.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 118 million in respect of projects in development and/or predevelopment and has entered into agreements for the purchase of panels for the projects.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

- **Acquisition of a backlog of photovoltaic and energy storage projects as part of the acquisition of NCRE**

  In August 2021, Energix (through a wholly owned American subsidiary) signed a binding agreement for the acquisition of 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 consideration of USD 33 million.

  On the acquisition date, NCRE had signed agreements for provision of development services for projects in development that were sold to third parties ("**third party projects**"), for which NCRE was expected to generate additional revenue if and when the projects reach construction and/or commercial operation. According to the NCRE acquisition transaction, the sellers will be entitled to receive 40% of the revenue amounts in respect of the third party projects, to the extent they are received.

  In December 2021, Energix completed the sale of the third party projects to one of the previous shareholders in NCRE, for approx. USD 9 million (approx. NIS 28 million). Therefore, as of the date of the report, the total net acquisition cost of NCRE was USD 24 million.

  In accordance with accounting principles, the NCRE acquisition transaction is treated in the financial statements as a business combination (for details regarding the accounting policy, see Note 2). The consideration for the purchase is attributed for the most part to projects in development, which are presented in the 'systems in construction and development' item.

  At the time of the acquisition, NCRE had 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 photovoltaic and energy storage projects in development with significant capacity.

  As of the date of the report and the date of approval of the report, Energix is continuing to complete development procedures for projects in advanced development in Virginia, including projects acquired by Energix from third parties, with a total capacity of approx. 500 MWp. From this capacity, approx. 66 MWp is part of the U.S. venture and approx. 434 MWp is under its full ownership.

- **Purchase of panels on the account of systems under construction**: According to United States law, the purchase of equipment that is at least 5% of the cost of construction of any project by 2025 will allow that project to maintain the tax benefit rate of 30%, provided that the construction of the project is completed by 2025. Accordingly, during 2019, Energix purchased panels for the Company's future projects in the amount of approx. USD 65 million that are expected to be used to maintain the ITC tax benefit rate of 30% (which, according to the legislative amendment adopted in the US in the reporting period, without the purchase of the panels, would have been gradually reduced to 10%), with respect to projects constructed in the United States by the end of 2025.

  As of the date of approval of the report, Energix has at its disposal additional panels with a value of approx. USD 55 million, which will be used for the construction of future projects in the United States with a capacity of approx. 800 MWp and to ensure the projects' eligibility for an ITC tax benefit of 30%.

  On January 7, 2022, Energix entered into an agreement for the purchase of panels with a total capacity of over 2 GWp and a total cost of hundreds of millions of USD.

  The panels were purchased in accordance with Energix's strategic plan and guarantees it a regular and ongoing supply of panels until 2025 at attractive prices. The panels are designated for use by Energix for the construction of photovoltaic projects with a total capacity of over 2 GWp that are currently in development, which Energix estimates will reach construction during 2023-2025 (most of them in the United States). According to the terms of the purchase of the panels, most of the payments for the cost of the panels will be paid close to the receipt of the panels as part of the projects' construction, to the extent that they are actually built, during 2023-2025.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

D. Photovoltaic Projects in Poland

In the reporting period, Energix began to develop and promote photovoltaic projects in Poland.

The sale of electricity from photovoltaic projects in Poland is carried out in accordance with the agreement for the sale of electricity to the relevant players in the market or under the terms of the regulation based on tariff tenders. Under the terms of the tender, each of the facilities that will win in the tender and will be established will be eligible, upon commercial operation, for a guaranteed index-linked tariff for 15 years relative to the electricity output submitted to the tender. The balance will be sold on the free market.

In this context, Energix has promoted a project, which, as of the date of approval of the report, is in the predevelopment process with a capacity of 12 MWp. The project has been granted a building permit, and Energix is working to complete all the approvals and to secure a place in the grid for the electricity flow that will be generated in the project, to the extent that it is built.

As of the date of the report, Energix has entered into an agreement for the purchase of the panels required for the construction of this project. As of the date of the report, Energix has recognized the property in an immaterial amount in respect of this project.

E. Wind projects in Poland

Banie 3 Wind Farm (82 MW) and Sepopol Wind Farm (44 MW)

Energix is nearing completion of the construction work on 2 fully-owned wind farms with a total capacity of approx. 126 MW (Banie 3 and Sepopol), which have won a wind tender for a guaranteed tariff. Under the terms of the tender, each of the wind farms that won, during their commercial operation, will be eligible for a guaranteed index-linked tariff for 15 years relative to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation.

For the construction of the wind farm, Energix entered into agreements with Vestas for the purchase, construction and operation of the turbines to be built as part of the projects and signed agreements with the main contractors for the construction of the 2 wind farms.

As of the date of the report, the construction of 37 MW has been completed and 15 MW have been connected to the electricity grid.

For details regarding Energix's engagement in a financing transaction in the amount of up to PLN 550 million to finance the construction of the 2 wind farms detailed above, on a non-recourse basis, see Note 12d.11.

Banie 4 Project (56 MW)

Having entered into agreements for the purchase of the required equipment (with an emphasis on turbines) and engagements with other contractors and suppliers during 2021, as of the date of the report, it is in the midst of construction work on another fully owned wind farm with a total capacity of approx. 56 MW (Banie 4), which won a wind tender with a guaranteed tariff. Under the terms of the tender, the wind farm will be eligible for a guaranteed index-linked tariff for 15 years relative to the electricity output at an average rate of approx. 80% of the electricity generation expected at the wind farm.

The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation.

- **Acquisition of the rights in the project:** During 2019, Energix acquired 68% of the ownership rights in the Banie 4 wind farm with a capacity of approx. 56 MW, which is held through an SPV, in consideration for Energix's commitment to complete, at its expense, the development of the wind farm and the establishment of a connection to the grid.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

During the second quarter of 2021, 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 construction of additional wind turbines. Accordingly, as of the date of the report, Energix, through subsidiaries, holds 100% of the wind farms and ownership rights in the project.

As of the date of the report, Energix has recognized assets in the amount of approx. NIS 82 million in respect of these projects.

For details regarding Energix's commitment in a financing transaction in the amount of up to PLN 300 million to finance the construction of the wind farm detailed above, on a non-recourse basis, see Note 12d.12.

Engagement in price-fixing transactions:

As of the date of approval of the report, Energix has carried out price-fixing transactions for electricity that is expected to be generated from the Banie3, Sepopol and Banie4 projects in the years 2022-2024.

The following is the fixed price rate (according to the tender price and price-fixing transactions) from the total production volume:

Year	Fixed Rate from Production Volume	Average Price (*)
2022 (**)	73%	264
2023	80%	297
2024	82%	339

(*) Average price in PLN per 1 MWh, before adjustments to the actual production profile.
(**) Price-fixing at a rate of 73% of expected electricity generation in the second half of 2022. Revenues from electricity generation as a result of expectations of advancing schedules for connection to the grid are not fixed.

For additional information regarding wind energy projects in Poland, see Note 8e.

Project for the establishment of a wind farm with a capacity of approx. 90 MW:

Energix is working to complete all the approvals and permits required for the construction of a wind farm project in Poland with a capacity of approx. 90 MW. As of the date of approval of the report, the project has a building permit and Energix is working and securing a place in the grid for the electricity flow that will be generated in the project, to the extent that it is built.

The information in this Note 8 above, in relation to electricity generation projects in development, predevelopment and in advanced development, regarding the expected amount of electricity generation, the expected amount of green certificates to be issued, the expected dates for their construction and for the commercial operation of the projects and the expected construction cost, are forward-looking information, based on the assessments of the Energix management and for which Energix has no control over its actual existence as described.

Note 9 – Restricted Deposits

As of the date of the report, the short-term encumbered cash balance includes restricted cash received by Energix from the tax partner in the Virginia 2 projects. See also Note 7.

As of the reporting date, the balance of long-term restricted cash is mostly cash that Energix has deposited into reserve funds for debt service as required by the financing agreements in connection with loans taken from financial institutions. For additional information, see Note 13.

Note 10 – Additional Information regarding Current Liability Items

Composition:

a. Short-term credit and current maturities of long-term loans	Annual Interest as of December 31	As of December 31	
	2021	2021	2020
	%	NIS thousands	NIS thousands
Short-term loans			
In unlinked NIS (variable interest)		-	95,084
Current maturities of long-term loans	Note 12a.	65,340	46,796
Interest component in bond expansion		9,908	6,453
		75,248	148,333

1. Short-term loans

In March 2021, the Group repaid short-term loans in the amount of approx. NIS 95 million.

b. Payables and credit balances	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Interest payable in respect of long-term loans and bonds	171,104	168,309
Interest payable in respect of lease liabilities	2,729	3,033
Suppliers and service providers	195,784	158,379
Employees and institutions in respect of wages	21,857	28,626
Institutions	10,235	18,109
Advance income	62,640	38,517
Accrued expenses	51,266	42,221
Accounts payable in respect of investment property	100,042	57,805
Derivative financial instruments designated as hedges (see Note 23)	15,317	9,372
Liabilities to partners	602	1,265
Short-term liability in respect of agreement with tax partner	86,269	33,540
Liability in respect of long-term incentive plan settled in cash (*)	112,262	-
Others	68,009	68,911
	898,116	628,087

(*) For details regarding the long-term incentive plan in BE, see Note 15c.

Note 11 – Bonds

A. Composition:

	As of December 31			As of December 31		
	2021			2020		
	Current Maturities	Long-Term Bonds	Total	Current Maturities	Long-Term Bonds	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Bonds (Series H) – b. below	219,863	227,303	447,166	214,706	448,435	663,141
Bonds (Series I) – c. below	132,044	945,689	1,077,733	132,044	1,085,025	1,217,069
Bonds (Series J) – d. below	-	1,329,126	1,329,126	-	1,332,783	1,332,783
Bonds (Series K) – e. below	20,093	178,337	198,430	-	198,052	198,052
Bonds (Series L) – f. below	104,132	940,340	1,044,472	-	397,502	397,502
Amot bonds (Series B) – g. below	429,683	-	429,683	415,995	430,339	846,334
Amot bonds (Series D) – h. below	-	1,751,800	1,751,800	-	1,730,681	1,730,681
Amot bonds (Series E) – i. below	111,556	853,360	964,916	109,457	1,003,901	1,113,358
Amot bonds (Series F) – j. below	-	2,048,218	2,048,218	-	2,024,339	2,024,339
Amot bonds (Series G) – k. below		726,346	726,346	-	804,011	804,011
Amot bonds (Series F) – l. below	-	1,314,575	1,314,575	-	-	-
Amot bonds to others – n. below	6,633	-	6,633	4,614	4,877	9,491
Energix bonds (Series A) – o. below	74,870	594,217	669,087		423,796	423,796
Energix bonds (Series B) – p. below	-	514,607	514,607	-	451,051	451,051
	1,098,874	11,423,918	12,522,792	876,816	10,334,792	11,211,608

The Company

B. Bonds (Series H)

During 2012-2019, the Company issued 1,234 million par value bonds (Series H), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 13) for bonds (Series H), for a net amount of NIS 1,384 million (the above includes the consideration for the bonds (Series H), the consideration for the options (Series 13), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The outstanding balance of the bonds (Series H) as of December 31, 2021, is repayable in two equal annual payments (from the balance of the principal, each), in February of each of the years 2022-2023 (inclusive), bearing annual interest at a rate of 4.45% and linked (principal and interest) to the CPI published for January 2012.1/2 The total effective interest rate for the bonds (Series H) is 1.83%.

The balance of bonds (Series H) in circulation as of December 31, 2021 is NIS 416 million PV, and as of the publication of the financial statements, NIS 208 million PV.

The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series H) will increase by 0.25% for each drop of one "abandoner" (meaning one variable of 3 variables existing as sub-steps in each rating category), but no more than the addition of a single percentage point.

The bonds (Series H) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K and L. See details in Subsection e. below.

Note 11 – Bonds (continued)

C. Bonds (Series I)

During 2015-2018, the Company issued 1,320 million par value bonds (Series I), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 14) for bonds (Series I), for a net amount of NIS 1,408 million (the above includes the consideration for the bonds (Series I), the consideration for the options (Series 14), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

After the date of the report, the Company issued NIS 221.4 million par value of debentures (Series I), by expanding the series of bonds for a total of NIS 243 million net (including accrued interest and less issue costs).

The balance of bonds (Series I) in circulation as of December 31, 2021 is NIS 1,056 million PV, and as of the date of publication of the financial statements, NIS 1,118 million PV.

The outstanding balance of the bonds (Series I) as of December 31, 2021, is repayable in six annual payments (the first two payments at a rate of 12.5% of the balance of the principal and the last four payments at a rate of 18.75% of the balance of the principal, each, in February of each of the years 2022-2027 (inclusive), bearing annual interest at a rate of 3.85% and are not linked. The total effective interest rate for the bonds (Series I) is 3.09%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series I) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

In addition, the Company performed cross currency swap transactions with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 341 million to USD cash flows for the life span of the bonds at an annual interest rate (in USD) of 3.69%. These transactions are intended for accounting hedging of net investments in foreign activity.

The bonds (Series I) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, J, K and L. See Subsection e below.

D. Bonds (Series J)

During 2015-2019, the Company issued 1,315 million par value bonds (Series J), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,342 million (the above includes the consideration for the bonds (Series J) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

After the date of the report, the Company issued NIS 84 million par value of debentures (Series J), by expanding the series of bonds for a total of approx. NIS 88 million net (including accrued interest and less issue costs).

The remaining par value of the bonds (Series J) as of December 31, 2021 amounted to NIS 1,315 million PV and as of the date of publication of the financial statements it was NIS 1,399 million PV.

The bonds (Series J) are repayable in four annual payments at a rate if 25% of the principal in February of each of the years from 2024 to 2027 (inclusive), bearing variable annual interest at a margin of 2.24% above the average weighted Bank of Israel interest rate for the period, and are unlinked. The total effective interest rate for the bonds (Series J) is 2.10%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series J) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

The bonds (Series J) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series H, I, K and L. See Subsection e below.

Note 11 – Bonds (continued)

E. Bonds (Series K)

In August, 2019, the Company issued NIS 201 million PV of bonds (Series K) for a gross consideration of NIS 201 million (before issuance expenses).
The remaining par value of the bonds (Series K) as of December 31, 2021 amounted to NIS 201 million PV and as of the date of publication of the financial statements it was NIS 181 million PV.

The bonds (Series K) are in NIS and are not linked (principal and interest) to any index or currency. The bonds (Series K) will be repaid in six installments (in cash or in Company shares, at the Company's sole discretion) on February 28 of the following years and at the following rates: (1) 10% of the PV principal in each of the years 2022 and 2023; (2) 25% of the PV principal in each of the years 2028 and 2029, and (3) 15% of the PV principal in each of the years 2030 and 2031. The unpaid principal of the bonds will bear fixed annual interest of 2.66% and this will be paid (in cash or, starting February 28, 2022, in Company shares at the Company's sole discretion) on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series K) is 2.89%.

The bonds (Series K) include financial stipulations, the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds[7]:

A. The Company's equity (less non-controlling interests) according to its Consolidated Financial Statements, may not be less, on the date of the Financial Statements and for four consecutive quarters, than an amount in NIS equal to NIS 2.1 billion[8].

B. The ratio between the net financial debt and the value of the Company's holdings, based on the expanded solo statements as detailed in the Company latest audited or reviewed statements, may not exceed 0.8 at the end of the quarter for four consecutive quarters.

C. The ratio between the Company's net financial debt and the FFO on the Company's expanded solo basis, as detailed in the Company's annual periodic report may not exceed 25 for two consecutive calendar years.

D. The Company declares a dividend which will result in a reduction of equity to below NIS 2.1 billion[9].

E. The Company declares a dividend in excess of the allowable amount (as defined in the Deed of Trust), at a time when the Company's equity, including as a result of the dividend distribution, will be less than the amount in NIS equal to NIS 2.5 billion[10].

F. If the bond rating is lower than the BBB minus rating for two consecutive quarters (with the exception of a technical lowering of the rating, as defined in the deed of trust).

Notwithstanding the above, the stipulations in subsections (b) and (c) above will not be valid in the event that the Company, if the events mentioned in (b) and (c) above occur by the end of the remedy period for these events, pledges assets with a senior lien in favor of the bondholders and for as long as the lien is in effect.

In addition, the bonds (Series K) include additional generally accepted conditions for their immediate repayment including the following events: (1) there has been a material deterioration in the Company's business; (2) structural change and merger; (3) liquidation, bankruptcy and asset realization, stay of proceedings and execution; (4) change in control under certain conditions; (5) trading halt and suspension of trading in bonds; (6) cross default; (7) cessation of payments; (8) failure to publish financial statements; (9) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation as defined in the Securities Law; (11) distribution of dividends when the equity is lower than a certain threshold, etc.

The bonds (Series K) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with the financial covenants detailed above.

7 The description of the above financial stipulations applies to all of the Company's bonds.
8 A minimum equity of NIS 1.2 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.
9 A minimum equity of NIS 1.3 billion for the distribution of a dividend was determined for the bonds (Series H), and for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.1 billion.
10 A minimum equity for a dividend distribution exceeding the allowable amount in the amount of NIS 1.8 billion was determined for the bonds (Series H) and for the bonds (Series I) and (Series J) a minimum equity of NIS 2.1 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.5 billion.

Note 11 – Bonds (continued)

F. Bonds (Series L)

During 2019-2021, the Company issued NIS 1,041 million PV bonds (Series L), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,052 million (the above includes the consideration for the bonds (Series L) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

Subsequent to the date of the report, the Company issued NIS 437 million PV of bonds (Series L) by way of a bond series expansion for a total net consideration of NIS 446 million (including accrued interest and less issue expenses).

The remaining par value of the bonds (Series L) as of December 31, 2021 amounted to NIS 1,041 million PV and as of the date of publication of the financial statements it was NIS 1,330 million PV.

The bonds (Series L) are in NIS and are not linked (principal and interest) to any index or currency. The amortization schedule of the bonds (Series L) is identical to the amortization schedule of the bonds (Series K) above. The unpaid principal of the bonds will bear fixed annual interest of 2.41% and this will be paid in cash on February 28 of each of the years from 2020 to 2031 (inclusive). The weighted effective interest rate for the bonds (Series L) is 2.35%.

The bonds (Series L) include financial stipulations and additional generally accepted conditions for the their immediate repayment, identical to the financial stipulations and additional terms detailed in Section (e) above regarding the bonds (Series K).

The bonds (Series L) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section e. above.

As of the date of the report, the Company is in compliance with all financial covenants regarding the bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L).

Collateral – The bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K) and the bonds (Series L) are not secured by liens.

Within the framework of the bond issues (Series H, Series I, Series J, Series K and Series L), the Company committed in a negative pledge that it would not create any floating liens on all of its whole property, unless it would create a floating lien of the same level pari passu in favor of the bondholders (Series H, Series I, Series J, Series K and Series L).

Amot

G. Amot Bonds (Series B)

During the years 2012-2016, Amot issued NIS 1,360 million PV bonds (Series B), linked to the CPI (in lieu of June 2012) and bearing annual interest of 4.8%. The bonds are payable in 4 annual payments, the first payment at a rate of 10% on July 2, 2019 and three more payments of 30% each, starting July 2, 2020 and ending July 2, 2022. The interest payments will be made on July 2 of each of the years from 2013 to 2022 (inclusive). The weighted effective interest on the bonds is 2.97%.

The Amot bonds (Series B) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection m below.

H. Amot Bonds (Series D)

During the years 2014-2018, Amot issued NIS 1,650 million PV bonds (Series D), linked to the CPI (for July 2014), bearing annual interest at a rate of 3.2% and payable in six (6) unequal annual payments, to be paid on July 2 of each of the years from 2023 to 2028 (inclusive), as follows: (a) two payments of 20% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2023 and 2024 (inclusive). (b) Four payments of 15% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2025 through 2028 (inclusive). The interest payments will be paid on July 2 of each year from 2015 to 2028. The effective interest on the bonds is 2.09%.

The Amot bonds (Series D) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection m below.

Note 11 – Bonds (continued)

I. Amot Bonds (Series E)

During the years 2016-2018, Amot issued NIS 1,085 million PV bonds (Series E). The bond principal (Series E) is payable in six annual payments: 2 payments of 10% of the principal, each, on January 4 of each of the years from 2021 to 2022 (inclusive), and payments of 20% of the principal, each, on January 4 of each of the years from 2023 to 2026 (inclusive).
The annual interest on the bonds (Series E) at a rate of 3.39% will be paid in annual payments on January 4 of each of the years from 2017 through 2026 (inclusive).
The principal and interest on Amot's bonds (Series E) are not linked to any index or currency.

Following the issue of Amot's bonds (Series E), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 3.39% into a CPI-linked principal and a linked interest rate of 2.125%-2.49%, with a principal amount of NIS 875 million.

The Amot bonds (Series E) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection m below.

J. Amot Bonds (Series F)

During the years 2019-2020, Amot issued bonds (Series F) to the public totaling NIS 2,069 million PV. The total net proceeds received by Amot for the offering amount to a total of approx. NIS 2,024 million. The bonds (Series F) reflect a CPI-linked effective interest rate of 1.5%.

Amot's bonds (Series F) are linked to the CPI (for May 2019) and bear annual interest at a rate of 1.14%. The bonds are repayable in 5 annual payments, two payments of 10% each, payable on October 3, 2025 and on October 3, 2026, two payments at a rate of 30% each, payable on October 3, 2027 and on October 3, 2028. The fifth and final payment at a rate of 20% will be paid on October 3, 2029. The interest payments will be made on October 3 of each of the years from 2019 to 2029 (inclusive).

K. Amot Bonds (Series G)

From February to December 2020, Amot issued bonds (Series G) to the public, through an issuance and through the exercise of option warrants for bonds (Series G) in the amount of NIS 800 million PV. The total net proceeds received by Amot for the issuance amounts to approx. NIS 788 million. The bonds (Series G) include an effective NIS interest rate of 2.60%.

Following the issue of the bonds (Series G), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 1.025%-1.365%, with a principal amount of NIS 784 million.

The principal of Amot's bonds (Series G) is payable in four annual payments at a rate of 25% of the principal, each, on January 5 of each of the years from 2029 to 2032 (inclusive).

The interest on Amot's bonds (Series G) at a rate of 2.44% per year will be paid in annual payments on January 5 of each of the years from 2021 to 2032 (inclusive).

The principal and interest on the bonds (Series G) are not linked to any index or currency.

The Amot bonds (Series F) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection m below.

Note 11 – Bonds (continued)

L. Amot Bonds (Series H)

During 2021, Amot issued bonds (Series H) to the public in the amount of NIS 1,250 million PV. The total net proceeds received by Amot for the issue amounted to a total of approx. NIS 1,309 million. The bonds (Series H) include a CPI-linked effective interest rate of approx. 0.6% and have an average duration of approx. 8.4 years.

Amot's bonds (Series H) are linked to the CPI (for January 2021) and bear annual interest at a rate of 0.92%. Amot's bonds (Series H) are repayable (the principal) in four (4) equal annual payments on January 5 of each of the years from 2029 to 2032 (inclusive) such that each of the payments will constitute 25% of the total par value of the bonds (Series H). The interest payments will be made on January 5 of each of the years from 2022 to 2032 (inclusive).

M. Financial covenants and conditions for immediate repayment of Amot's bonds:

Amot's bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) include conditions, essentially similar, for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;
- Amot's equity may not be less than NIS 2.2 billion as of the date of the relevant financial statements and for two consecutive quarters.
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating (Series H) is less than BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the non-pledged assets will not decrease over the course of two consecutive quarters from a total of 1 billion NIS, or from a total of 125% of the balance of the bonds from the relevant series, whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, the bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

As of the date of the report, Amot is in compliance with all financial covenants regarding the bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H).

Collateral – The bonds (Series B), the bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) of Amot are not secured by liens.

Within the framework of the issue of the above bonds, Amot committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

N. Amot bonds to others

Amot bonds to others are CPI-linked, bear 5.5%-6.5% annual interest, and are payable in semiannual payments until 2022.

Note 11 – Bonds (continued)

Energix

O. Energix Bonds (Series A)

In December, 2019, Energix issued bonds (Series A) in the total amount of NIS 427 million PV for net proceeds (net of direct commissions and costs in respect of the bonds) of approx. NIS 423 million. In November 2021, Energix issued bonds (Series A) by way of a series expansion in the total amount of NIS 243 million PV for net proceeds (less commissions and direct costs in respect of the bonds) in the total amount of NIS 245 million. The bond principal (Series A) will be repaid in 18 (eighteen) equal semi-annual payments, payable on February 1 and August 1 of each of the years 2022 to 2030 (inclusive). The bonds bear annual interest of 2.05% (unlinked), which will be paid in twice annually on February 1 and on August 1 of each of the years from 2020 to 2030 (inclusive). The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency. As part of the issue of the bonds (Series A), the Company undertook in a negative pledge that it would not place any floating liens on all its assets, unless it would place a floating lien of the same degree in favor of the bondholders (Series A) pari passu.
The effective interest on the bonds is 2.2%.

In addition, in January 2020, Energix performed cross currency swap transactions with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 272 million to cash flows in the amount of approx. PLN 300 for the life span of the bonds at an annual interest rate (in PLN) of 4.11%.

In November 2021, Energix performed cross currency swap transactions with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 233 million at fixed annual interest of 2.05% (unlinked) against a cash flow in the amount of approx. USD 75 million at a fixed interest rate of 2.984%. The currency swap dates for the principal and interest are made in accordance with the dates set in the issuance of the bonds (Series A).

These transactions are intended for accounting hedging of net investments in foreign activity.

Regarding financial and other covenants of the bonds (Series A), see Subsection p below.P

P. Energix Convertible Bonds (Series B)

In September 2020, Energix issued convertible bonds (Series B) in the amount of NIS 500 million PV. The bonds (Series B) are repayable in one payment on August 1, 2027 and bear a fixed annual interest rate of 0.25% (unlinked). The interest will be paid twice annually from February 1, 2021 to August 1, 2027 (inclusive). The bonds (Series B) are convertible into Energix shares from the date of issue until December 31, 2022, such that every NIS 18 par value of the bonds can be converted into one share of Energix common stock and from January 1, 2023 until July 22, 2027, every NIS 100 par value can be converted into one share of Energix common stock. In November 2021, Energix issued convertible bonds(Series B) by way of a series expansion in the amount of NIS 66.602 million PV. The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency.

The Energix bonds (Series B) as aforesaid constitute a complex financial instrument, which at the date of issue is separated into a liability component presented in long-term liabilities (with the exception of the current maturities, which are presented in current liabilities) and a capital component presented within the Company's capital. Energix determined the fair value of the liability component based on the interest rate for similar debt instruments, which do not include a conversion option. This component is treated prospectively at amortized cost according to the effective interest method (at a rate of 1.9%). The balance of the consideration in respect of the convertible bonds was attributed to the conversion option inherent in the bonds. This component was recorded to capital, less the effect of income taxes, and is not remeasured in subsequent periods. The issue costs were allocated in proportion to the components of the complex financial instrument consistent with the allocation of the consideration.

The bonds (Series A) and the bonds (Series B) of Energix include similar financial covenants, of which the main ones are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds:

- The lack of compliance with the financial stipulations, as detailed below, will constitute grounds for immediate repayment unless Energix pledges assets as stated in the bond's deed of trust.
  - The equity may not be less than NIS 500 million for two consecutive quarters.
  - The ratio of net solo financial debt to net solo balance sheet may not exceed a rate of 80% for a period of four consecutive quarters.

Note 11 – Bonds (continued)

- The ratio of net consolidated financial debt less systems in construction and development, and the adjusted EBITDA may not exceed 18 for a period of four consecutive quarters.

- In the event of a decline in Alony-Hetz's holding rate in the company below 35%, when there is another shareholder holding a higher rate, resulting in Energix rating being lowered during the 6 consecutive months to a rating lower than BBB+.
- If the bond rating is lower than the BBB- rating for one quarter, except as a result of a technical lowering of the rating (as this term is defined under the terms of the bond).
- A change in Energix's main activity in a way that most of its activities are not in the field of electricity generation.
- Immediate repayment of another of Energix's bond series (one or more) that is not traded or a loan (one or more) whose balance at the time of immediate repayment constitutes (cumulatively) 20% or more of Energix's financial liabilities or NIS 250 million linked to the CPI, whichever is higher, and the demand for immediate repayment has not been withdrawn/repaid within 30 days.
- If there has been a sale of most of Energix's assets and consent for the sale has not been received from the bondholders, where the "sale of most of the Company's assets" means the sale of Energix's (consolidated) assets during 12 consecutive months, the value of which, less the cost of their acquisition, exceeds 40% of Energix's total consolidated assets.
- Other common grounds for the immediate repayment of bonds, such as liquidation, receivership, rating cessation, discontinuation of tradability, etc.

Within the framework of the issue of the bonds (Series A) and the bonds (Series B), Energix committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

As of the reporting date, Energix is in compliance with all financial covenants to which it committed.

As of the reporting date, no event occurred in Energix that gives holders the right to demand immediate payment of the bonds.

Q. Pledges – see Note 13 below.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants

A. Composition, linkage terms and interest rates:

	Annual Interest (*) as of December 31, 2021	As of December 31, 2021			As of December 31, 2020		
		Current Maturities	Long-Term Loans	Total	Current Maturities	Long-Term Loans	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans from banking corporations							
In or linked to foreign currency							
In USD	LIBOR + 1.5%	574	-	574	790	593	1,383
In GBP e.	See Section e. below	3,152	1,973,809	1,976,961	-	1,585,862	1,585,862
In PLN	WIBOR 6M + 2.27%	7,475	251,326	258,801	-	-	-
		11,201	2,225,135	2,236,336	790	1,586,455	1,587,245
CPI-linked c., d.	Linked 1.95%-4.6%	54,139	1,290,302	1,344,441	46,006	659,171	705,177
Total loans from banking corporations		65,340	3,515,437	3,580,777	46,796	2,245,626	2,292,422

The LIBOR rate on the USD for three months (in annual terms) as of December 31, 2021, was approx. 0.21%.
The WIBOR rate on the PLN for six months (in annual terms) as of December 31, 2021, was approx. 2.84%.
The SONIA rate on the PLN for six months (in annual terms) as of December 31, 2021, was approx. 0.2%.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

B. The Company's financing arrangements

1. In January 2021, a facility agreement was signed between the Company and the Bank of Israel (hereinafter: "**the Bank**"), which replaces a facility agreement from January 2020, regarding the provision of a credit facility in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter: "**the utilization period**") to repayment by the end of two years from the end of the utilization period (hereinafter, in this subsection: "**the Facility Agreement**"). The facility agreement is not guaranteed by liens. In January 2022, the facility agreement was renewed for another one-year utilization period, the main points of which are identical to the previous facility agreement, and relates to a one-year cash availability period, which allows for the utilization of a financing facility for up to three years from its establishment ("**the Credit Period**" and "**the New Facility Agreement**", as applicable).

The utilized credit will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or Libor according to the utilized currency) plus a 2% margin on credit that is repayable for a period of up to one year and a margin of 2.2% for credit that is repayable in more than one year from the date of granting.

Under the facility agreement and the new facility agreement, the Company committed, among other things, to financial ratios as follows:

(a) A ratio of equity to total balance sheet of at least 0.3;

(b) The ratio of the Company's net financial debt (LTV) (on an expanded solo basis) to the value of the Company's holdings will not exceed 0.7 at any time;

(c) The ratio of the amount of current dividends declared in 4 consecutive quarters, which were actually received by the date of the examination by the significant companies in which the Company invests, to the Company's total interest payments during the period, will not be less than 1.2;

(d) The ratio of cash and cash equivalents according to the Company's latest financial statements plus expected cash flow from dividends in 4 consecutive quarters, to the total expected repayments on an expanded solo basis, will not be less than 1 at any time during 6 consecutive months;

(e) The rate of the Company's holdings in Amot shares will not be less than 40% at any time;

(f) The rate of the Company's holdings in Carr shares will not be less than 30% at any time, except in a case of Carr's issuance on the stock exchange;

(g) The ratio of net financial debt (expanded solo) to the FFO will not exceed 25 at any time during two consecutive years;

(h) The value of the Company's holdings in unencumbered shares will not at any time be less than twice the amount of credit granted to the Company without collateral in Israel and abroad (including approved credit facilities, whether utilized or not, but excluding bonds).

In addition, the facility agreement and the new facility agreement determine that:

- The Bank has the right to shorten the credit period to one year from the date of the change, in each of the following cases:

  (a) If they reduce, or are likely to reduce, Nathan Hetz's ownership or holding rates below a minimum of 10%; and/or

  (b) If any third party has holdings in Alony-Hetz at a rate greater than 14.5% (Mr. Nathan Hetz's holding rate at the time of signing the new facility agreement); and/or

  (c) If any third party acquires control in Alony-Hetz.

  All of this – whether as a result of an action by Alony-Hetz or as a result of an action by any third party without an action by Alony-Hetz or any involvement of Alony-Hetz.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

In this regard, a third party includes a number of third parties jointly, not including institutional holders from pension funds, provident funds, mutual funds, study funds, portfolio management, etc.

- The Company undertook to comply with various financial stipulations, mainly: (1) minimal Company equity of NIS 2.2 billion; (2) various financial cash flow and operational ratios in the Group and in investees; (3) cross default and (4) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party.

As of the reporting date, the Company has not utilized the new credit facility.

2. In January 2016, the Company signed a facility agreement that was amended in the same month, in August 2018 and in August 2021 with an Israeli institutional body (hereinafter collectively, in this subsection:"**the Agreement**"). In accordance with the agreement, the Company was granted a NIS 250 million credit facility for the period ended May 31, 2024. The utilized credit will bear annual interest at a rate of the gross yield to maturity of two series of NIS-denominated government bonds with the closest average duration to maturity of one year, plus a margin of 1.75%. The facility is not backed by any collateral. As of December 31, 2021, the credit facility is not utilized.

As part of the facility agreement the Company committed, among other things, to the following financial ratios:

A. The ratio between the net financial debt and the FFO will not exceed 25 for two consecutive years;

B. The net financial debt ratio (LTV) of the Group (on an expanded solo basis) will not exceed 70% of its total assets for four consecutive quarters, according to calculation formulas determined in the agreement;

C. A ratio of equity to total balance sheet of at least 0.3 for four consecutive quarters (a ratio of 0.2 for one quarter will constitute grounds for immediate repayment);

D. The ratio of dividend revenues to cash flow interest expenses (on an expanded solo basis) in the 12-month period prior to the examination date will not be less than 1.2.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) changes in control of the Company; (2) the Company's minimum equity will not be less than NIS 1.8 billion for four consecutive quarters; (3) various financial cash flow and operational ratios in the Group and in investees; (4) cross default (5) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party; (6) merger/split without receipt of consent; (7) insolvency, liquidation, etc.; (8) cessation of the management of business / change in area of activity and/or sale of most assets; (9) rating under BBB-; (10) suspension of trading.

3. In January 2017, an agreement was signed between the Company and an institutional body, which is an interested party in the Company by virtue of its holdings, which was amended in a written amendment dated May 2019 (hereinafter, in this subsection: "**the Agreement**") regarding the provision of a credit facility of NIS 100 million for a period of 6 years from the date of signing the original agreement (i.e., until January 25, 2023). The utilized credit will bear annual interest at the Prime rate plus a margin of 0.7% (subject to adjustments when the rating drops below A-). The facility is not backed by any collateral. As of the date of publication of the report, the facility has not been utilized.

As part of the agreement, the Company has committed to financial ratios and conditions that are essentially similar to those mentioned in Subsection (2) above.

4. 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 will be 0.285% 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.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

As of December 31, 2021 and as of the date of publication of the reports, the Company did not utilize the credit facilities mentioned in this Section b.

As of December 31, 2021, the Company is in compliance with all of the financial covenants referred to in this Section b.

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 the net financial debt and the FFO may not exceed 25 for two consecutive calendar years (based on the expanded solo statements);

d.) The Company's equity will not be less than NIS 2.1 billion (based on expanded solo reports) for four consecutive calendar quarters.

C. Amot financing arrangements:

5. Loan agreement with a banking institution

In October 2021, Amot signed an agreement with a banking institution according to which the bank provided Amot with a loan in the amount of approx. NIS 500 million, with an average duration of 8.5 years. The loan, which is not guaranteed by any liens, is CPI-linked and bears CPI-linked annual interest at a rate of 0.6%. The loan principal will be repaid by Amot in four equal annual payments during the years 2029 to 2032. Under the loan agreement, Amot undertook to comply with financial covenants similar to the financial covenants determined in Amot's bonds (Series H) traded on the Tel Aviv Stock Exchange. The average duration of the loan and the repayment dates of the principal are similar to those of the bonds. For additional information regarding financial covenants, see Note 11m above.

6. Long-term and short-term credit facilities:

A. Lines of credit – the Amot Group has six credit facilities from commercial banks and financial bodies in Israel in the amount of NIS 1,230 million.

1. A credit facility from a bank in the amount of NIS 400 million is in effect until October 31, 2022.
2. A credit facility from a bank in the amount of NIS 150 million is in effect until June 30, 2022.
3. A credit facility from a bank in the amount of NIS 200 million is in effect until December 31, 2023.
4. A credit facility from a bank in the amount of NIS 100 million is in effect until December 28, 2022.

   To utilize these credit facilities, Amot must meet the following conditions:

   - The rate of equity from the Company's total statement of financial position (less cash and cash equivalents and less securities related to discontinued activity) on an extended consolidated basis will not at any time fall below 25%.
   - The ratio between the Company's net financial debt (less investment real estate under construction) and its NOI shall not exceed a ratio of 10 at any time.
   - The Company is the controlling shareholder in Amot.

5. A credit facility from an institutional body in Israel in the total amount of NIS 180 million, in effect until March 7, 2023. The credit facility is not backed by any securities and can be withdrawn at any time according to Amot's compliance with various financial ratios and stipulations.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

6. A credit facility from an institutional body in Israel in the total amount of NIS 200 million, in effect until May 31, 2024. The credit facility is not backed by any securities and can be withdrawn at any time according to Amot's compliance with various financial ratios and stipulations.

As part of the agreement, Amot undertook, among other things, to maintain financial ratios, key of which are as follows:

- The ratio of equity to total net balance sheet will not be less than 25% for 4 consecutive quarters or 20% for one quarter;
- The ratio of Amot's net financial debt to the CAP will not exceed 70%;
- The ratio of Amot's net financial debt, less the value of investment property in development, to Amot's annual standardized NOI will not exceed 10 for two consecutive quarters;
- The rating will not fall below A- (A minus) on any withdrawal date;

In addition, Amot committed to comply with various financial stipulations, mainly: changes in control of Amot under certain circumstances; Amot's minimum equity of NIS 1.2 billion; various financial cash flow and operational ratios; cross default; Amot's commitment not to create any general floating lien on all of its assets in favor of a third party (with the exception of a floating lien associated with a fixed lien).

The agreements include customary grounds for immediate repayment of the credit, such as significant legal proceedings (liquidation, receivership, merger, etc.).

As of December 31, 2021, Amot has unutilized credit facilities in the amount of NIS 1,185 million. In addition, Amot is in compliance with all financial covenants.

D. Energix financing arrangements:

7. General

Project financing transactions to which Energix is a party are based on the establishment of a designated corporation - SPV, which holds all the rights and obligations of the financed project(s) and usually has no additional activity beyond the activity subject to the financing. The financing is provided on a non-recourse basis, according to which the repayment of the financing is guaranteed by the SPV's assets and the rights therein, except for customary exceptions such as the injection of equity to which the owner in the SPV has committed, and a commitment to avoid from incurring excess costs in the projects' construction.

8. Financing for the second competitive procedure systems 62 MWp (photovoltaic projects winning the second competitive procedure):

In August 2019, Energix (as part of the Israel joint venture) withdrew the amount of NIS 145 million, the use of which was conditional on completion of the full requirements for financial closure of the projects. During 2020, Energix completed the full conditions required for the financial closing in the projects, and accordingly the restriction on the use of this amount was removed and the balance of the financing facility was withdrawn to a total amount of NIS 180 million. In February 2021, Energix exercised its right under the financing agreement to increase the credit facility, and received additional financing under this financing transaction in the amount of NIS 10 million.

9. Financing transaction for projects with a capacity of up to 137 MWp (third and fourth competitive procedures):

As of the date of approval of the report, the amount of NIS 245 million was withdrawn at an interest rate of 1.6% from a financing facility of up to NIS 380 million. After the completion of the projects' construction and their compliance with the determined conditions, the project partnership has the right to increase the amount of financing by an additional amount that will set the amount of financing at 85% of the total construction costs of all projects.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

10. Engagement in a financing transaction for the ARAN project (104 MWp)

In May 2021, Energix, together with the project company, signed a non-binding memorandum of understanding for the receipt of financing from a leading financial institution in Israel for the construction of the project in the total amount of up to NIS 680 million, and as of the date of approval of the report, Energix is in advanced negotiations towards closing a full financing agreement.

11. Engagement in a financing transaction for the construction of a wind farm in Poland - Banie 3 (82 MWp) and Sepopol (44 MWp)

In June 2021, the project companies 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 approx. NIS 440 million). As of the date of approval of the report, the project company has withdrawn a total of approx. NIS 368 million from the financing facilities. The interest is 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 the Company in October 2021.

For details regarding the accounting treatment in the CAP transaction for protection against changes in the interest rate, see Note 2r. 5.

12. Engagement in a financing transaction for the construction of a wind farm in Poland - Banie 4 (56 MWp)

In March 2022, Energix signed a project financing agreement, through a local subsidiary with a consortium of two foreign lenders - the European Bank for Reconstruction and Development (EBRD) and a leading local financial institution, for the construction of the project in the total amount of up to PLN 290 million (up to NIS 215 million). The loan interest is semi-annual WIBOR (Zero Floor) plus a margin of 1.7%-2.4%.
In the context of rising inflationary trends and rising interbank interest rates in Poland, in November 2021 Energix entered into a transaction to hedge the WIBOR interest to a rate of up to 2% in relation to 70% of the loan amount for a period of 5 years (from the expected commercial operation date), which will provide protection for the interest rate that will serve as the base interest rate in the financing transaction for the establishment of the Banie 4 project.
For details regarding the accounting treatment in the CAP transaction for protection against changes in the interest rate, see Note 2r.5.

13. For the project loans taken by Energix mentioned in Sections 8-12 above, financial covenants of a minimum ratio of [11]ADSCR to debt and a minimum ratio of LLCR[12] to debt of 1.1 each (in Sections 11-12, a ratio of 1.05).

14. Voluntary early repayment of financing for Banie Wind Farm in Poland

In May 2016, Energix and the project company signed an agreement with a consortium of three financial institutions in Poland for a project financing agreement for the Banie wind farm, by virtue of which the project company was provided financing ("**the Loan**"). In December 2019, Energix made a voluntary early repayment of the loan balance for a total of approx. PLN 294.5 million (approx. NIS 268.7 million). As of the date of repayment of the loan, Energix recognized a loss of approx. NIS 9 million, which was recorded to the financing expenses item, for the immediate reduction of the discount balance in respect of the loan and imputation of the negative capital reserve balance to profit and loss in respect of cash flow hedging for the fixing of interest rates in connection with the loan.

[11] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.
12 LLCR – Loan Life Cover Ratio – The excess available cash for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

E. BE's financing arrangements:

In order to finance the acquisition of the properties it owns as of the reporting date, BE took non-recourse loans totaling approx. GBP 475 million (approx. NIS 2 billion). To guarantee the loan, BE pledged the properties in favor of the lender with a senior lien.

The following are additional details regarding the loans:

		Interest Rate Hedging				Main Financial Covenants	
Amount in GBP thousands	Interest Rate	Hedge Amount	Hedging Terms		Repayment Date	Maximum LTV Ratio	Minimum Interest Coverage Ratio
63,680	SONIA +3.12%	60,800	CAP transaction	Maximum SONIA of 0.38%	January 2023	60%	2.00
56,200	SONIA +1.97%	56,200	CAP transaction	Maximum SONIA of 0.38%	October 2024	60%	2.00
132,300	SONIA +1.57%	132,300	CAP transaction	Maximum SONIA of 1.88%	April 2024	75%	1.95
48,780	SONIA (*) 2.12%+	48,780	CAP transaction	Maximum SONIA of 2%	February 2025	75%	2.00
63,360	SONIA +2.75%	63,360	SWAP transaction	Fixed SONIA of 0.7%	September 2023	65%	N/R
111,000	SONIA +2.30%	48,074	SWAP transaction	Fixed SONIA of 0.48%	January 2026	72.5%	N/R (**)
		41,926	CAP transaction	Maximum SONIA of 1.85%			

(*) According to the financing agreement, the total interest rate for the loan (SONIA interest plus the margin) will not be less than 2.5%.

(**) This loan requires a minimum ratio of NOI to debt of 4.15%.

BE's financing arrangements:

Of the total loans listed in the table above, during the reporting period, BE took a non-recourse bank loan in the amount of GBP 111 million for the financing of the acquisition of the properties at the Cambridge Science Park, as detailed in Note 4b above. The loan bears SONIA interest plus a margin of 2.3%. The loan principal will be repaid in one lump sum in June 2026.

In addition, BE entered into a transaction with the financing bank to hedge the exposure to variable interest rates, as detailed in the table above. Subsequent to the balance sheet date, BE entered into additional transactions with the financing bank so that as of the date of publication of the report, the total hedging amount in respect of the loan corresponds to the full balance of the loan.

Management of the change in LIBOR interest

During the reporting period, with the discontinuation of the LIBOR interest rate by the UK banking and finance system, the interest rate for all loans taken by BE at that time was changed from LIBOR to SONIA (Sterling Overnight Index Rate). At the same time, transactions hedging the exposure to variable interest rates performed by BE as detailed in the table above were also linked to SONIA interest rates instead of the LIBOR interest rate.

The SONIA rate as of December 31, 2021 was about 0.2% (in annual terms).

F. As of December 31, 2021 and near the publication of the financial statements, the Group is in compliance with all covenants to which it committed in conjunction with the loans mentioned in Sections (b) - (e) above.

G. Liens - see Note 13.

Note 13 – Liens, Collateral and Guarantees

A. The following is a description of the liabilities secured by liens on Group assets or for which the Group has provided some security for their repayment and a description of the assets pledged or provided as collateral as of December 31, 2021:

	Pledged Asset	Book Value of Liability	Book Value of Pledged Asset	Type of Lien	Comments
		As of December 31, 2021 (NIS thousands)	As of December 31, 2021 (NIS thousands)		
Liabilities of consolidated companies:					
Energix's liabilities:					
Loan in the amount of NIS 370 million	(1) Lien on all of the assets of the Project Company, Energix Neot Hovav Ltd., and Energix's rights in the Project Company (2) Bank deposit (reserve fund for debt service)	243,409	206,842	Fixed senior lien	Non-recourse project loan
Loan in the amount of NIS 240 million	(1) Lien on all of the assets of Projects 2 Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	214,289	244,559	Fixed senior lien	Non-recourse project loan
NIS loan facility in the amount of NIS 190 million	(1) Lien on all of the assets of Projects 3 Partnership, Limited Partnership and Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	179,721	187,168	Fixed senior lien	See Note 12d.8
Loan in the cumulative amount of NIS 45 million	(1) Lien on all project assets in Project Partnership 1 (2) Bank deposit (reserve fund for debt service)	22,583	15,989	Fixed senior lien	Non-recourse project loan
AMOT liabilities:					
Amot private CPI-linked bonds	(1) Investment property and part of the revenues derived from owned properties (2) Half of the revenues from an investment property	6,633	10,211	Senior lien and/or mortgage on Amot's rights in the property	
BE liabilities:					
6 loans in the total amount of approx. GBP 475 million	Investment property, including shares in the property companies and the revenues derived from the properties	1,976,961	4,336,153	Fixed senior lien and floating lien	See Note 12e.

Note 13 – Liens, Collateral and Guarantees

B. Guarantees provided by the Group

As of December 31, 2021 and 2020, there are contingent liabilities in respect of the following guarantees:

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Guarantees provided by consolidated companies:	210,331	148,638

Note 14 – Other Long-Term Liabilities

	As of December 31	
Composition:	2021	2020
	NIS thousands	NIS thousands
Severance-pay liabilities	1,880	2,973
Less severance pay reserve deposits	-	634
	1,880	2,339
Advance income and deposits from building tenants and leasing fees payable	28,211	26,619
Derivative financial instruments designated as hedge items (see Note 24)	187,070	17,175
Long-term liability in respect of agreement with tax partner (See Note 7 d.)	184,976	106,227
Liability in connection with project in development	8,447	8,495
Others	24,876	21,537
	435,460	182,392

Note 15 – Engagements and Contingent Liabilities

A. Legal and tax proceedings against the Amot Group

Pending against the Amot Group and other parties, as of the reporting date and as of the approval of the financial statements, are 18 lawsuits, tax procedures and property tax charges, excises and levies pertaining to investment property totaling approx. NIS 65 million, with the Amot Group's share as a defendant amounting to approx. NIS 60 million.

For claims filed against the Amot Group and for exposure to tax levies, provisions were recorded in the financial statements in the amount of approx. NIS 17 million as of December 31, 2021 and NIS 20 million as of December 31, 2020 (in the 'provisions' item and the 'expenses payable' item). The Amot Group management is of the opinion, based on the opinion of its legal and professional counsel, that these provisions are sufficient under the circumstances.

The following is the composition of the balance of the provision and the movement therein as of December 31, 2020 and 2021 and for the years ended on those dates:

	2021	**2020**
	NIS thousands	**NIS thousands**
Provision balance at the end of the year	16,483	16,483

As of the date of this report, there are no significant legal proceedings in the Amot Group.

Note 15 – Engagements and Contingent Liabilities (continued)

B. Legal and tax proceedings against the Energix Group

Regarding legal proceedings against Energix, see Note 8b above.

C. Long-term incentive plan settled in cash in BE

Under the Long Term Incentive Plan ("LTIP") adopted by BE, BE executives and employees are entitled to an amount equal to 14% of the excess capital return beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2018 to December 31, 2021 (hereinafter: "the First Period") and the second from January 1, 2022 to December 31, 2025 (hereinafter: "the Second Period"). The Second Period includes a maximum grant ceiling (to all BE employees) of GBP 40 million.

In this context, for the First Period, in February 2022, the Company paid BE employees a cash grant in the amount of approx. GBP 26 million (approx. NIS 115 million). In the reporting period, the Group recorded expenses in respect of this plan in the amount of GBP 26 million (approx. NIS 115 million), of which a total of approx. GBP 21 million was capitalized to property in development.

D. Engagement with First Solar for the purchase of panels

Regarding an engagement for the purchase of panels, see Note 8c above.

E. Main liabilities and covenants:

Regarding the Group's main liabilities and covenants to banks and others, see Notes 11 and 12 above.

Note 16 – Equity

A. Composition of capital stock in nominal NIS

	As of December 31, 2021		As of December 31, 2020	
	Registered	Issued and Paid-up	Registered	Issued and Paid-up
	Thousands of Shares		Thousands of Shares	
Common stock of NIS 1 PV each (*)	500,000	174,124	500,000	172,945
Preferred shares of NIS 1 PV each (**)	500,000	-	500,000	-

(*) The shares are listed and traded on the Tel Aviv Stock Exchange. The number of shares includes dormant shares held by the Company.

(**) The shares are cumulative, participating and registered in the owner's name.

Note 16 – Equity (continued)

B. Developments in capital stock

The following are developments in the Corporation's capital stock over the past three years:

Date	Details	PV in thousands	Proceeds (Gross) in NIS thousands	Share Price in NIS
2019	Exercise of employee options	1,600	47,093	29.43
2020	Exercise of employee options	116	3,687	31.51
2021	Exercise of employee options	1,180	38,442	32.58

C. Balance of Company shares held by the Company

As of December 31, 2021 and 2020, the Company holds 85 thousand shares of the Company's common stock of NIS 1 PV each, which constitute 0.049% of its issued and paid-up capital stock as of those dates.

D. Dividend paid and dividends declared subsequent to the date of the Statement of Financial Position

In March 2001, the Company's Board of Directors decided to adopt a policy according to which the Company's management will announce, at the beginning of each year, the dividend amount the Company intends to distribute (subject to the law) in the following year. The annual dividend amount will be divided into 4 payments to be made at the end of each calendar quarter, and talking into account the Company's operating results according to its latest financial statements, the Board of Directors may make adjustments to the amount distributed. It should be emphasized that the Board of Directors may at any time, taking into account business considerations and in accordance with the provisions of any law, change the amounts to be distributed as dividends or decide not to distribute them at all.

In accordance with this decision, the Company annually announces the current dividend to be paid that year.

In March 2021, the Company's Board of Directors made a decision regarding the dividend policy for 2021 in the amount of NIS 1.22 per share, 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. Accordingly, during 2021, the Company paid its shareholders a dividend of NIS 1.22 per share (NIS 212 million). In addition, at its meeting in March 2021, the Company's Board of Directors decided to distribute an additional dividend in respect of 2020 in the amount of NIS 0.20 per share (NIS 34.5 million).

In March 2022, the Company's Board of Directors made a decision regarding the dividend policy for 2022 according to which a total dividend of NIS 1.26 per share will be paid in 2022, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters - NIS 0.31 per share, and at the end of the third and fourth quarters - NIS 0.32 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

In accordance with the above, in March 2022, the Company announced a dividend for the first quarter of 2022 in the amount of NIS 0.31 per share (NIS 54 million) to be paid in April 2022.

In addition, at its meeting in March 2022, the Company's Board of Directors decided to distribute an additional dividend in respect of 2021 in the amount of NIS 0.44 per share (NIS 77 million).

In accordance with the above, the total dividend per share that the Company will pay in April 2022 will be NIS 0.75 per share (NIS 131 million).

As of December 31, 2022, the Company has retained earnings (distributable profits) of NIS 5,370 million.

Note 16 – Equity (continued)

The following are details of the dividends paid by the Company, from its distributable profits, over the past two years:

Payment Date	Declaration Date	Dividend per Share	NIS thousands
07/04/2020	29/03/2020	0.29	50,104
09/06/2020	31/05/2020	0.29	50,108
14/09/2020	03/09/2020	0.29	50,108
13/12/2020	02/12/2020	0.29	50,126
06/04/2021	16/03/2021	0.50	86,430
07/06/2021	18/05/2021	0.30	52,099
02/09/2021	17/08/2021	0.31	53,843
02/12/2021	15/11/2021	0.31	53,851
Total		2.58	446,669

E. Share-Based Payment

The following is information regarding executive and employee remuneration plans in effect as of December 31, 2021:

1. Capital Remuneration Framework Plan

At the shareholders' meeting of October 9, 2018, a remuneration policy for the Company's officers was approved for the years 2019-2021, in accordance with the provisions of Amendment 20 to the Companies Law (hereinafter - "**Remuneration Policy for 2019-2021**"). On October 6, 2021, the shareholders' meeting approved a remuneration policy for the Company's officers for the years 2022-2024, which is not fundamentally different from the remuneration policy for the years 2019-2021 (hereinafter - "**the remuneration policy for 2022-2024**")[13] (the remuneration policy for the years 2019-2021 and the remuneration policy for the years 2022-2024, will be referred to collectively, hereinafter: "**the Remuneration Policy**").

For the implementation of the remuneration policy, The Company has a multi-year remuneration framework on a capital basis for Company employees and executives from February 2018 (which replaced a previous plan from August 2014), according to which each year near the publication of the yearly report Company employees and executives would be allocated non-tradable options of a economic value determined from time to time by the relevant Company organs (hereinafter: "**the Annual Portion**"). The annual portion allocated will have a vesting period of two years, and will be exercisable up to three years from its date of issue. The exercise price of any such annual portion will be determined based on the higher of the following: (1) a weighted average of the Company's share price on the stock exchange in the 20 days of trade prior to granting the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4%. (8% in the previous plan). The exercise premium is nominal and is adjusted for dividends.

Allocation of the annual portion, each year, will be subject to the specific approval by the Company's Board of Directors (and regarding officers, the approval of the Remuneration Committee as well).

[13] The remuneration policy for the years 2022-2024 determined a number of changes in relation to the existing capital remuneration, as follows: (1) The annual portion allocated will be for a vesting period of two years and will be exercisable until the end of 3 years and 3 months from the grant date (with the exception of options allocated instead of a cash grant as stated in subsection 2 below); (2) The right to convert part/all of the annual grant of the Company's officers to a capital grant; (3) The exercise price of the options will be at least the higher of the following: (a) The average of the Company's share prices on the stock exchange in the 30 trading days ending one day before the Board of Directors' decision to grant the options (a weighted average of 20 trading days has passed, according to the remuneration policy for 2019-2021) (b) 4% above the share price at the end of the trading day on the stock exchange that preceded the day of the Board of Directors' decision to grant the options; these changes were applied, respectively, in the Board of Directors' decision dated March 22, 2022 regarding the allocation of options to the Company's employees, its officers and its directors.

Note 16 – Equity (continued)

The framework plan from February 2018 was amended in October 2021. The amendment determined that the vesting period of the options will end at the end of a period determined by the Board of Directors but in any case not more than five years from the date of the Board of Directors' specific decision to a particular beneficiary and will be exercisable from their vesting until a date to be determined by the Board of Directors (regarding a director whose term has ended, specific instructions will apply, as detailed in the framework plan, before it is amended).

As part of the remuneration policy, as it was from time to time, and the capital remuneration framework plan, the Company allocated yearly portions from the capital remuneration framework plan, as follows (the allocations from 2018 are in accordance with the framework agreement from February 2018, while the allocation from 2022 is in accordance with the amendment of the framework plan from October 2021):

	Number of Recipients	Number of Options	Economic Value on the Grant Day, in NIS thousands	Exercise Premium per Option in NIS (before adjustments)	Vesting Period in Years	Expiry Date
2017	(*)18	833,283	3,132	37.64	2	30.4.20
2018	(*)18	920,619	3,197	35.18	2	30.4.21
2018	(**)1	7,676	27.5	38.92	2	21.8.21
2019	(*)18	735,338	3,411	41.22	2	30.4.22
2020	(***) 17	1,528,166	3,413	49.64	2	30.4.23
2021	(***) 15	365,010	3,399	44.96	2	30.4.24
2022	(***) 15	272,879	3,626	58.32	2	21.6.25

(*) Including the Chairman of the Board of Directors and 6 directors. For additional information on the remuneration of directors and officers, see Note 18.
(**) External director appointed in July 2018.
(*) Including the Chairman of the Board of Directors and 5 directors. For additional information on the remuneration of directors and officers, see Note 18.

2. Parameters used in calculating the benefit inherent in the options

The cost of the total benefit inherent in all the options in effect as of December 31, 2021 (the March 2019, March 2020 and March 2021 plans), based on the fair value on the date of granting, has been estimated at a total of NIS 10 million, of which a total of NIS 7.6 million has been amortized as of December 31, 2021. This amount is amortized to the Statement of Income over the vesting periods.

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

Plan	March 2022	March 2021	March 2020	March 2019	August 2018	March 2018	March 2017
Share price (in NIS)	56.08	43.23	38.66	39.63	36.04	32.57	34.85
Exercise price (in NIS)	58.32	44.96	49.64	41.22	38.92	35.18	37.64
Expected weighted volatility (*)	34.598%	34.09%	20.66%	18.55%	18.79%	19.76%	19.72%
Lifespan of options (in years)	3.00	2.88	2.87	2.87	2.75	2.86	2.86
Risk-free interest rate	1.43%	0.27%	0.43%	0.74%	0.65%	0.46%	0.59%
Expected dividend rate (**)	-	-	-	-	-	-	-
Total benefit (NIS thousands)	3,626	3,399	3,413	3,411	28	3,197	3,132
Amortization amount (NIS thousands)							
In 2021	-	1,275	1,699	417	-	-	-
In 2020	-	-	1,278	1,676	10	366	-
In 2019	-	-	-	1,314	14	1,632	391

(*) The expected volatility is determined based on historical volatility in the price of the Company's share. The lifespan of the average option warrant is determined based on management's forecast regarding the duration of the holding period of option warrants by option receivers taking their position in the Company and the Company's past experience regarding employee departure into consideration.
(**) Dividend-adjusted exercise premium

Note 16 – Equity (continued)

3. The following are developments in the option warrants granted to Company employees and officers:

	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	In Thousands	NIS	In Thousands	NIS
Balance as of January 1	3,051	41.49	1,650	35.47
Grants during the year	365	44.96	1,528	49.64
Forfeited during the year	-	-	(11)	45.53
Exercised during the year (1)	(1,180)	32.59	(116)	31.69
Balance as of December 31	2,236	44.92	3,051	41.49
Option warrants exercisable as of December 31	350		810	
Expected proceeds from the exercise of option warrants outstanding as of December 31 (in NIS thousands)	100,470		126,587	

(1) The weighted average of the share price on the options' exercise date for options exercised in 2021 was NIS 47.70. (2020 – NIS 46.11).

Note 17 – Additional Information on Income and Expense Items

A. Revenues from rental fees and management of investment property

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Rental fees (1)	916,464	842,920	778,992
Property management	72,917	48,712	51,164
	989,381	891,632	830,156

1. **Revenues from future minimum rental fees –** the aggregate amount of future minimum rental fee revenues based on signed irrevocable rental agreements in effect as of December 31, 2021 is as follows:

	As of December 31	
	2021	2020
	NIS thousands	
First Year	878,913	765,339
Second year	673,948	662,313
Third year	526,242	465,661
Fourth year	410,514	357,380
Fifth year	338,695	283,040
Sixth year and thereafter	948,698	917,227
	3,777,010	3,450,960

Note 17 – Additional Information on Income and Expense Items (continued)

B. Fair value adjustments of investment property

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Fair value adjustment of Amot properties (1)	860,598	(131,275)	903,723
Fair value adjustment - amortization of Amot's transaction costs	(120,583)	(12,417)	(60,540)
Fair value adjustment of BE properties (2)	1,043,847	(16,993)	201,672
Fair value adjustment - amortization of BE's transaction costs	(68,393)	(27,097)	(49,064)
	1,715,469	(187,782)	995,791

1. **Fair value adjustment of Amot properties** – In the reporting period, Amot recorded a profit of NIS 861 million from the fair value adjustment of investment property (before amortization of transaction costs). The profit is mainly due to an increase in the CPI during the reported period and from a decrease in the discount rates in some Amot assets.

2. **Fair value adjustment of BE properties** – In the reporting period, BE recorded a profit of GBP approx. 240 million (approx. NIS 1 billion) from the fair value adjustment of investment property (before amortization of transaction costs). The profit is mainly due to progress in the development program of properties in development located in the Cambridge Science Park (see Note 4b above) and of a building located in the London City (Devonshire Quarter).

C. Cost of investment property rental and operation

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Property maintenance and management costs	77,225	50,963	50,065
Taxes and fees	6,837	5,002	6,659
Wages and related expenses	13,669	10,083	8,745
Others	6,673	8,574	2,521
	104,404	74,622	67,990

D. Administrative and general expenses

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Wages and related expenses, management fees and grants (*)	101,580	70,265	66,589
Amortization of benefit in respect of option warrants	13,751	15,738	14,385
Directors' wages and related expenses	1,137	940	1,016
Professional services	26,728	19,774	18,788
Charitable donations	6,291	5,751	5,599
Others	22,882	12,556	15,422
	172,369	125,024	121,799

(*) The expenses in 2021 include an amount of NIS 23 million in respect of a long-term incentive plan in BE. For details, see Note 15c.

Note 17 – Additional Information on Income and Expense Items (continued)

E. Financing expenses

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Interest in respect of short-term credit	9,228	8,808	6,562
Interest in respect of long-term bank loans	68,745	74,396	82,630
Early repayment fee (*)	-	-	33,172
Interest (including discount amortization) in respect of bonds	239,045	230,759	214,027
Total interest expenses	317,018	313,963	336,391
CPI-linkage differentials in respect of loans	23,488	3,782	3,302
Linkage differentials in respect of bonds	128,795	(25,575)	18,274
Total credit costs	469,301	292,170	357,967
Less credit costs capitalized to systems in development	(23,714)	(16,293)	(8,411)
Less financing capitalized to self-constructed investment property	(29,418)	(9,137)	(8,468)
	416,169	266,740	341,088
Miscellaneous, net	19,121	13,059	22,302
	435,290	279,799	363,390

(*) Early repayment of bank loans initiated by the Group – In September 2020, at its own initiative, Amot made an early repayment of loans to a banking institution in the amount of approx. NIS 268 million (including the early repayment fee). Following the early repayment, in 2019, the Group recorded non-recurring financing expenses in the amount of approx. NIS 24 million, which were paid in cash on the repayment date.

F. Financing income

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Interest on bank deposits, ETFs and monetary funds	2,214	2,074	3,931
Exchange rate differences, net	-	2,469	-
Interest in respect of loans to companies accounted for using the equity method and others	21,676	4,646	6,009
Profits from transactions in financial derivatives	3,950	-	171
Profit from negotiable debentures held for trade	4,970	-	11,604
Miscellaneous, net	5	81	24
	32,815	9,270	21,739

Note 18 – Transactions with Related Parties and Interested Parties

A. Management Agreement with the Company CEO

In November 2018, the Company entered into a management agreement with Adva Financial Consulting Ltd. (hereinafter in this subsection: "**Adva**" or "**the Management Company**") (a company owned by Mr. Nathan Hetz (the Company CEO, director and a controlling shareholder until November 26, 2019) and by his wife Mrs. Clara Hetz equally) to receive management services provided by Mr. Nathan Hetz for a three-year period starting January 1, 2019. In October 2021, the General Meeting of the Company's shareholders approved a new management agreement with Adva for a three-year period of beginning on January 1, 2022, the main terms of which are identical to the terms of the previous management agreement, as detailed below (the "**New Management Agreement**").

The following are the main terms of the previous management agreement (which, as stated, are identical to the terms of the new management agreement), on the basis of which the Company paid Adva for the management services of the Company CEO in 2021:

1. **Fixed component** – monthly management fees of NIS 275 thousand linked to the CPI for December 2018, plus VAT (in any case, the management fees will not be less than this nominal amount). Management fees for December 2021 amounted to a total of NIS 282 thousand.

   The management fees will also be paid for periods in which the management company will not provide management services to the Company, as follows: (1) 25 days for Mr. Nathan Hetz's annual vacation period; (2) up to 30 business days per calendar year for Mr. Nathan Hetz's sick days (which can be accumulated to up to 90 days).

2. **Annual bonus –** a bonus of NIS 2.4 million, which will be paid in the following manner and under the following conditions:

   - NIS 1.2 million will be paid each year in which the annual FFO yield exceeds 6% (according to the equity at the beginning of that year). [14]
   - The balance of the bonus, which is not paid in any annual measurement, will be paid at the end of the 3-year agreement if the average FFO yield during the three-year agreement period exceeds 6%.

   * The FFO is the FFO that will be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2019-2021 (and in respect of the years 2022-2024 in relation to the new management agreement).

   In 2021, the Company paid the management company an amount of NIS 1.2 million as a cash bonus for 2020. In April 2022, the Company paid the management company a total of NIS 1.2 million as a cash bonus for 2021, as well as the balance of the bonus in respect of the years 2019-2021 in the amount of NIS 3.7 million.

3. **Additional conditions:**

   1. In the event of any discontinuation of the agreement (whether due to its discontinuation of its cancellation by any of the parties), the Management Company shall be entitled to what it is owed in accordance with the agreement for 3 additional months from the end of the agreement, including a yearly bonus, until the conclusion of the three months in question.
   2. The Company and/or the Management Company have the right to cancel the agreement at any time before the end date, with 6 months advance written notice (during which the agreement will continued to apply and Mr. Nathan Hetz will continue to provide the Company with management services), regarding its desire to end the agreement.
   3. The Company will provide Mr. Nathan Hetz with a vehicle and bear its maintenance costs, the cost of the tax for providing the vehicle to Mr. Nathan Hetz will be borne by Mr. Nathan Hetz. The Company will also bear all expenses of Nathan Hetz and/or the management company for Nathan Hetz's activity as Company CEO as is customary in the Company.

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[14] Company equity – Equity as of the beginning of the relevant year (December 31, 2020), plus capital raising and less special dividends during the same year, and all time-weighted.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

4. In accordance with Amendment 20 to the Companies Law, 1999 (hereinafter - "**the Companies Law**") and the remuneration policy, the agreement includes a provision according to which the management company will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the management company / Mr. Natan Hetz[15].
5. In return or his service as Company officer, Nathan Hetz shall be entitled to compensation and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law at sums and scopes set from time to time by the Company. The above insurance will provide Nathan Hetz with coverage during his entire term as an officer and for a period of seven years after he ceases to serve as officer. In return or his service as Company officer, Nathan Hetz will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time, except in respect of all events and causes that occurred until October 11, 2011.

B. Management agreement with the Chairman of the Company's Board of Directors

In November 2018, the Company entered into an agreement with Orwer Ltd. (hereinafter: "**Orwer**" or "**the Management Company**") (a company owned by Mr. Aviram Wertheim (Chairman of the Company's Board of Directors) and his wife, in equal parts) to receive management services by Mr. Aviram Wertheim, as the Chairman of the Company's Board of Directors, in partial position in the amount required to fulfill his duties[16] for the period starting January 1, 2019 and ending December 31, 2021, as long as Mr. Aviram Wertheim serves as the Chairman of the Company's Board of Directors, as approved by the General Assembly in October 2018 ("**the 2019 Agreement**").

In October 2021, the General Meeting of the Company's shareholders approved a new management agreement with Orwer for the period from January 1, 2022 to December 31, 2024, provided that Aviram Wertheim is serving as Chairman of the Company's Board of Directors ("**the 2022 Agreement**").

The following are the main terms of the 2019 Agreement, on the basis of which the Company paid Orwer for the management services of the Chairman of the Board of Directors, in 2021:

1. **Fixed component** – monthly management fees of NIS 50 thousand, plus VAT, linked to the CPI for December 2018, but no less than the above nominal amount. As of December 31, 2021, the monthly management fees amounted to NIS 51 thousand. It should be noted that according to the 2022 agreement, as of January 1, 2022, Orwer will be paid a monthly management fee in the amount of NIS 60 thousand, linked to the CPI for the month of December 2018, but not less than the above nominal amount.

2. **Annual cash bonus** (for the years 2019-2021) to be derived from the Company's annual FFO return on the Company's capital[17], where the minimum bonus (with a 6% FFO yield) is NIS 360 thousand and the maximum bonus (with an FFO yield of 10% or more) is NIS 600 thousand. The FFO is the FFO that will be published by the Company in its Board of Directors Reports in respect of the years 2019-2021. The above bonus amounts are linked to the CPI for December 2018 and will not be less than the nominal amounts. The amount of the bonus between floor and ceiling is calculated linearly. The annual bonus, determined according to the FFO yield as stated above, will be increased or decreased according to the Company's rating by the credit rating companies, so the credit rating could lead to a decrease in the bonus even to the canceling of the Chairman's bonus on the one hand (in the event that the rating drops below B- (Maalot rating), B3 (Midroog rating)) or to its increase by up to 10% on the other hand (in the event that the rating exceeds AAA (Maalot rating) or Aa1 (Midroog rating). In the event that the rating companies' rating is not identical, the calculation will be made according to the average factor of the two rating companies;

15 It should be noted that according to the terms of the new management agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the new management agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

16 The scope of the position is currently estimated at 50%.

17 "Company capital" – the capital, less non-controlling interests at the beginning of the relevant year, plus capital raising and less additional dividends during the year.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

In 2021, the Company paid Orwer the amount of NIS 481 thousand for a cash bonus for 2020. In April 2022, the Company will pay NIS 483 thousand for the cash bonus for 2021 in accordance with the grant formula detailed above.

It should be noted that according to the 2022 agreement, starting from the grant for 2022, the minimum grant amount will be NIS 430 thousand (instead of NIS 360 thousand, as stated above), while the maximum grant amount will be NIS 720 thousand (instead of NIS 600 thousand, as stated above), and all linked to the December 2018 index.

3. **Additional conditions –** Orwer is entitled to a retirement grant equal to management fees for 6 additional months from the end of the agreement, including an annual bonus (calculated on a relative basis), until the end of the 6 additional months. According to the agreement, in return or his service as a Company officer, Aviram Wertheim will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. This insurance will cover Aviram Wertheim for the entire period of his service as officer and for a period of seven years after he ceases his service as an officer. In return or his service as Company officer, Aviram Wertheim will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

Regarding the capital remuneration granted to Mr. Aviram Wertheim in recent years, in accordance with the decision of the General Assembly, see Note 18c(2) below.

According to Amendment 20 to the Companies Law and the remuneration policy, the agreement includes a provision according to which Orwer will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to Orwer / Mr. Aviram Wertheim[18].

C. Remuneration of directors

1. **Remuneration of directors -**

On January 11, 2010, the Company's Board of Directors decided, following the approval of the Audit Committee on that day according to the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000 ("**the Remuneration Regulations**") and according to the Companies Regulations (Easements on Transactions with Interested Parties), 2000 ("**the Easements Regulations**"), that as of April 1, 2010, the Company will pay the external directors, and the other directors who are not external directors and who are not employed by the Company, an annual remuneration equal to the maximum amount as detailed in the Second Supplement to the Remuneration Regulations, as will be applicable from time to time, depending on the Company's rating as it will be from time to time. The participation remuneration for attendance at meetings of the Board of Directors and its committees is at the fixed amount as specified in the Third Supplement to the Remuneration Regulations. For attendance at meetings of the Board of Directors and/or Board committees via telecommunications and for participation in the decisions of the Board of Directors and of its committees without actually convening, these directors will be paid a relative portion of the fixed amount as determined in Regulation 5 of the Remuneration Regulations.

The decision by the Company's Board of Directors to compensate Board members, as detailed above, is also compatible with the Company's remuneration policy for the years 2019-2021 and with the remuneration policy for the years 2022-2024. As of the date of publication of these financial statements, the maximum annual remuneration is NIS 114 thousand and the fixed participation remuneration is approx. NIS 3 thousand (these amounts are updated from time to time according to the updating mechanism in the Remuneration Regulations).

[18] It should be noted that according to the terms of the 2022 Agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the 2022 Agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The total payments to which the external directors and directors of the Company are entitled (with the exception of Mr. Nathan Hetz and Mr. Aviram Wertheim), for 2021 (6[19] directors, not including the Nathan Hetz and Aviram Wertheim, as stated) amounted to NIS 742 thousand.

2. Capital remuneration of directors -

Capital remuneration

On February 19, 2018, the Company's Board of Directors adopted a new options plan in accordance with Section 102 of the Income Tax Ordinance in a capital plan with a trustee (hereinafter - "**the Framework Plan**"); the Framework Plan is essentially similar to the previous options plan from August 2014, with the exception of a provision regarding directors whose term in office has ended, according to which options that have not vested by the end of their service will vest at the end of their service and will not expire and will be exercisable for up to one year from the end of their service. On October 10, 2021, the Framework Plan was amended (see Note 16e.(1) above).

At the meetings of the General Assembly dated October 9, 2018 and October 6, 2021, a decision was made to approve the granting of options, to the directors (including Adva Sharvit (daughter of Nathan Hetz, who was one of the Company's controlling shareholders, until November 26, 2019)) who are not employed by the Company, in accordance with the Company's stock option plan in effect as determined by the Board of Directors in the years 2019-2021 and 2022-2024, respectively. The value of the options to be granted each year will be an amount equal to one half (50%) of the annual remuneration to which the directors are entitled as member of the Board of Directors (not including remuneration for meeting attendance) for the calendar year ending before granting the options. The exercise price, the vesting period, the exercise dates, the right to exercise options that have yet to be realized in the event of the end of service, and the other terms of the options will be determined in accordance with the existing remuneration policy.

In accordance with the principles of the remuneration policy and the resolutions of the General Assembly mentioned above, in the years 2019-2021, the eligible directors were granted option warrants in accordance with the terms of the Framework Plan.

In addition, in accordance with the decision of the Company's competent bodies, each year from the years 2019-2021 in which Mr. Wertheim served as Chairman of the Board, he was granted a capital grant by allocating non-tradable option warrants with an economic value (calculated according to an accepted economic model) in the amount of NIS 300 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount), and also each year from the years 2022-2024 in which Mr. Wertheim will serve as Chairman of the Board, he will be granted a capital grant by allocating non-tradable option warrants with an economic value (calculated according to an acceptable economic model) in the amount of NIS 360 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount).

[19] It should be noted that Ms. Mia Likvernik began her service at the Company in November 2021.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The following is a list of the option warrants granted or for which a decision has been made to grant them to the directors and the Chairman of the Board of Directors in accordance with the above, between the years 2019-2022:

Date of the Decision	**Offeree Directors** (Entitled directors serving on the date of the decision regarding the grant)	**Number of Board Members**	**Number of Options Granted** (Includes 50% of the annual remuneration paid to each of the above directors (not including participation remuneration)	**Option Exercise Price on Allocation Date In NIS** (Unlinked, subject to adjustments)	**The cost of the total benefit included in the options issued to directors based on fair value according to the Black & Scholes Model on the granting date in accordance with guidelines in IFRS 2 ("Share-Based Payment") In NIS**
Board of Directors decision of March 19, 2019	Zvi Eckstein, Gittit Guberman, Amos Yadlin, Aaron Nahumi, Shlomi Shuv and Adva Sharvit (daughter of the Company's controlling shareholder at the time)	6	71,856	41.22	333,342
	Aviram Wertheim	1	64,667	41.22	300,000
Board of Directors decision of March 18, 2020	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit, Zvi Eckstein and Shlomi Shuv	5	124,565	49.64	278,200
	Aviram Wertheim	1	135,132	49.64	301,803
Board of Directors decision of March 16, 2021	Zvi Eckstein, Gittit Guberman, Amos Yadlin, Shlomi Shuv and Adva Sharvit	5	30,005	44.96	279,450
	Aviram Wertheim	1	32,212	44.96	300,000
Board of Directors decision of March 22, 2022	Zvi Eckstein, Gittit Guberman (**), Amos Yadlin, Mia Likvernik, Shlomi Shuv and Adva Sharvit	5	(*) 22,430	58.32	298,046
	Aviram Wertheim	1	(*) 28,069	58.32	372,979

(*) The options have yet to be allocated
(**) In regard to Gittit Guberman, options with an economic value of NIS 20.5 thousand will be allocated, in respect of the relative period until the end of her service (May 15, 2022).
The options were granted under the terms detailed above and subject to the terms of the applicable framework plan.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

D. Insurance, indemnity and exemption [20] [21]

Insurance arrangement for directors and officers in the Company, Amot and Energix -

The Alony-Hetz Group has an insurance arrangement for directors and officers for a period of up to 6 years, beginning on July 1, 2018 (hereinafter - the "**2018 Arrangement**"). The 2018 Arrangement is an umbrella arrangement for the entire Group, which includes, among others, the directors and officers of Amot and Energix.[22] The limit of liability for insurance under the 2018 arrangement, was up to USD 75 million per case and period, plus legal expense coverage.

The policies that will be purchased under the 2018 Arrangement will insure the liability of the officers of the Company and the subsidiaries who serve as directors on behalf of the Company in the subsidiaries and in companies in which the Company has holdings at a rate that does not constitute control or full ownership.

In addition, the policies that will be purchased under the 2018 Arrangement will also be insured in respect of events that can be insured according to the Streamlining of ISA Enforcement Procedures Law (Legislative Amendments), 2011 (hereinafter - the "**Enforcement Procedures Law**"), according to the Economic Competition Law, 1988 (the "**Competition Law**"), and/or according to any other law regarding officers' insurance in general and/or officers' insurance for administrative enforcement in particular, including and without detracting from the generality of that stated, according to Section 56h of the Securities Law and/or the provisions of Section 50p of the Competition Law.

According to the 2018 Arrangement, the maximum premium will not exceed USD 112.5 thousand and it may increase, without the need for the approval of the General Meeting, by 50% in the event of an increase in the insurance premium, provided that the increase in the premium is more than 25% per year, will be contingent on the existence of significant changes in the insurance market for directors and officers, which had a material impact on the acceptable premium rates under the circumstances (hereinafter - "2018 Arrangement ceilings"). Exceeding these limits, respectively, will require the approval of the General Meeting. According to the 2018 Arrangement, The Company will maintain the above insurance (according to the format as it will be determined from time to time) for the entire duration of an officer's service as well as for a period of 7 years from the end of service, will renew the policy on the proper date and bear all premium expenses and any associated or related expenses.

On May 2, 2018, the general meetings of Amot and Energix (after approval by the Remuneration Committee and the Board of Directors of each of the above companies, from March 2018) approved the joining of the 2018 Arrangement and the participation of Amot and Energix in the premium for the policies to be purchased over the aforementioned 6 years.

In addition, the Company, Amot and Energix, may, each at its sole discretion, purchase directors and officers insurance policies in an amount of additional insurance coverage of up to USD 25 million for directors and officers serving in each of the above companies (alone or together with any of the Group companies), at an additional premium that will not exceed USD 37,500, subject to the 2018 Arrangement ceilings.

Following significant changes in the directors' and officers' insurance market in Israel and around the world, which are reflected, among other things, in a reduction in the scope of coverage in policies, a substantial increase in insurance premiums, expanding deductibles in policies and reduced liability limits, the Company's General Meeting decided, at its meeting of September 8, 2020 (in accordance with the recommendation of the Remuneration Committee at its meeting of July 15, 2020, and the Company's Board of Directors at its meeting of July 16, 2020) to approve the following[23]:

a.) That the payment of the insurance premium for the purchase of umbrella insurance for the Alony-Hetz Group directors and officers for the period July 15, 2020 to July 14, 2021 will be in the amount of USD 298,798[24].

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[20] This section applies to all Company officers (including those who are not directors).

[21] In return for his service as a Company officer, Mr. Nathan Hetz (CEO and director) and Aviram Wertheim (Chairman of the Company's Board of Directors) will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. The above insurance will provide Nathan Hetz and Aviram Wertheim with coverage during their entire term as officers and for a period of seven years after they serving as officers.
Regarding the exemption to which Mr. Nathan Hetz (CEO and Director) and Mr. Aviram Wertheim (Chairman of the Board) are entitled, see below.

[22] The 2018 Arrangement was approved by the General Meeting at its meeting on July 12, 2018.
The Remuneration Committee, at its meeting on May 17, 2018 and the Company's Board of Directors at its meeting on May 23, 2018, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of all of the above arrangements also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

23 The Remuneration Committee, at its meeting on July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of the amended arrangement, as detailed above, also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

[24] In practice, the premium paid in respect of the above policy is in the amount of approx. USD 294 thousand. The premium is distributed between the Company and Amot and Energix equally. With respect to previous insurance periods, the distribution of the premium was determined in accordance with the equity ratio of the three companies according to their last two annual financial statements (excluding non-controlling interests) before purchasing each policy.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

b.) That subject to the fact that the premium for the insurance policies of the directors and other officers to be purchased by the Company for periods from July 15, 2021 to June 30, 2024 under an umbrella insurance policy for the Alony-Hetz Group will be determined in negotiations between the Company and insurance companies and reinsurers (that are not related parties), and its cost will not be material to the Company at that time; the 2018 Arrangement ceilings, as detailed above, will not apply in relation to these insurance policies.

According to the principles determined in the above insurance arrangement, the Company purchases such insurance policies from time to time, with the last two policies it purchased being: (a) for the year from July 15, 2020 to July 14, 2021, within a limit of liability in the amount of USD 75 million per case and per period in addition to legal expense coverage under Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 294 thousand, and (b) for the year from July 15, 2021 to July 14, 2022 within a limit of liability in the amount of USD 75 million per case and per period in addition to legal expense coverage under Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 414 thousand.

Insurance in Carr: From time to time, Carr purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased in recent years is in the amount of USD 10 million per year, including coverage for legal expenses.

Insurance in BE: From time to time, BE purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased so far is in the amount of GBP 5 million each year, including coverage for legal expenses.

Indemnity and exemption -

The Company, Amot and Energix granted letters of indemnity and exemption to their officers, including directors who were also controlling shareholders at the time[25] [26] or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount will not exceed 25% of the equity of the Company, Amot or Energix (as applicable) according to the latest financial statements published prior to the payment date.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

In March 2018, the Audit/Remuneration Committees (as applicable) and the Boards of Directors of Amot and Energix approved changes to the insurance, indemnity (and in Amot, also regarding the exemption) arrangement[27] for directors and officers. The changes were also approved by the General Assemblies of Amot and Energix of May 2, 2018, as the case may be, and in part of the insurance issue (meaning the umbrella insurance policies for directors and officers throughout the Group), they were also approved by the relevant organs in these companies.

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[25] Regarding the Company, the continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Meeting in its October 6, 2014 meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and in the General Meeting of October 3, 2017 for a 3-year period from October 11, 2017 to October 10, 2020. On the other hand, the continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives in the same format was not renewed. Regarding a new exemption arrangement, see below.
Regarding Amot, the continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Meeting in its February 16, 2015 meeting for a period of 3 years from November 15, 2014 to November 14, 2017. In its February 16, 2015 meeting, Amot's General Meeting did not approve the exemption for Company directors and officers who are controlling shareholders or related to controlling shareholders in the same format.
On May 2, 2018, Amot's General Assembly approved new letters of indemnity for directors and officers, which replaced the previous letters of indemnity. The General Assembly of May 2, 2018, also approved the granting of new letters of exemption, which will replace the existing letters of exemption from the granting date, in relation to events only from the granting date. The Assembly's approval is in relation to all directors and officers, as they will be from time to time (including directors and officers who are controlling shareholders or their relatives).

[26] The continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by Energix's General Meeting in its October 4, 2014 meeting for a period of 3 years from April 6, 2014 to April 5, 2017 and in Energix's General Meeting of July 9, 2017 for a 3-year period from April 6, 2017 to April 5, 2020. The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives, was not approved in Energix's July 30, 2014 General Assembly. In addition, in Energix's General Meeting of July 9, 2017, the meeting approved the issue of new letters of exemption to Energix's directors and officers, including directors and officers who are controlling shareholders or their relatives, serving on the date of the meeting's approval and who will serve from time to time (regarding the controlling shareholders, the approval is for 3 years starting from the meeting's approval from July 9, 2017 to July 8, 2020).

[27] The exemption in its new format was approved by Energix's General Assembly on July 9, 2017.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

Regarding the Company's existing remuneration arrangement:

On July 12, 2018 the Company's General Assembly approved the replacement of the letter of indemnity that existed at the time in the Company with a new letter of indemnity, granted by the Company to the directors and the other officers, as they may exist from time to time, including replacing the letters of indemnity of the directors and officers at the Company who are controlling shareholders or their relatives, and as they may be from time to time, all relative to the grounds occurring from the General Assembly's approval date (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity will continue to apply to grounds that occurred up to the General Assembly's approval date (July 12, 2018).

Regarding the Company's existing exemption arrangement:

On July 12, 2018, the Company's General Assembly approved a new arrangement for the granting of new letters of exemption to Company directors and officers, including Company directors and officers who are controlling shareholders in the Company or their relatives, serving on the date of the General Assembly's approval and as may serve from time to time, as long as the letters of exemption granted by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered thereby that occurred up to the General Assembly approval date and the exemption granted by the Company to directors and officers who were controlling shareholders or their relatives on that date (i.e., Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered thereby occurring up to October 11, 2011.

The exemption in accordance with the new arrangement will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than one granted the letter of exemption) has any personal interest.

Indemnity in Carr:

The Articles of Association of Carr and its subsidiaries state that Carr will compensate its directors, officers, employees and representatives, past and present, for any liability imposed on them or an expense they may bear subject to the fact that they have acted in accordance with the law in their positions as directors, officers, employees or representatives, as the case may be, in the broadest manner allowed according to the laws of the State of Delaware.

Indemnity in BE:

In February 2020, the BE Board of Directors approved the granting of letters of indemnity to BE's directors and in any legal entity in which BE is a shareholder (hereinafter, in this subsection - "**Related Entity**"). According to the letter of indemnity, subject to English law, BE undertakes, among other things, to indemnify the director of BE or of an entity related thereto, subject to the foregoing, up to the maximum limit permitted by applicable law, for any liability or expense, as detailed in the indemnity letter, to be imposed due to or in connection with an action he performed in his capacity as a director, officer, employee or agent of BE or of a related entity or of another legal entity where the director serves at any time at the request of BE or a related entity, as of February 6, 2018 or from the date of his appointment as director, the later of the two.

In any case, the amount of indemnity to be paid by BE, to all directors of BE or an entity related thereto, as a group, will not exceed 25% of BE's equity according to BE's current financial statements published before the date of payment under the indemnity letter (in addition to amounts received by the director under an insurance policy or otherwise).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

E. Additional details -

For additional information regarding remuneration amounts paid to Company directors in respect of the years 2019-2021, see Note 18h below.

1. Regarding the management fee agreement with Amot, see Note 6.c.4.
2. Regarding the management fee agreement with Energix, see Note 6.e.5.
3. The Company has a facility arrangement (in effect until May 2024) for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties.
4. Engagement with Altshuler Shaham Provident and Pensions Ltd. (hereinafter - "**Altshuler Shaham**") in an agreement for a line of credit – In March 2019, the Company's Board of Directors approved the Company's engagement with Altshuler Shaham (an interested party in the Company by virtue of its holdings), on behalf of provident funds managed thereby, in an agreement for a line of credit, which constitutes an amendment to an existing agreement dated January 25, 2017, according to which Altshuler Shaham, through its managed provident funds, will provide a line of credit in the amount of NIS 100 million for a period of 6 years beginning on January 25, 2017. For additional information, see Note 12.b.3.

F. Rental agreements -

In December 2015, the Company and Energix entered into rental agreements with Amot (each of the companies separately), as updated from time to time, according to which the Company and Energix rented from Amot during the reporting period, at rental terms customary in Amot in relation to building tenants ("**Market Terms**") (as they were at the time of the engagement) and in the normal course of business, offices with an area of approx. 772 sq.m. (the Company) and approx. 1,056 sq.m. (Energix), on the 40th floor of the "Amot Atrium Tower" in Ramat Gan ("**the Building**"), as well as parking spaces in the parking garage of the building. The rent is at market terms and after a rental period of 5 years, the option given to the Company and Energix to extend the rental period by an additional 5 years was exercised.

The Company's annual rental cost amounts to approx. NIS 1.6 million and that of Energix to approx. NIS 1.9 million.

Amot also rents rooftops it owns to Energix in order for photovoltaic systems to be installed on them to generate electricity ("**rooftop rental agreements**"). According to the terms of the rooftop rental agreements, the rent paid by Energix to Amot is at a rate of 10% of the receipts that Energix actually receives from the IEC / essential service provider for the generation of electricity in the relevant system.

G. Negligible transaction -

The Company's Board of Directors has determined that a negligible transaction would be one meeting the following conditions:

1. It takes place in the ordinary course of the Company's business;
2. The transaction takes place under market conditions – the terms of the engagement are terms customary in the relevant market;
3. The transaction's projected contribution to profit and loss in annual terms (before the tax effect) or its annual financial scope in the event that the transaction is not recorded through the Statement of Income does not exceed 0.125% of the Company's equity according to its audited consolidated financial statements published as of December 31 of the year preceding the date on which the transaction was reported, or 0.5% of the Company's average profit or loss in absolute terms in the three calendar years preceding the date on which the transaction was reported according to the Company's audited consolidated financial statements; whichever is lower, whether in a single engagement or a series of engagements on the same issue over the course of the year; for this purpose, in the event that the Company does not have the full rights and obligations in the transaction, the transaction will be examined according to the Company's relative share in the transaction.
4. The transaction was approved by the Company's Board of Directors and the controlling shareholder/officer has informed the Company of his interest in the transaction (unless the personal interest is due solely to the presence of personal interest by a "**relative**" as defined in the Companies Law in a non-exceptional transaction).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The following is the list of negligible transactions in which the Group has engaged during and subsequent to the reporting period:

1. The Company, Amot and Energix engage from time to time with Value Base Issuing Underwriting and Management Ltd. ("**Value Base**") (a company whose parent company's shareholders include, among others, Nathan Hetz (15.76%), the CEO and a director in the Company, Chairman of the Amot Board of Directors and Chairman of the Energix Board of Directors), to receive advice and for the management of an offering and/or for the distribution of an offering. It should be noted that the engagement is usually made as part of a comprehensive engagement with several distributors.

2. Partial bearing of the costs of Energix's IT person who provides part-time IT services (15%) to the Company.

3. The Company's right to use half of the storage space in the compactus room that Energix leases from Amot, for the period of the lease of Energix's offices in Amot. See Section g above.

4. Crime insurance policy: In 2019, 2020 and 2021, the Company purchased a crime insurance policy in the amount of USD 10 million that covers the Company, Amot and Energix. The Company's Board of Directors confirmed that the division of the premium between the Company, Amot and Energix for the above crime insurance policy will be such that each company will bear one third of the cost of the premium (the total premium for the three companies was as follows: Approx. USD 39 thousand in respect of the period from July 1, 2019 to June 30, 2020, USD 47 thousand in respect of the period from July 1, 2020 to June 30, 2021 and USD 55 thousand in respect of the period from July 1, 2021 to June 30, 2022).

H. Benefits to key management personnel of the Company

	Number of Recipients	For the Year ended December 31		
	2021	2021	2020	2019
		NIS thousands	NIS thousands	NIS thousands
Management fees and grants	4	12,385	11,259	12,130
Amortization of benefits relating to share-based payments	8	2,301	2,252	2,309
Salary of other directors	6	743	674	890
Directors' and officers' insurance	15	394	266	126
		15,823	14,451	15,455

I. Additional information on transactions with related parties

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
In current assets		
In other receivables	415	323
In current liabilities		
In payables and credit balances	26	7

Note 19 – Earnings per Share

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Profit used to calculate basic earnings per share from continuing operations	1,557,947	302,998	956,100
Adjustments:			
Adjustment of diluted profit from consolidated companies	(10,841)	(1,979)	(1,101)
Profit used to calculate diluted earnings per share	1,547,106	301,019	954,999

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Weighted average number of shares of common stock used to calculate basic earnings per share from continuing operations	173,455	172,784	172,170
Adjustments:			
Option warrants	205	276	822
Weighted average number of shares of common stock used to calculate diluted earnings per share	173,660	173,060	172,992
Weighted average number of securities excluded from the calculation of diluted earnings per share, as their effect was anti-dilutive:			
Option warrants	1,886	1,521	14
	1,886	1,521	14

Note 20 – Taxes on Income

A. Composition of tax expenses

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Current taxes			
Current tax expenses	74,603	117,004	48,093
Betterment tax expenses due to sale of assets	-	-	(499)
Current and deferred taxes in respect of previous years	50,534	7,010	(549)
	125,137	124,014	47,045
Deferred taxes			
	230,640	81,935	481,337
Tax income from a tax partner	(30,825)	(11,299)	-
Total tax expenses recognized in the statement	324,952	194,650	528,382

B. Tax laws applicable to the Group

The provision for current taxes made by the Company and its subsidiaries in Israel was determined based on the provisions of the Income Tax Ordinance (New Version) 1961.

The provision for current taxes of consolidated companies operating outside of Israel was determined taking into account the tax laws applicable in those countries.

Note 20 – Taxes on Income (continued)

C. Tax rates applicable to the Group

1. Tax rates applicable to companies in Israel:

The income tax rate applicable to the Company and the consolidated companies in Israel in 2019-2021 is 23%.

2. Tax rates applicable to companies operating outside of Israel:

- Tax rates applicable to companies operating in the United States range mainly between 21% and 30.88%. Dividends distributed by investments in the United States (Carr, Boston Partnerships) will be liable for withholding tax in the in the U.S. at a rate of 30% and taxed in Israel at the corporate tax rate while receiving a credit for the withholding tax deducted in the United States.
- BE operates as a REIT according to UK tax provisions. A tax rate of 15% applies in the UK when distributing a dividend.
- A tax rate of 19% applies to Energix's activity in Poland.

D. Tax Assessments

1. In December 2021, the Company signed an assessment agreement with the Income Tax Authority for the years 2015-2019, following which the Company paid taxes in the total amount of NIS 175 million in January 2022. The Company's books had full provisions, except for NIS 32 million which were recorded as tax expenses in previous years.
2. Five fully-owned consolidated companies in Israel have final tax assessments and self-assessments considered final, up to and including the 2016 tax year.
3. Six fully-owned consolidated companies in the United States have been issued tax assessments considered final up to and including the 2017 tax year.
4. A fully-owned, directly and indirectly, corporation in the United States has yet to receive tax assessments since its establishment.
5. A fully-owned consolidated company in Canada has final tax assessments up to and including the 2017 tax year.
6. In December 2021, Amot and its 10 consolidated companies signed final tax assessment agreements with the Income Tax Authorities for the years 2015-2019, following which Amot paid taxes in the amount of approx. NIS 144 million (not including interest and linkage, Amot has full provisions, except for NIS 37 million which were recorded in tax expenses in previous years). As part of the agreements, Amot's losses were recognized for carrying forward in the amount of approx. NIS 323 million, to be utilized over the years 2020 and thereafter.
7. Amot has been issued final tax assessments up to and including the 2019 tax year, 10 of Amot's consolidated companies have been issued final tax assessments up to and including the 2018 tax year and a partial agreement for 2019, a consolidated company of Amot and a company accounted for by Amot using the equity method have been issued final assessments up to and including the 2016 tax year, 2 of Amot's consolidated companies and 6 companies accounted for by Amot using the equity method have been issued tax assessments considered final up to and including the 2016 tax year.
8. Energix and its consolidated companies in Israel have tax assessments considered final up to and including the 2017 tax year. Energix's consolidated companies in Poland have tax assessments considered final up to and including the 2013 tax year. Energix has final income tax payroll withholding assessments up to and including the 2017 tax year.

Note 20 – Taxes on Income (continued)

E. Tax balances presented in the Statement of Financial Position:

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Tax balances presented in the Statement of Financial Position		
Current assets (liabilities):		
Current tax assets	16,855	11,462
Current tax liabilities	(365,251)	(118,333)
	(348,396)	(106,871)
Non-current assets (liabilities) (*):		
In non-current assets	46,145	10,646
In non-current liabilities	(1,914,430)	(1,809,154)
	(1,868,285)	(1,798,508)

(*) Deferred taxes in respect of depreciation differences, income and expense timing differences, losses for tax purposes and expected capital gains were recorded according to expected tax rates of between 23% and 30.88%, mainly 23%.

F. Composition and movement in deferred taxes

For 2021	As of December 31, 2020	Recorded to Profit or Loss	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,368,117)	(232,559)	(32)	34,573	(1,566,135)
Electricity-generating facilities	(102,480)	(28,730)	-	-	(131,210)
Associates	(360,330)	(14,067)	4,145	-	(370,252)
Financial assets measured at fair value through profit or loss	6,055	(2,463)	-	-	3,592
Projects in the United States (*)	9,698	20,059	-	-	29,757
Hedging	(37,781)	(6,142)	(38,410)	15,683	(66,650)
Tax losses	73,415	4,269	(11,427)	152,263	218,520
Others	(18,968)	35,446	2,739	(5,124)	14,093
	(1,798,508)	(224,187)	(42,985)	197,395	(1,868,285)

For 2020	As of December 31, 2019	Recorded to Profit or Loss	Recorded to Other Comprehensiv e Income	Classified against Current Tax Liabilities	As of December 31, 2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,326,279)	(42,513)	675	-	(1,368,117)
Electricity-generating facilities	(80,608)	(21,872)	-	-	(102,480)
Associates	(452,383)	(80,865)	23,202	149,716	(360,330)
Financial assets measured at fair value through profit or loss	1,310	4,745	-	-	6,055
Projects in the United States (*)	-	9,698	-	-	9,698
Hedging	(9,891)	-	(33,519)	5,629	(37,781)
Tax losses	181,187	42,388	(444)	(149,716)	73,415
Others	(29,562)	10,107	487	-	(18,968)
	(1,716,226)	(78,312)	(9,599)	5,629	(1,798,508)

(*) Mainly deferred taxes in connection with electricity-generation projects in the United States, including in connection with an obligation in respect of an agreement with the tax partner.

Note 20 – Taxes on Income (continued)

G. Losses for tax purposes carried forward to the coming years

As of December 31, 2021 the Company and its consolidated companies in Israel and abroad (not including companies in the Amot and Energix Group) have a tax loss carried forward to the coming years in the amount of NIS 453 million.

Amot and 8 of its consolidated companies have losses for tax purposes that can be carried forward to the coming years in the total amount of NIS 377 million.

Energix has a loss carried forward (from a business) in Israel in the amount of approx. NIS 112 million.

H. Amounts for which deferred taxes were not recognized

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Losses for tax purposes for which deferred taxes were not recognized	96,206	82,926

As of December 31, 2021, the Company did not recognize deferred tax liabilities for a total of NIS 1,100 million for temporary differences relating to investments in investees due to the lack of expected realization of these investments and the decision not to distribute taxable dividends in the foreseeable future. Of this amount, the balance of the undistributed profits of consolidated companies abroad amounts to NIS 471 million. In the event that the profits of investees abroad will be distributed in the future as a dividend, they will be taxed at a rate of 25% while receiving a tax credit in respect of the tax deducted at source overseas, or alternatively, corporate tax on the inherent dividend, and receipt of an indirect credit for the tax paid by the distributing company abroad and the tax deducted at source, all in accordance with the conditions specified in Section 126(c) of the Income Tax Ordinance.

I. Taxes on income related to other comprehensive income components:

For the Year ended December 31, 2021	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(398,844)	290	(398,554)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	2,037	1,051	3,088
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate, net of tax	1,156	376	1,532
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(4,819)	1,262	(3,557)
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	267,498	(61,716)	205,782
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(38,213)	12,372	(25,841)
Company share in other comprehensive income (loss) of associates	36,479	(7,510)	28,969
Loss from exchange rate differences relating to credit and derivatives designated as fair value hedging of available-for-sale financial assets	-	-	-
Total	(134,706)	(53,875)	(188,581)

Note 20 – Taxes on Income (continued)

For the Year ended December 31, 2020	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(367,017)	(8,211)	(375,228)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(24,548)	6,870	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	6,768	2,209	8,977
Realization of capital reserve from exchange rate differentials, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(18,381)	5,131	(13,250)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	159,040	(36,557)	122,483
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	13,330	(2,218)	11,112
Company share in other comprehensive income (loss) of associates	(363)	(687)	(1,050)
Total	(231,171)	(33,463)	(264,634)

For the Year ended December 31, 2019	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(464,344)	-	(464,344)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of capital reserve from credit and derivatives intended to hedge investment in associate to profit and loss, following drop in stake in associate	(11,213)	-	(11,213)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	2,305	-	2,305
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	218,087	(46,228)	171,859
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(23,987)	2,315	(21,672)
Company share in other comprehensive income (loss) of associates	(75,167)	17,421	(57,746)
Total	(351,298)	(26,492)	(377,790)

Note 20 – Taxes on Income (continued)

J. Theoretical tax

The difference between the tax amount calculated according to regular tax rates and the amount of provisions for taxes is explained as follows:

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	2,358,445	660,135	1,976,457
Statutory tax rate	23.00%	23.00%	23.00%
	542,442	151,831	454,585
Group share in the profits of associates for which deferred taxes were not recognized	(513)	4,788	(5,869)
ITC revenues – see Note 7d.	(23,735)	(11,299)	-
Exempt income, non-deductible expenses, taxable income not recorded in the books and expenses not recorded in the books but recognized for tax purposes	10,733	22,831	18,909
Tax effect in respect of temporary differences for which deferred taxes were not recorded (*)	(225,689)	(9,706)	45,622
Taxes for previous years	50,544	6,901	(549)
Effect of deferred taxes created at tax rate different from the main tax rate	(1,356)	(1,013)	3,920
Differences relating to investment property	(37,951)	14,075	1,598
Others, net	10,477	16,242	10,166
	(217,490)	42,819	73,797
	324,952	194,650	528,382
Effective tax rate	13.78%	29.49%	26.73%

(*) In 2021, the Group did not record deferred taxes in the amount of NIS 224 million in respect of revaluation gains of real estate assets in BE. This is in view of the decision not to distribute dividends stemming from capital gains from the realization of real estate assets in the foreseeable future – for details, see Note 2T.

Note 21 – Operating Segments

The Group has two areas of activity: (1) principal areas of activity – long-term investments in cash-generating real estate companies in Israel and in other western countries, which includes its investments in Amot, 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.

Segment revenues and results

	For the Year ended December 31, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	519,319	53,723	965,535	75,244	42,178	1,742	(1,531,022)	126,719
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	27,432	-	15,833	557	43,822
Revenues from decrease in holdings in investees	-		-	123	-	4,907	12,366	17,396
Other revenues, net (*)	9,128	-	-	-	5,765	4,279	2,954,778	2,973,950
	528,447	53,723	965,535	102,799	47,943	26,761	1,436,679	3,161,887
Administrative and general	-	-	-	-	-	39,464	132,905	172,369
Financing expenses, net	-	-	-	-	-	99,091	303,384	402,475
Other expenses, net (*)	-	-	-	-	-	-	228,598	228,598
	-	-	-	-	-	138,555	664,887	803,442
Profit before tax	528,447	53,723	965,535	102,799	47,943	(111,794)	771,792	2,358,445
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	1,584,243	684,439	1,127,553		266,626			
Revaluation profits (losses) (in the investee's books), before tax	742,641	(10,827)	975,455		-			
Net profit (loss) (in the investee's books)	932,186	115,586	994,332		79,204			
Company share in net profits (loss)	519,319	53,723	965,535		42,178			

For additional information regarding Carr's concise financial information, see Note 6g.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.

Note 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees (including an investment in an associate held for sale)	4,198,566	2,989,792	2,854,231	828,346	769,069	13,875	(7,252,620)	4,401,259
Investment in securities measured at fair value through profit or loss	-	-	-	157,196	-	145	52,378	209,719
Other assets	-	-	-	-	-	511,870	26,833,744	27,345,614
	4,198,566	2,989,792	2,854,231	985,542	769,069	525,890	19,633,502	31,956,592
Liabilities	-	-	-	-	-	4,684,916	15,442,111	20,127,027

Note 21 – 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 on segment results:									
Revenues (in the investee's books) including revaluation profits (losses)	624,893	(**) 841,062	1,564,687	82,788		263,069			
Revaluation profits (losses) (in the investee's books), before tax	(143,640)	(**) (7,344)	373,078	(44,090)		-			
Net profit (loss) (in the investee's books)	289,455	275,144	1,071,735	(3,519)		77,821			
Company share in net profits (loss)	160,596	129,118	12,631	(34,508)		43,222			

For additional information regarding Carr's concise financial information, see Note 6g.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 property value of its associates.

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

Note 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2020								
	Income-Generating Property Segment					Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands								
Assets:									
Investment in investees (including an investment in an associate held for sale)	3,586,540	3,004,322	200,311	1,386,009	778,230	821,405	12,768	(5,287,619)	4,501,966
Investment in securities measured at fair value through profit 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 21 – Operating Segments (continued)

Segment revenues and results

	For the year ended December 31, 2019								
	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Group share in profits of investees, net	598,707	81,311	154,088	90,379	163,641	38,549	(2,580)	(710,658)	413,437
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Net profit, relating to investments in long-term securities intended for sale	-	-	-	-	24,547	-	164	-	24,711
Revenues from decrease in holdings in investees	-	-	96,680	-	-	-	-	-	96,680
Other revenues, net (*)	9,059	-	-	-	554	4,811	-	2,049,676	2,064,100
	607,766	81,311	250,768	90,379	188,742	43,360	(2,416)	1,339,018	2,598,928
Administrative and general	-	-	-	-	-	-	37,392	84,407	121,799
Financing expenses, net	-	-	-	-	-	-	97,447	244,204	341,651
Other expenses, net (*)	-	-	-	-	-	-	-	159,021	159,021
	-	-	-	-	-	-	134,839	487,632	622,471
Profit before tax	607,766	81,311	(***) 250,768	90,379	188,742	43,360	(137,255)	851,386	1,976,457
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	1,606,323	(**) 825,788	2,041,598	227,095		238,559			
Revaluation profits (in the investee's books), before tax	847,259	(**) (38,355)	872,145	152,608		-			
Net profit (in the investee's books)	1,070,423	212,969	2,722,158	90,662		62,972			
Company share in net profits	598,707	81,311	154,088	90,379		38,549			

For additional information regarding Carr's concise financial information, see Note 6g.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 100 million.

Note 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2019								
	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Energy Segment	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	PSP	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets:									
Investment in investees	3,356,383	3,135,978	1,381,418	1,246,092	844,452	585,801	17,626	(4,650,199)	5,917,551
Investment in available-for-sale securities	-	-	-	-	203,168	-	635	-	203,803
Other assets	-	-	-	-	-	-	628,697	18,348,814	18,977,511
	3,356,383	3,135,978	1,381,418	1,246,092	1,047,620	585,801	646,958	13,698,615	25,098,865
Liabilities	-	-	-	-	-	-	5,063,705	10,527,325	15,591,030

Note 21 – Operating Segments (continued)

Geographic information

	For the Period ended December 31, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	USA	UK	Israel	Poland	USA	Others and Unassigned Expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	837,283	-	152,098	-	-	-	-	989,381
Fair value adjustment of investment property	740,014	-	975,455	-	-	-	-	1,715,469
Group share in profits (losses) of associates, net	18,096	128,967	(23,422)	1,320	-	-	1,758	126,719
Revenues from sale of electricity and green certificates	-	-	-	111,567	123,173	26,096	-	260,836
Other	(3,613)	123	29,797	12,584	5,569	-	25,022	69,482
	1,591,780	129,090	1,133,928	125,471	128,742	26,096	26,780	3,161,887
Costs and expenses								
Cost of investment property rental and operation	90,750	-	13,654	-	-	-	-	104,404
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	16,833	18,229	4,185	-	39,247
Depreciation and amortizations	2,611	-	1,752	38,983	24,097	14,426	3,078	84,947
	93,361	-	15,406	55,816	42,326	18,611	3,078	228,598
Administrative and general expenses							172,369	172,369
Profit before financing	1,498,419	129,090	1,118,522	69,655	86,416	7,485	(148,667)	2,760,920

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	UK	Israel	Poland	USA		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including property in development and property designated for sale)	16,451,527	-	4,924,587	-	-	-		21,376,114
Investment in associates (including investment in associate held for sale)	486,566	3,818,138	72,536	10,429	-	-	13,590	4,401,259
Connected electricity-generating facilities	-	-	-	802,578	502,325	610,025	-	1,914,928
Electricity-Generating Facilities in Development	-	-	-	417,578	507,388	566,924	-	1,491,890
Right-of-use asset	-	-	-	150,444	81,425	44,962	-	276,831
Securities measured at fair value through profit or loss (**)	-	-	209,575	-	-	-	144	209,719
	16,938,093	3,818,138	5,206,698	1,381,029	1,091,138	1,221,911	13,734	29,670,741

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,989,792 thousand and for an investment in Boston in the amount of NIS 828,347 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 21 – Operating Segments (continued)

Geographic information

	For the Period ended December 31, 2020								
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	USA	Switzerland	UK	Israel	Poland	USA	Others and Unassigned Expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits									
Revenues from rental fees and management of investment property	764,754	-	-	126,878	-	-	-	-	891,632
Fair value adjustment of investment property	(143,692)	-	-	(44,090)	-	-	-	-	(187,782)
Group share in profits (losses) of associates, net	(994)	125,316	12,631	(36,539)	(141)	-	-	(603)	99,670
Revenues from sale of electricity and green certificates	-	-	-	-	106,796	148,352	6,655	-	261,803
Other	(3,298)	(82)	201,035	(13,620)	724	542	-	(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 21 – Operating Segments (continued)

Geographic information

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

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

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

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

Note 21 – Operating Segments (continued)

Geographic information

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

Note 22 – Financial Instruments

A. Capital Management Policy

The Group manages the capital to ensure that the Group's companies will be able to continue to operate as a going concern while maximizing the return for shareholders and optimizing the Company's debt and equity balances.

The Company's capital structure includes debt instruments, cash and cash equivalents and the equity of the Company's majority shareholders. The Company's Board of Directors and the Company's CEO regularly monitor the Company's capital structure. This monitoring includes, among other things, an examination of the cost of capital and an examination of the risks associated with each of the capital components. Based on the recommendations of the Company's Board of Directors, the Group manages its capital structure by paying dividends, issuing capital, buying-back Group shares, raising debt and repaying debt.

The Company's bonds (Series H, I, J, K and L) are rated AA- with stable rating outlook by Maalot the Israel Securities Rating Company Ltd. (hereinafter: "**Maalot**"). The issuer's rating is the same.

The Company's bonds (Series H, I, J and L) are rated Aa3 (with a stable outlook) by Midroog Ltd. (hereinafter - "**Midroog**"). The issuer's rating is the same.

Amot's bonds (Series B, D, E, F and G) are rated Aa2 with a stable rating outlook by Midroog Ltd., and are rated AA with a stable rating outlook by Maalot, the Israel Securities Rating Company Ltd.

Energix's bonds (Series A and B) of Energix are rated A2 with a stable rating outlook by Midroog Ltd. and are rated A with a stable rating outlook by Maalot, the Israeli Securities Rating Company Ltd.

Regarding the main financial covenants related to the bonds, see Note 11.

Regarding the main financial criteria with banks, see Note 12.

B. Financial instrument groups

Financial instrument balances by category

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Financial Assets		
Cash and Cash Equivalents	1,163,289	2,214,781
Deposits and tradable securities	81,656	138,108
Loans and receivables	347,203	232,747
Derivative financial instruments	420,368	238,723
Financial assets measured at fair value through profit or loss	209,719	186,335
	2,222,235	3,010,694
Financial Liabilities		
Derivative financial instruments	202,656	27,560
Lease liability	383,810	227,528
Financial liabilities at amortized cost	16,789,255	14,140,507
	17,375,721	14,395,595

Note 22 – Financial Instruments (continued)

C. Financial risk management

The Group's activities expose it to risks related to various financial instruments, such as market risk (including currency risk, fair value interest rate risk, cash flow risk for interest rates, changes in CPI and price risk), liquidity risk and credit risk. The Group's risk management plan focuses on minimizing potential adverse effects on the Group's financial performance. In some cases, the Group uses derivative financial instruments to hedge certain exposures to risks.

Risk management is primarily carried out by the Company's CEO and CFO through regular monitoring of developments in the relevant markets.

The following is information regarding the risks associated with financial instruments:

1. Credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group. The Group's management estimates that the Group's credit risk as of the reporting date is low for the following reasons:

- Cash and cash equivalents, deposits, monetary funds and financial instruments in Israel and abroad are held in institutions which the Company management believes estimates possess a high level of financial strength.
- In Israel and the UK, the Group has a policy that ensures that the revenues from rental fees and property management are received after contracting with clients who have an appropriate payment history, while providing appropriate collateral to secure future payments. In some of the cases the rental fees are paid in advance.
- Most of the Group's revenues from the sale of electricity in Israel are received from the essential service provider, the Electric Company.
- Most of the Group's revenues from the sale of electricity and green certificates in Poland are received from an international broker. Based on the Group's past experience, payments from the broker are paid regularly to the Group. The Group also has the option of selling the electricity to the local electric company according to local regulation or alternatively, to many other brokers in the market or alternatively, directly on the exchange.
- Electricity and green certificates are sold in the United States to a financially strong local electric company with a high credit rating. The Group is also able to sell electricity and green certificates to other electric companies and local entities in the market.

2. Liquidity risk

<u>Liquidity risk management</u>

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Group manages liquidity risk by managing the available credit facilities (see Note 12), bank and loan instruments, through continuous supervision of actual and expected cash flows and adjusting the maturity characteristics of financial assets and liabilities.

Note 22 – Financial Instruments (continued)

Interest and liquidity risk tables:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates: For information regarding financial liabilities that constitute derivative financial instruments, see Section 3 below:

	As of December 31, 2021						
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth Year Onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans – CPI-linked with fixed interest	1.96	79,198	79,532	77,998	74,345	1,256,292	1,567,365
USD loans – variable interest	1.71	579	-	-	-	-	579
GBP loans – variable interest	2.96	36,710	299,875	817,750	201,554	269,019	1,624,908
GBP loans – fixed interest (*)	3.95	13,988	280,595	5,629	5,613	205,918	511,743
PLN loans – variable interest	5.11	20,666	19,898	24,057	24,761	297,235	386,617
NIS bonds – unlinked with variable interest	2.10	30,775	30,775	353,829	346,073	669,064	1,430,516
NIS bonds and convertible bonds – unlinked with fixed interest	2.51	189,202	305,797	347,537	216,102	2,087,427	3,146,065
NIS bonds – CPI-linked with fixed interest	1.70	926,944	914,970	668,925	776,587	5,216,823	8,504,249
PLN bonds – fixed interest (***)	4.11	34,639	33,617	32,576	31,517	141,895	274,244
USD bonds – fixed interest (**)	3.35	67,353	66,084	80,367	78,852	233,809	526,465
Others – Liability for a lease and for an agreement with the tax partner	5.53	31,890	38,841	28,651	28,550	766,957	894,889
		1,431,944	2,089,882	2,461,376	1,808,715	11,441,674	19,233,591

	As of December 31, 2020						
	Effective Interest Rate	First Year	Second Year	Third Year	Fourth Year	Fifth Year Onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans – CPI-linked with fixed interest	3.16	67,303	66,831	66,330	64,871	615,195	880,530
NIS loans – variable interest	2.30	95,084	-	-	-	-	95,084
USD loans – variable interest	1.74	810	598	-	-	-	1,408
GBP loans – variable interest	2.33	23,071	544,960	13,929	590,717	216,027	1,388,704
GBP loans – fixed interest (*)	3.54	7,223	286,899	-	-	-	294,122
NIS bonds – unlinked with variable interest	2.10	30,775	30,775	30,775	353,829	1,015,137	1,461,291
NIS bonds and convertible bonds – unlinked with fixed interest	2.67	150,152	223,901	181,002	172,997	1,603,601	2,331,653
NIS bonds – CPI-linked with fixed interest	1.88	923,299	898,648	884,669	644,337	4,777,990	8,128,943
PLN bonds – fixed interest (***)	4.11	10,494	38,696	37,554	36,392	193,725	316,861
USD bonds – fixed interest (**)	3.69	36,751	36,239	35,728	51,292	149,276	309,286
CHF bonds – fixed interest	1.23	7,038	6,256	41,972	32,065	34,411	121,742
Others – Liability for a lease and for an agreement with the tax partner	5.03	19,643	17,827	17,851	17,853	308,452	381,626
		1,371,643	2,151,630	1,309,810	1,964,353	8,913,814	15,711,250

(*) The above loans bear variable interest. The Group fixed the interest rate for the balance of the loans at a fixed interest rate using a hedging instrument (SWAP).

(**) The Company and Energix engaged in cross currency swap transactions with a financial entity in Israel so that the Company's bonds (Series I) and Energix's bonds (Series A) were converted into a liability in CHF and USD.

(***) Energix engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series A) were converted into a liability in PLN and in USD.

Note 22 – Financial Instruments (continued)

Financial assets:

The Group has several main sources for repayment of its financial liabilities. As of December 31, 2021, the sources include cash and cash equivalents in the amount of NIS 1.2 billion and unutilized credit facilities of NIS 2 billion. The Company also has non-pledged tradable assets in the amount of NIS 9.7 billion.

3. Market risk

Market risk is the risk that a change in market prices such as: price, foreign currency exchange rates, the CPI and interest rates will affect the Group's revenues or the value of its holdings in financial instruments. The purpose of market risk management is to manage and supervise exposure to market risk using accepted parameters.

The following are the groups exposed to market risk:

A. Foreign currency risks

The Group operates internationally and is exposed to currency risk resulting from changes in the exchange rates of various foreign currencies, mainly the USD, the GBP and the PLN. Currency risk stems from transactions denominated in foreign currency and from the existence of financial assets and financial liabilities denominated in foreign currency that is not the Company's functional and reporting currency (NIS).

The Company's practice is to hedge its exposure to foreign currency for investments abroad, as follows:

1. The investment component financed in foreign capital is hedged through credit in the investment currency or through financial derivatives (forward and cross currency swap transactions). Therefore, this component is not exposed to changes in the foreign currency against the NIS.
2. The investment component financed by equity is partially hedged as follows and is therefore exposed to changes in foreign exchange rates against the NIS.
3. 35%-45% of the Company's equity is "allocated" (through hedging, as needed) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio on an expanded solo basis, but management will have the authority to increase or decrease exposure in each currency.
4. The investment ratio is determined according to market value.

The Company's CEO and CFO routinely monitor the net position of all foreign currency activities and, as necessary, derivative transactions are executed on the same currency. From time to time, the Group has a positive or negative cash flow from the payment of transactions in the above currencies. The currency exposure stemming from the expected net cash flow is mainly managed through currency swap transactions between the various currencies.

Energix routinely hedges its net investments in projects exposed to changes in foreign exchange rates against the NIS, so that no more than 20% of the equity invested in those projects, relative to an individual currency, will be exposed to foreign currency. The net hedge of the investment is executed through derivative transactions.

The following are details regarding the main foreign currency risk hedging agreements:

Hedge of investment in foreign activity:

- Foreign currency risk for investments in foreign activity (for Carr holdings as an investment in an associate), the balance of which, as of December 31, 2021, is USD 961 million, is partially hedged by foreign currency forward transactions in the amount of USD 492 million and by a cross currency swap transaction in foreign currency in the amount of USD 64 million.
- Foreign currency risk for investments in foreign activity (for holdings in the Boston property companies as an investment in an associate), the balance of which, as of December 31, 2021, is USD 266 million is partially hedged by foreign currency forward transactions in the amount of USD 139 million and by a cross currency swap transaction in the amount of USD 16 million.
- Foreign currency risk for investments in foreign activity (for holdings in BE as an investment in investees), the balance of which, as of December 31, 2021, is GBP 679 million, is partially hedged by foreign currency forward transactions in the amount of GBP 301 million.

Note 22 – Financial Instruments (continued)

- Foreign currency risk in respect of investments in the Brockton Funds (as securities measured at fair value through profit or loss) the balance of which, as of December 31, 2021, is GBP 37 million (the part held directly by the Company) is partially hedged by foreign currency forward transactions in the amount of GBP 34 million.
- Foreign currency risk for Energix's activity in Poland, the foreign currency exposure balance of which, as of December 31, 2021, is PLN 1,128 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of PLN 590 million and by cross currency swap transactions in foreign currency in the amount of PLN 300 million.
- Foreign currency risk for Energix's activity in the United States, the foreign currency exposure balance of which, as of December 31, 2021, is USD 319 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of USD 207 million and by cross currency swap transactions in foreign currency in the amount of USD 75 million.

The following table lists the foreign currency swap derivative transactions as of December 31, 2021:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Type of Settlement
In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	505,037	USD	1,668,782	ILS	3.304	94,643	Gross
Short-term	Forward	330,083	GBP	1,436,969	ILS	4.353	52,876	Gross
Short-term	Forward	540,000	PLN	461,514	ILS	0.855	50,307	Gross
Long-term	Forward	333,443	USD	1,068,635	ILS	3.205	41,964	Gross
Long-term	Forward	61,115	GBP	270,358	ILS	4.424	16,600	Gross
Long-term	Forward	50,000	PLN	36,240	ILS	0.725	376	Gross
(*)	CCS	155,000	USD	505,488	ILS	3.261	18,480	Gross
(*)	CCS	300,000	PLN	271,890	ILS	0.906	55,566	Gross

The following table lists the foreign currency swap derivative transactions as of December 31, 2020:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Type of Settlement
In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	512,000	USD	1,759,889	ILS	3.437	119,714	Gross
Short-term	Forward	18,800	CHF	69,120	ILS	3.677	1,040	Gross
Short-term	Forward	83,095	GBP	360,830	ILS	4.342	(3,735)	Gross
Short-term	Forward	245,000	PLN	268,124	ILS	1.094	14,105	Gross
Long-term	Forward	235,512	USD	798,722	ILS	3.391	47,884	Gross
Long-term	Forward	130,200	GBP	559,256	ILS	4.295	(9,312)	Gross
Long-term	Forward	75,000	PLN	66,590	ILS	0.888	2,471	Gross
(*)	CCS	25,000	CHF	53,165	ILS	2.127	21,744	Gross
(*)	CCS	90,000	USD	306,900	ILS	3.410	5,426	Gross
(*)	CCS	300,000	PLN	271,890	ILS	0.906	972	Gross

(*) The Company engaged in cross currency swap transactions with a financial entity in Israel so that the bonds (Series I) were converted into a liability in USD. The transactions are settled in parts according to the repayment schedule of the bonds (Series I).

Energix engaged in a cross currency swap transactions with a financial body in Israel so that the bonds (Series A) in the amount of approx. NIS 505 million were converted into a liability in the amount of PLN 300 million and USD 75 million. The transactions will be settled in accordance with the amortization schedule of the bonds (Series A).

Note 22 – Financial Instruments (continued)

Sensitivity analysis of financial instruments to changes in exchange rates

The following table lists sensitivity tests for changes of 10% in the main foreign currency exchange rates against the NIS and their effect on equity (before the tax effect) as of December 31, 2021 and 2020 (before the tax effect). 10% is the rate that is analyzed because the Company's management believes that it represents the reasonably possible change in the exchange rates.

December 31, 2021	Effect on the Comprehensive Income			
	In USD	In PLN	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets				
Cash and Cash Equivalents	16,241	5,485	5,130	13,638
Restricted Deposits	3,323	10	-	-
Financial assets at amortized cost	361	1,455	16	13,055
Financial assets measured at fair value through profit or loss	-	-	-	20,958
Liabilities				
Financial liabilities at amortized cost	(4,918)	(28,885)	(391)	(202,546)
Others – Liability for a lease and for an agreement with the tax partner	(18,569)	(4,625)	-	(2,673)
	(3,562)	(26,560)	4,755	(157,568)

- **<u>The effect of a change in the exchange rate on derivative financial instruments (which are not shown in the above table) is as follows</u>:**

  An increase (decrease) of 5% and 10% in the USD will reduce (raise) the value of the derivative financial instruments by NIS 154 million and by NIS 309 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will reduce (raise) the value of the derivative financial instruments by NIS 82 million and by NIS 164 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will reduce (raise) the value of the derivative financial instruments by NIS 34 million and by NIS 68 million, respectively.

December 31, 2020	Effect on the Comprehensive Income				
	In USD	In PLN	In CHF	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Assets					
Cash and Cash Equivalents	21,100	9,118	2	2,943	4,842
Restricted Deposits	354	11	-	-	-
Financial assets at amortized cost	88	1,404	3	-	13,055
Financial assets measured at fair value through profit or loss	-	-	-	-	16,020
Liabilities					
Financial liabilities at amortized cost	(13,064)	(1,484)	(3)	(2,414)	(217,932)
Others – Liability for a lease and for an agreement with the tax partner	(6,366)	(5,626)	-	-	-
	2,112	3,423	2	529	(184,015)

Note 22 – Financial Instruments (continued)

B. Market risks – Price risk

Exposure to changes in market prices of electricity and green certificates

Energix's operations in Israel are based on fixed rate tenders. In Poland and the United States, Energix is exposed to changes in electricity prices and in green certificates in the market, regarding the generated capacity that is not subject to a fixed tariff according to a tender or to sale agreements for electricity and/or green certificates at predetermined prices. This exposure may affect Energix's revenues, its cash flow, and accordingly also its compliance with various criteria and coverage ratios which it undertook as part of the financing agreements.

As part of the management of such exposure, Energix uses various means:

- Fixing the prices of electricity and green certificates it sells by entering into transactions for the sale, at future dates and at a fixed price, of part of the electricity capacity and green certificates that it is expected to generate. The outputs are sold to the purchasing entity at a fixed price. For details regarding the engagement in transactions for the fixing of prices of electricity and green certificates in Poland, see Note 7e above.
- Hedging of electricity prices through swap transactions in which Energix entered into an agreement with a third party (who does not directly purchase the electricity or certificates), to replace the market price with a predetermined price. For details regarding the engagement in transactions to hedge changes in electricity prices in the United States, which are treated as accounting cash flow hedging, see Note 7d above.

The following table shows the effect of a 5% increase or decrease in relevant electricity prices in the United States on the comprehensive income in respect of derivative financial instruments exposed to electricity price risk in the United States (before the tax effect):

	As of December 31, 2021	
	5% Increase	**5% Decrease**
	Comprehensive Income (NIS thousands)	
Financial derivatives – SWAP transaction for electricity price hedging in the United States	(11,390)	11,390

C. Market risks – Interest risk

Fair value risk – The Group has investments in financial instruments bearing fixed interest, as well as financial liabilities classified as long-term loans and bonds issued by the Company, Amot and Energix bearing fixed interest. The Group does not have exposure to the risk of a change in the fair value of these financial instruments, which will affect the Company's profit or loss, as these financial instruments are measured at amortized cost.

Cash flow risk – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates. As of December 31, 2021, 81% of the long-term financial liabilities (loans and bonds) bear fixed interest (as of December 31, 2020 – 80%).

The interest rate risk is managed by the Group companies' management by maintaining a mix of fixed- and variable-interest loans as well as by examining engagement in interest-rate swaps.

Interest rate sensitivity analysis

The following table details the effect of an increase of 3% in the SONIA/WIBOR/ Bank of Israel interest rate on the profit and loss in respect of financial liabilities exposed to cash flow risk due to a change in interest rate (before the tax effect):

	As of December 31, 2021		As of December 31, 2020	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans in PLN (**)	258,801	5,952	-	-
Loans in GBP (*)	1,514,695	22,505	1,310,948	18,377
Loans in USD	574	17	1,383	41
Variable interest bonds	1,329,126	39,874	1,332,783	39,983
Total	3,103,196	68,348	2,645,114	58,401

(*) For loans in the amount of GBP 336 million (NIS 1.4 billion), the Group engaged with the financing bank in CAP transactions so that the maximum annual SONIA interest rate will not exceed a range of 0.4%-2% over the entire term of the loan. In addition, the balance of the GBP loan does not include variable-interest loans in the amount of GBP 110 million (NIS 462 million), which were converted into fixed-interest loans through a SWAP transactions. For details, see Note 12e.

(**) In relation to 70% of the loan amount, the Group entered into CAP transactions so that the WIBOR interest rate will not exceed 2%, for a period of 7 years (from the expected date of commercial operation of the wind farm in Poland for which the financing was received). For further details, see Note 12d.

Note 22 – Financial Instruments (continued)

D. Market risks – Risks due to changes in the CPI

CPI-linked loans expose the Group to cash flow risk due to changes in the CPI that are not accompanied by a corresponding change in the fair value of the financial instruments. As of December 31, 2021, approx. 55% of the long-term financial liabilities (loans and bonds) are CPI-linked (as of December 31, 2020 – 57%).

The effect of a 3% increase in the CPI on profit and loss for financial liabilities exposed to such risk (before the tax effect) is as follows:

	As of December 31, 2021		As of December 31, 2020	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans	1,344,441	(40,333)	705,177	(21,155)
Tradable NIS bonds (*)	7,457,944	(223,738)	6,928,817	(207,865)
Other NIS bonds	6,633	(199)	9,491	(285)
Total	8,809,018	(264,270)	7,643,485	(229,305)

(*) Including NIS bonds in the amount of approx. NIS 1.6 billion that were converted to CPI-linked bonds through a swap transaction.

E. Collateral – For information on the book value of financial assets used as collateral for the liabilities listed above, see Note 13.

Note 23 – Fair Value of Financial Instruments

The Group's financial instruments mainly include cash and cash equivalents, deposits, tradable securities, customers, other receivables, long-term investments in tradable securities, short-term credit, other payables and long term financial liabilities (mainly loans and bonds), transactions in derivatives.

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

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

	As of December 31, 2021		As of December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities				
Long-term loans (including maturities)	1,806,730	1,887,071	980,091	1,086,759
Bonds (including maturities)	12,654,709	13,721,308	11,192,946	11,729,510
	14,461,439	15,608,379	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.
- 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.

A. Financial instruments presented in the financial statements at fair value:

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the Statement of Financial Position according to their fair value, to a hierarchy that includes the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

The fair value of tradable securities is determined according to the closing rates as of December 31, 2021 and 2020, quoted on the various stock exchanges, multiplied by the quantity of the tradable financial instrument held by the Group on that date.

Level 2: Data that are not the quoted prices included in Level 1, that are observed directly (i.e. prices) or indirectly (data derived from prices) regarding financial assets and liabilities.

Financial derivatives (forward contracts, SWAP and CCS) – The fair value of assets and liabilities is determined according to quotes from banking institutions with which the Group has engaged or by an independent appraiser. These quotes are derived from spot rates and interest rate differences between the currencies in the transactions.

Level 3: Data regarding financial assets and liabilities not based on observable market data.

The fair value of other non-negotiable investments is determined according to the present value of future cash flows discounted at a discount rate that reflects the level of risk inherent in the financial instrument.

Classification of financial instruments measured at fair value is based on the lowest level at which significant data was used to measure the fair value of the entire instrument.

Note 23 – Fair Value of Financial Instruments (continued)

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

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS thousands			
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	17,826	-	17,826
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	18,480	-	18,480
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	55,566	-	55,566
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	264,947	-	264,947
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	54,485	-	54,485
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	5,442	-	5,442
Financial assets measured at fair value through profit or loss:				
Tradable securities	144	-	-	144
Real estate investment funds	-	-	209,575	209,575
	144	416,746	209,575	626,465
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (foreign currency swap options)	-	(268)	-	(268)
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(131,916)	-	(131,916)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(65,773)	(65,773)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	-	-	-
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(1,077)	-	(1,077)
	-	(133,261)	(65,773)	(199,034)

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

	For the Year ended December 31
	NIS thousands
Balance as of January 1, 2021	156,856
Investments	26,205
Realizations	-
Amounts recorded to profit or loss in the period	27,147
Amounts recorded to other comprehensive income in the period	(66,406)
Balance as of December 31, 2021	143,802

Note 23 – Fair Value of Financial Instruments (continued)

2. **Description of valuation processes used to determine the fair value of Brockton Real Estate Investment Funds:**

Brockton II Fund and Brockton III Fund

Investment in the Brockton II Fund is recorded in the Company's books according to the Company's share in the Fund's equity, which approximates the Fund's fair value. The fair value of the Fund's assets is measured based on various valuation methodologies, the common valuation methodologies including:

- Use of an EBITDA multiplier based on multipliers used in fair value assessments in traded companies or in data from the most recent transactions carried out in the market.
- Discounting of cash flows from net rental revenues according to discount rates used for the most recent real estate transactions.
- For properties in development, a property's fair value is determined by estimating the fair value of the property after its completion, net of the present value of estimated construction costs expected for its completion.

	As of December 31, 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 the exposure to variable interest)	-	455	-	455
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	624	624
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	18,663	-	18,663
Financial assets measured at fair value through profit or loss:				
Tradable securities	115,835	-	-	115,835
Real estate investment funds (1)	-	-	160,197	160,197
	115,835	231,134	160,821	507,790
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (foreign currency swap options)	-	(1,012)	-	(1,012)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(3,899)	-	(3,899)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(3,965)	(3,965)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(4,196)	-	(4,196)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(7,523)	-	(7,523)
	-	(16,630)	(3,965)	(20,595)

Note 23 – Fair Value of Financial Instruments (continued)

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

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

The fair value of non-traded financial instruments is estimated using accepted pricing models, such as the present value of future cash flows discounted at discount rates reflecting, according to the Company's management, the level of risk inherent in the financial instrument. The Company relies partially on discount interest rates quoted in an active market as well as on various valuation techniques based, among other things, on interest quotes from financial bodies. The fair value estimate was calculated by estimating future cash flows and determining the discount rate according to rates close to the date of the Statement of Financial Position and based, among other things, on assumptions by the Company's management. Therefore, for most of the financial instruments, the fair value estimate below is not necessarily an indication of the realization value of the financial instrument as of the end of the reporting period. The fair value assessment was prepared in accordance with discount rates close to the date of the Statement of Financial Position and does not take into account the interest rate fluctuations from the calculation date until the date of publishing of the financial statements. Under other discount rate assumptions, fair values will be received that may be significantly different from those estimated by the Company's management, mainly with regards to financial instruments at fixed interest or those bearing no interest. Furthermore, in determining fair value, the Company did not account for commissions that may be payable upon repayment of the instrument nor do they include the tax effect. The gap between the balances in the Statement of Financial Position as of December 31, 2021 and 2020 and the fair value balances as estimated by Company's management may not necessarily materialize.

B. The main methods and assumptions used to calculate the fair value of financial instruments (whether for the purpose of determining their value in the financial statements or for the presentation of their fair value in this note only):

1. **Financial instruments included under current asset items** – (cash and cash equivalents, deposits, trade receivables and other receivables) – The balance in the Statement of Financial Position as of December 31, 2021 and 2020 approximates the fair value.

2. **Financial instruments included under current liability items** – (short term credit and other payables) – The balance in the Statement of Financial Position as of December 31, 2021 and 2020 approximates the fair value.

3. Financial Instruments included under non-current liabilities – see Note 22b above.

Note 24 – Changes in Liabilities due to Financing Activity

	Balance as of December 31, 2020	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	101,537	(91,628)	-	-	-	9,909
Bonds	11,211,608	1,374,999	(150,579)	-	86,764	12,522,792
Loans from banking corporations	2,292,422	1,381,650	-	(95,248)	1,953	3,580,777
Lease liability	43,249	(200)			49,179	92,228
Lease liability - IFRS 16	184,279	(6,714)	-	(11,395)	125,412	291,582
Liability for agreement with the tax partner	139,767	174,509		(9,860)	(33,171)	271,245
Others	804	-	-	-	11	815
	13,973,666	2,832,616	(150,579)	(116,503)	230,148	16,769,348

	Balance as of December 31, 2019	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2020
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	266,607	(165,070)	-	-	-	101,537
Bonds	9,883,610	1,379,062	31,580	-	(82,644)	11,211,608
Loans from banking corporations	2,738,128	(396,128)	-	(49,283)	(295)	2,292,422
Lease liability	39,622	(200)	-	-	3,827	43,249
Lease liability - IFRS 16	142,645	(3,110)	-	(9,582)	54,326	184,279
Liability for agreement with the tax partner	(2,419)	162,241	-	(10,816)	(9,239)	139,767
Others	864	-	-	-	(60)	804
	13,069,057	976,795	31,580	(69,681)	(34,085)	13,973,666

Note 25 – Events Subsequent to the Balance Sheet Date

1. Regarding the Board of Directors' decision on the dividend policy for 2022, and regarding the dividend for the first quarter of 2022 and regarding an additional dividend for 2021, see Note 16d.
2. Regarding the decision of the Company's Board of Directors on capital remuneration for directors, officers and employees in 2022, see Note 16e.
3. Regarding a public offering by the Company by way of an expansion of the bonds (Series I), (Series J) and (Series L), see Notes 11c, 11d and 11f.
4. Regarding an engagement in an amendment to a credit facility agreement with the Bank of Israel, see Note 12b.
5. Regarding an engagement of the Company, BE and the BE Managers in a set of agreements for the addition of Menora as an investor in BE, see Note 6d.
6. Regarding the issuance of common stock by Energix, as part of a public offering, in consideration for NIS 337 million and the Company's investment in this framework in the amount of NIS 170 million, see Note 6e.
7. Regarding Energix's signing of a financing agreement for the construction of the Banie 4 wind farm in the amount of PLN 290 million, see Note 12d.
8. Regarding the issuance of common stock by Amot in consideration for NIS 302 million, see Note 6c.
9. Regarding the expansion of the strategic collaboration with First Solar and the purchase of panels for approx. USD 500 million by Energix, see Note 8c.

Separate Financial Information

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

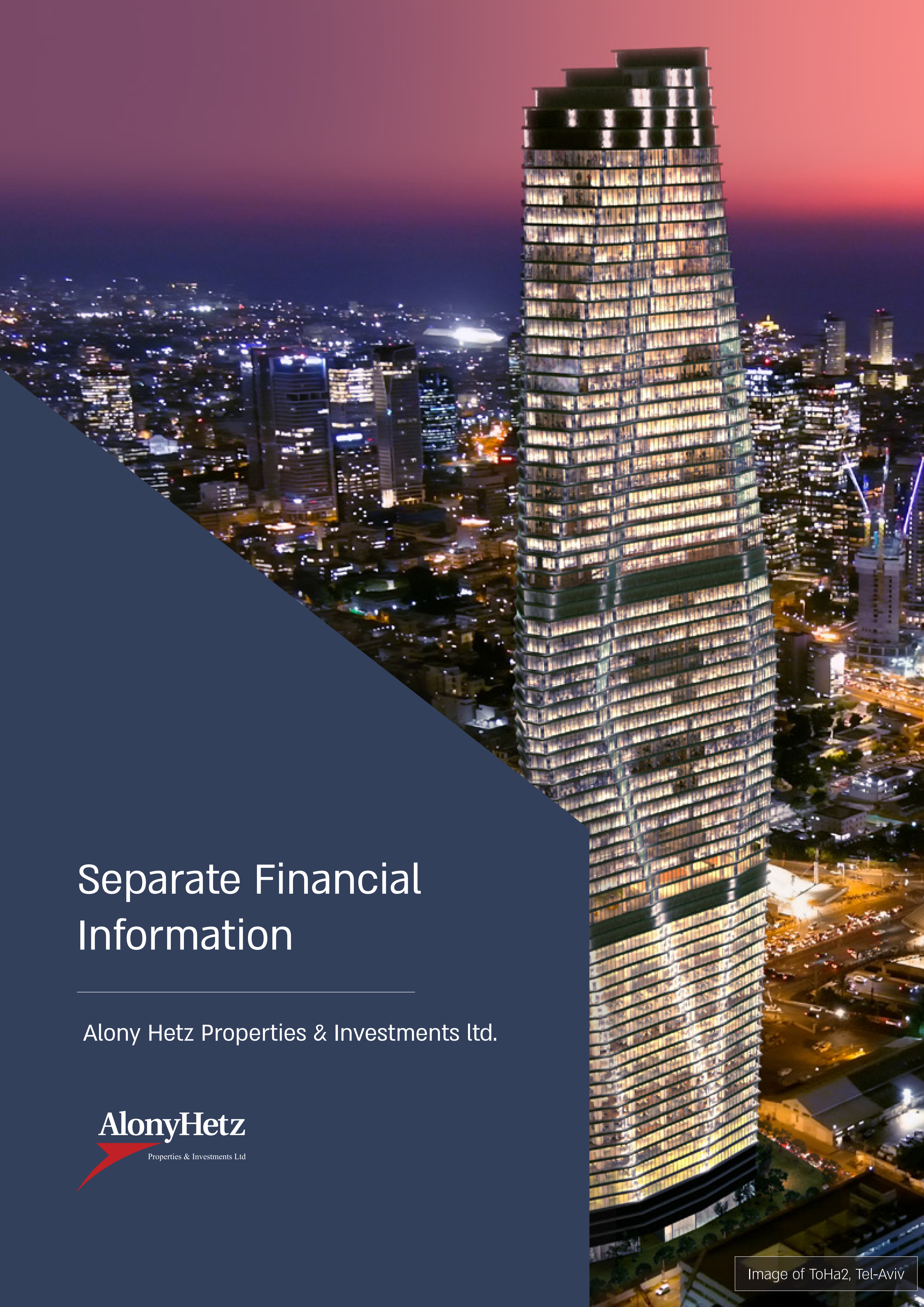

Image of ToHa2, Tel-Aviv

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

To
<u>The Shareholders of Alony Hetz Properties and Investments Ltd.</u>

2 Jabotinsky St.
<u>Ramat Gan</u>

Dear Sir/Madam,

Re: <u>Special Report of the Independent Auditor on Separate Financial Information Pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970</u>

We have audited the separate financial information which is presented in accordance with regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of **Alony-Hetz Properties and Investments Ltd.** (hereafter - "the Company") as of December 31, 2021, and 2020 and for each of the three years, the last of which ended December 31, 2021. The separate financial information is the responsibility of the Company's Board of Directors and Management. Our responsibility is to provide an opinion on the separate financial information based on our audit.

We did not audit the separate financial information from the financial statements of investees in which their total investments amounted to 4,794 million NIS and 5,868 million NIS as of December 31, 2021, and 2020, respectively, and their profit amounted to 229 million NIS, 270 million NIS and 490 million NIS for the years ended December 31, 2021, 2020 and 2019, respectively. The Financial Statements of these companies were audited by other auditors whose reports were furnished to us, and our opinion insofar it relates to the amounts included in respect of such companies, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel. These standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial information does not contain a material misleading presentation. An audit also includes assessing of the accounting principles used in the preparation of the separate financial information and of the significant estimates made by the Board of Directors and management of the company as well as evaluating the appropriateness of overall presentation of the separate financial information. We believe that our audit provides an adequate basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the separate financial information was prepared, in all material respects, in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

Tel Aviv, March 22, 2022

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

		As of December 31	
		2021	2020
	Note	NIS thousands	NIS thousands
Assets			
Current assets			
Cash and cash equivalents	d.	100,889	596,119
Deposits and tradable securities		-	39,537
Current tax assets, net		3,938	3,903
Related party receivables		161,012	4,681
Other receivables		142,125	100,018
		407,964	744,258
Investment in associate held for sale		-	200,311
Total current assets		407,964	944,569
Non-current assets			
Long-term investments in securities:			
Securities designated at fair value through profit or loss		157,341	186,335
Investments in investees		8,803,641	7,372,212
Loans and capital notes to investees		2,771,668	2,097,386
Fixed assets, net		3,286	3,904
Other assets		90,531	63,430
Total non-current assets		11,826,467	9,723,267
Total assets		12,234,431	10,667,836

The attached notes constitute an integral part of the Separate Financial Information.

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

	Note	As of December 31	
		2021	2020
		NIS thousands	NIS thousands
Current liabilities			
Short term credit and current maturities of long term loans		5,454	791
Current maturities of bonds		476,133	346,750
Current tax liabilities		144,354	26,546
Related party payables		31,943	13,859
Other payables	e.	98,867	94,800
Total current liabilities		756,751	482,746
Non-current liabilities			
Bonds	f.	3,620,795	3,461,797
Long-term loans and credit facilities from banking corporations		-	593
Deferred tax liabilities	h.	218,360	311,356
Other liabilities		351	9,478
Total non-current liabilities		3,839,506	3,783,224
Equity		7,638,174	6,401,866
Total liabilities and equity		12,234,431	10,667,836

The attached notes constitute an integral part of the Separate Financial Information.

On behalf of the Board of Directors:

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

March 22, 2022

Alony-Hetz Properties and Investments Ltd., Profit and Loss Data

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Revenues and profits			
Group share in the profits of investees, net	1,642,180	283,982	1,068,159
Net profits (losses) from investments in securities at fair value against profit or loss	43,265	(15,250)	24,711
Net profits from changes in holding rate and realization of investments in investees	4,906	201,035	96,680
Management fee revenues from investees	19,462	15,090	27,561
Other revenues, net	4,278	62	579
	1,714,091	484,919	1,217,690
Costs and Expenses			
Administrative and general	37,116	29,975	34,876
Administrative and general for investees	1,569	1,552	1,555
Financing expenses (income) in respect of investees	(10,221)	5,854	16,077
Financing income	(12,291)	(726)	(12,018)
Financing expenses	111,112	97,312	109,022
	127,285	133,967	149,512
Profit before taxes on income	1,586,806	350,952	1,068,178
Taxes on income	28,859	47,954	112,078
Net profit for the period	1,557,947	302,998	956,100
Net earnings per share (in NIS):			
Basic	8.98	1.75	5.55
Fully diluted	8.91	1.74	5.52
Weighted average of share capital used in calculation of earnings per share (thousands of shares)			
Basic	173,455	172,784	172,170
Fully diluted	173,660	173,060	172,992

The attached notes constitute an integral part of the Separate Financial Information.

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	1,557,947	302,998	956,100
<u>Other comprehensive loss</u>			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	2,714	28,276	(89,601)
Profit from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in foreign activity, net of tax	102,478	89,051	153,855
Loss from exchange rate differentials in respect of cash flow hedging	(1,411)	(533)	(4,729)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,088	(17,678)	3,021
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,532	8,977	1,176
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit or loss following decrease in holding in associate	(3,557)	(13,250)	(11,213)
Company's share in other comprehensive loss of associates, net of tax	(256,720)	(341,722)	(411,647)
	(151,876)	(246,879)	(359,138)
	1,406,071	56,119	596,962

The attached notes constitute an integral part of the Separate Financial Information.

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Cash Flows - Operating Activities			
Net profit for the period	1,557,947	302,998	956,100
Income (expenses) not entailing cash flows (Appendix A)	(1,434,225)	126,847	(805,491)
	123,722	429,845	150,609
Changes in working capital (Appendix B)	23,257	181,631	27,673
Net cash provided by operating activities	146,979	611,476	178,282
Cash Flows - Investing Activities			
Investment in investment property funds	(26,205)	(12,024)	(61,716)
Proceeds from the repayment of investments in investment property funds	-	10,468	65,089
Investment in consolidated companies	(287,999)	(401,312)	(198,716)
Proceeds from the realization of long-term securities and securities intended for sale, net (from the payment of taxes)	210,873	-	-
Proceeds from the sale of shares of associate	-	1,359,305	440,373
Provision of loans and capital notes to investees	(739,102)	(193,935)	(1,109,421)
Decrease (increase) in deposits and tradable securities, net	44,507	942	(27,387)
Repayment of loans provided to investees	-	-	93,892
Investment in investees, net	-	(244,573)	(163,771)
Repayment of investment in investees	164	3,250	-
Cash provided by (used in) forward transactions designated for hedging	70,021	22,177	21,286
Others, net	(82)	(1,542)	(133)
Net cash provided by (used in) investing activities	(727,823)	542,756	(940,504)
Cash Flows – Financing Activities			
Proceeds from the issue of bonds and options convertible into bonds	647,258	-	1,318,037
Repayment of long-term loans	(797)	(363,666)	(879)
Proceeds from issues of shares and options	28,575	3,687	47,093
Repayment of bonds	(346,320)	(347,178)	(402,748)
Change in short-term credit and long-term credit facility from banks	4,881	(1,109)	(1,924)
Dividends paid to Company shareholders	(246,223)	(200,446)	(268,559)
Net cash provided by (used in) financing activities	87,374	(908,712)	691,020
Increase (decrease) in cash and cash equivalents	(493,470)	245,520	(71,202)
Effect of changes in exchange rates on foreign currency cash balances	(1,760)	(377)	(6,104)
Cash and cash equivalents at beginning of year	596,119	350,976	428,282
Cash and cash equivalents at end of year	100,889	596,119	350,976

The attached notes constitute an integral part of the Separate Financial Information.

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

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Adjustments Required to Present Cash Flows from Current Activity			
a. Income not entailing cash flows:			
Adjustment differences in respect of long-term liabilities and cash balances	(29,654)	(52,638)	(28,204)
Company share in profits of associates, less dividends and reductions of capital received	(1,358,794)	350,053	(756,006)
Losses (profits) relating to investments in long-term securities at fair value	(47,319)	18,342	(17,591)
Net loss (profit) from change in holding rate and realization of investments in investee	(4,906)	(201,035)	(96,680)
Net loss (profit) from tradable securities	(4,971)	398	(11,437)
Deferred taxes, net	2,730	7,679	100,558
Others, net	8,689	4,048	3,869
	(1,434,225)	126,847	(805,491)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in other receivables	(28,187)	155,065	22,806
Decrease (increase) in current tax assets, net	(35)	(817)	5,826
Decrease in other payables	26,923	13,432	(4,947)
Increase in current tax liabilities, net	24,556	13,951	3,988
	23,257	181,631	27,673
c. Non-cash activity			
Dividend receivable from associate	-	157,345	3,491
c. Additional information			
Interest paid	120,822	130,307	129,095
Interest received	4,385	593	195
Taxes paid	30,818	5,485	3,212
Taxes received	-	-	1,818
Dividends and capital reductions received	287,863	634,004	312,730

The attached notes constitute an integral part of the Separate Financial Information.

Alony-Hetz Properties and Investments Ltd. | Additional Information to the Separate Financial Statements

A. **General:**

The Company's separate Financial Statements have been compiled pursuant to provisions of Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970.

B. **Definitions:**

The Company – Alony-Hetz Properties and Investments Ltd.
Investee – As defined in the note on generally accepted accounting standards.

C. **Accounting policy:**

The Separate Financial Statements have been prepared in accordance with the accounting policy described in Note 2 to the Company's Consolidated Financial Statements, other than sums of assets, liabilities, revenues, expenses and cash flows with respect to investees, as detailed below:

A. Assets and liabilities reflect the assets and liabilities that are included in the Consolidated Financial Statements and are attributable to the Company itself as parent company (excluding investments in investees).

B. Investments in investee companies are presented according to the Company's share in the net amount of the total assets less the total liabilities included in the Company's consolidated financial statements.

C. The amounts of income and expenses reflect the income and expenses included in the consolidated statements attributed to the Company itself as a parent company, with a segmentation between profit or loss and other comprehensive income, except for amounts of income and expenses in respect of investees.

D. The Company's share in the results of investees is presented at the Company's share in the net amount of the total income less the total expenses included in the Company's consolidated statements and presenting the results of operations of investee companies, with a segmentation between profit or loss and other comprehensive income.

E. The cash flow amounts reflect the amounts included in the consolidated statements attributed to the Company itself as a parent company, including cash flows from transactions made between the Company and the investees, which were eliminated in the consolidated financial statements, and not including the cash flows from operations and transactions made in the investee companies.

   Loans granted to and/or received from investees are presented at the amount attributable to the Company itself as parent company.

F. Balances (including loans granted and received) and revenues and expenses with respect to transactions with investees that have been reversed on the consolidated financial statements are measured and presented under the relevant balance sheet items and gain/loss or comprehensive income, in the same manner these transactions would have been measured and presented had they been carried out with third parties.

D. **Cash and cash equivalents:**

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Cash and cash equivalents - denominated in NIS	6,835	595,588
Cash and cash equivalents - denominated in USD	6,316	470
Cash and cash equivalents - denominated in EUR	2	3
Cash and cash equivalents - denominated in CHF	6	16
Cash and cash equivalents - denominated in CAD	3	4
Cash and cash equivalents - denominated in GBP	87,727	38
Monetary funds	-	-
	100,889	596,119

E. **Other payables:**

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Interest payable with respect to bonds	73,835	77,965
Accrued expenses	17,628	10,363
Financial derivatives designated as hedging items	4,346	4,920
Others	3,058	1,552
	98,867	94,800

F. **Bonds** - For information regarding the Company's bonds, see Note 11 to the Consolidated Financial Statements.

Financial assets and liabilities:

(1) Financial Instrument Groups

	As of December 31	
	2021	2020
	NIS thousands	NIS thousands
Financial Assets		
Cash and Cash Equivalents and Tradable Securities:		
Cash and cash equivalents	100,889	596,119
Tradable securities	-	39,537
Loans and accounts receivable:		
Loans to associates	2,771,668	2,097,386
Loans and other receivables	175,590	11,586
Derivatives:		
Financial derivatives (contract for swapping the NIS principal and interest with CHF principal and interest)	17,826	21,744
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	17,338	5,426
Financial derivatives (forward contract for foreign currency swap) designated for hedging	182,409	128,817
Securities measured at fair value through profit and loss:		
Stocks	145	26,138
Real Estate Investment Fund	157,196	160,197
	3,423,061	3,086,950
Financial Liabilities		
Derivatives:		
Financial derivatives (forward contract for foreign currency swap) designated for hedging	1,077	7,267
Financial derivatives (contract for swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	-
Financial derivatives (foreign currency options)	268	1,012
Financial liabilities at amortized cost		
Other payables	116,735	91,281
Short-term credit and loans from banking corporations	5,454	1,384
Bonds	4,096,928	3,808,547
	4,220,462	3,909,491

(2) Liquidity Risk Management

Liquidity risk management is the responsibility of the Company's management, which manages short-, medium- and long-term financing and liquidity risk management plans according to the Company's needs. The Company manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Company manages liquidity risk by maintaining available credit facilities, banking and loan means, by continuously monitoring actual and expected cash flows and adjusting maturity characteristics of financial assets and liabilities.

a. Financial liabilities that do not constitute derivative financial instruments:

The following tables list the Company's remaining contractual maturity dates for financial liabilities, which do not constitute derivative financial instruments. The tables have been prepared based on the financial liabilities' non-discounted cash flows, based on the earliest date on which the Company may be required to repay them. The table includes cash flows in respect of both principal and interest.

	As of December 31, 2021						
	Average Effective Interest Rate	**Projected Cash Flow**	**First Year**	**Second Year**	**Third year**	**Fourth Year**	**Fifth Year and Thereafter**
	%	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Variable-interest USD loans	**1.71**	579	579	-	-	-	-
NIS bonds – unlinked with variable interest	**2.10**	1,430,516	30,775	30,775	353,829	346,073	669,064
Unlinked fixed-interest NIS bonds	**2.69**	2,384,559	166,897	282,404	324,530	193,480	1,417,248
Linked fixed-interest NIS bonds	**1.83**	469,078	239,431	229,647	-	-	-
USD bonds – fixed interest (*)	**3.69**	263,634	35,056	34,561	49,617	48,875	95,525
		4,548,366	472,738	577,387	727,976	588,428	2,181,837

	As of December 31, 2020						
	Average Effective Interest Rate	**Projected Cash Flow**	**First Year**	**Second Year**	**Third year**	**Fourth Year**	**Fifth Year and Thereafter**
	%	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Variable-interest USD loans	**1.74**	1,408	810	598	-	-	-
NIS bonds – unlinked with variable interest	**2.10**	1,461,291	30,775	30,775	30,775	353,829	1,015,137
Unlinked fixed-interest NIS bonds	**2.90**	1,649,093	145,831	202,263	159,718	152,067	989,214
Linked fixed-interest NIS bonds	**1.83**	701,444	243,369	233,815	224,260	-	-
USD bonds – fixed interest (*)	**3.69**	309,286	36,751	36,239	35,728	51,292	149,276
CHF bonds – fixed interest	**1.23**	121,742	7,038	6,256	41,972	32,065	34,411
		4,244,264	464,574	509,946	492,453	589,253	2,188,038

(*) The Company engaged in cross currency swap agreements with a financial entity in Israel so that the bonds (Series I) were converted into a liability in USD.

b. Financial assets:

The Company has several main sources for repayment of its financial liabilities. The sources include cash and cash equivalents in the amount of approx. NIS 101 million and unutilized credit facilities of NIS 650 million. In addition, the Company has non-encumbered tradable assets in the amount of approx. NIS 9.7 billion.

G. **Financial assets and liabilities: (continued)**

c. Financial assets and liabilities that constitute derivative financial instruments:
For a liquidity analysis of the Company's derivative financial instruments (including the currency swap forward contracts table as of December 31, 2021 and December 31, 2020) – see Note 22(3)(a) to the Company's consolidated financial statements.

(3) Consumer Price Index Risk

As of December 31, 2021 and December 31, 2020, the Company's net exposure to the Consumer Price Index was NIS 0.5 billion and NIS 0.8 billion, respectively (excess financial liabilities over financial assets). Because the Company considers its investment in Amot and part of its investment in Energix (the CPI-linked part) as an instrument that simulates investment in a CPI-linked financial asset over the long term, as of December 31, 2021 and December 31, 2020, this exposure amounts to a net amount of NIS 4.1 billion and 3.2 NIS billion, respectively (excess assets over liabilities).

Taxes on income:

(1) Deferred tax balances:

The composition and movement in deferred taxes as of December 31, 2021 is as follows:

For 2021	As of December 31, 2020	Allocated to Profit and Loss	Allocated to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2021
Hedging of foreign activity	29,968	6,142	30,082	(15,683)	50,509
Financial assets at fair value	(6,230)	1,273	-	-	(4,957)
In respect of associates	241,281	(7,367)	(2,288)	-	231,626
Tax losses	-	23,577	-	(106,682)	(83,105)
Others	46,337	(22,050)	-	-	24,287
	311,356	1,575	27,794	(122,365)	218,360

The composition and movement in deferred taxes as of December 31, 2020 is as follows:

For 2020	As of December 31, 2019	Allocated to Profit and Loss	Allocated to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2020
Hedging of foreign activity	14,288	-	21,309	(5,629)	29,968
Financial assets at fair value	(1,485)	(4,745)	-	-	(6,230)
In respect of associates	346,628	61,857	(17,488)	(149,716)	241,281
Tax losses	(100,141)	(49,575)	-	149,716	-
Others	46,195	142	-	-	46,337
	305,485	7,679	3,821	(5,629)	311,356

(2) Amounts for which deferred tax assets were not recognized:
For information regarding temporary differences with respect to investments in investees for which deferred tax liabilities were not recognized – see Note 20.h to the Consolidated Financial Statements.

(3) Taxes related to other comprehensive income components:

	Pre-tax Amounts	Tax Effect	After-tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income (net, after reclassification to profit and loss):			
For the Year ended December 31, 2021			
Profit (loss) from the translation of financial statements for foreign activities	(100,020)	290	(99,730)
Profit (loss) from exchange rate differentials in respect of loans intended for the hedging of investments in associates that constitute foreign activity, net of tax	134,350	(31,872)	102,478
Loss from exchange rate differentials in respect of cash flow hedging	(1,832)	421	(1,411)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	2,037	1,051	3,088
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,156	376	1,532
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit or loss following decrease in holding in associate	(4,819)	1,262	(3,557)
Company share in other comprehensive income (loss) of associates, net of tax	(146,768)	(7,509)	(154,277)
Total	(115,896)	(35,981)	(151,877)

H. Taxes on income (continued):

	Pre-tax Amounts NIS thousands	Tax Effect NIS thousands	After-tax Amount NIS thousands
Other comprehensive income (net, after reclassification to profit and loss):			
For the Year ended December 31, 2020			
Profit (loss) from the translation of financial statements for foreign activities	36,487	(8,211)	28,276
Profit (loss) from exchange rate differentials in respect of loans intended for the hedging of investments in associates that constitute foreign activity, net of tax	115,650	(26,599)	89,051
Loss from exchange rate differentials in respect of cash flow hedging	(692)	159	(533)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(24,548)	6,870	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	6,768	2,209	8,977
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit or loss following decrease in holding in associate	(22,310)	5,131	(17,179)
Company share in other comprehensive income (loss) of associates, net of tax	(337,071)	(722)	(337,793)
Total	(225,716)	(21,163)	(246,879)

	Pre-tax Amounts NIS thousands	Tax Effect NIS thousands	After-tax Amount NIS thousands

	Pre-tax Amounts NIS thousands	Tax Effect NIS thousands	After-tax Amount NIS thousands
Other comprehensive income (net, after reclassification to profit and loss):			
For the Year ended December 31, 2019			
Profit (loss) from the translation of financial statements of foreign activities	(89,601)	-	(89,601)
Allocation of loss (profit) from exchange rate differentials in respect of credit and derivatives designated for the hedging of an investment in an associate to profit and loss due to the decrease in the rate of holdings in the associate.	194,705	(40,850)	153,855
Loss from exchange rate differentials in respect of cash flow hedging	(4,729)	-	(4,729)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	3,021	-	3,021
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,176		1,176
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit or loss following decrease in holding in associate	(11,213)		(11,213)
Company share in other comprehensive loss of investees, net of tax	(444,363)	32,716	(411,647)
Total	(351,004)	(8,134)	(359,138)

(h) Taxes on income (continued):

(4) Tax expenses on income recognized in profit and loss:

	For the Year ended December 31		
	2021	2020	2019
	NIS thousands	NIS thousands	NIS thousands
Current tax expenses	1,545	48,210	11,331
Taxes in respect of previous years	24,584	(7,935)	189
Deferred tax income	2,730	7,679	100,558
Total tax expenses	28,859	47,954	112,078

(5) Additional information:

A. In December 2021, the Company signed an assessment agreement with the Income Tax Authority for the years 2015-2019, following which the Company paid taxes in the total amount of NIS 175 million in January 2022. The Company's books had full provisions, except for NIS 32 million which were recorded as tax expenses in previous years.

B. Tax rates applicable to the Company:
The income tax rate applicable to the Company and the consolidated companies in Israel in 2019-2021 is 23%.

(i) Engagements and significant transactions with related parties and interested parties:

(1) Loans

The following are detailed terms of the loans and capital notes that the Company granted to investees:

	Interest Rate	**As of December 31**	
	As of December 31	**2021**	**2020**
	2021	**NIS thousands**	**NIS thousands**
	%		
<u>Linkage Terms</u>			
Loans and capital notes to investees			
Unlinked NIS	-	2,131,994	2,097,386
Unlinked NIS	2.37%	639,674	-
		2,771,668	2,097,386

Engagements and significant transactions with related parties and interested parties (continued):

1. The Company has a balance of receivables from related party balances in the amount of NIS 161 million and NIS 5 million as of December 31, 2021 and December 31, 2020, respectively.
2. The Company has a balance of payables from related party balances in the amount of NIS 32 million and NIS 14 million as of December 31, 2021 and December 31, 2020.
3. For information regarding the management fees agreement with Amot – see Note 6.c(4) to the Consolidated Financial Statements published with this financial information. Management fees for 2021 amounted to a total of approx. NIS 9 million.
4. For information regarding the management fees agreement with Energix – see Note 6.e(5) to the Consolidated Financial Statements published with this financial information. Management fees for 2021 amounted to a total of approx. NIS 6 million.
5. Regarding the approval of transactions with controlling shareholders and officers or controlling shareholders – see Note 18 to the Consolidated Financial Statements published with this financial information.

Additional Information

1. For information regarding the Company's investments in the Brockton Funds - see Note 5(1) to the Consolidated Financial Statements published with this financial information.
2. For information regarding the Company's investments in the capital of Amot - see Note 6.c to the Consolidated Financial Statements published with this financial information.
3. For information regarding the Company's investments in the capital of Brockton Everlast Inc. Limited - see Note 6d. to the Consolidated Financial Statements published with this financial information.
4. For information regarding the Company's investments in the capital of Energix - see Note 6e to the Consolidated Financial Statements published with this financial information.
5. For information regarding the Company's investment in PSP, see Note 6h to the Consolidated Financial Statements published with this financial information.
6. For information regarding the Company's bonds, see Note 11 to the Consolidated Financial Statements published with this financial information.
7. For information on loans and credit facilities – see Note 12 to the Consolidated Financial Statements published with this financial information.
8. For information on developments in the Company's capital stock – see Note 16b to the Consolidated Financial Statements published with this financial information.
9. For information regarding the Company's dividend policy – see Note 16d to the Consolidated Financial Statements published with this financial information.
10. For information regarding the remuneration policy for employees and officers – see Note 16e to the Consolidated Financial Statements published with this financial information.
11. For information regarding events subsequent to the balance sheet date – see Note 25 to the Consolidated Financial Statements published with this financial information.

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Image of The Dovetail Buliding, London

Annual Report on the Effectiveness of the Internal Control on Financial Reporting and Disclosure according to Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 controls over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;
2. Moti Barzilay, VP of Business Development;
3. Oren Frenkel, Chief Financial Officer;
4. Hanan Feldmus, Legal Counsel;

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

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

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

Management, under the supervision of the Board of Directors, conducted an examination and assessment of the internal control over financial reporting and disclosure in the corporation and its effectiveness.

The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by management under the supervision of the Board of Directors was carried out with the implementation of the guidelines published by the Securities Authority in November 2010 in connection with the implementation of the evaluation of the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, in accordance with Regulation 9b of the Securities Regulations (Periodic and Immediate Reports), 1970.

Management's assessment of the effectiveness of internal control over financial reporting and disclosure under the supervision of the Board of Directors: A process based on the Corporation's assessment of risks pertaining to the financial reporting and disclosure.

The Company's management, under the supervision of the Board of Directors, examined the potential risks of material misstatement in the financial statements, based on its knowledge of the Corporation, its operations, organizational structure and its various processes, and based on its understanding of the Corporation's reporting and disclosure risks. The Company's management focused on the financial reporting items and on disclosure items which may be more likely to include a material error. The Company's management, under the supervision of the Board of Directors, has also examined the planning and operational effectiveness of the controls and the procedures that adequately address these risks.

The Company's assessment of the effectiveness of the internal control was based on the following four components:

1. Organization-level controls;
2. General information system controls;
3. Controls over the processes for closing the accounting period and preparing financial statements and disclosure;
4. Controls in very significant business processes:
   - Very significant business process – investments in companies.
   - Very significant business process – accounts and debt management.
   - Very significant business processes in the subsidiary Amot Investments Ltd. (hereinafter: "**Amot**"): investment property and revenues from rental fees and investment property management.
   - Very significant business processes in the subsidiary Energix Renewable Energies Ltd. (hereinafter: "**Energix**"): procurement for projects and revenues from the sale of electricity and green certificates.

- Very significant business processes in the subsidiary Brockton Everlast Inc. Limited (hereinafter: "**BE**"): investment property and revenues from rental fees of investment property.

Evaluation of the general effectiveness, including: Updating of the document "Mapping and Identifying the Accounts and Business Processes" regarding the processes which the Company considers to be very significant for the financial reporting and disclosure.
Updating of the processes and controls, examining key controls and examining the effectiveness of controls in the context of internal control components.
Performing a validation (testing) process for the effectiveness of internal control on the financial reporting and disclosure.

The management of the subsidiaries, Amot, Energix and BE, independently performed, each in relation to itself, the process of assessing the effectiveness of the internal control over financial reporting and disclosure under the supervision of the Amot, Energix and BE Boards of Directors, respectively. With regard to Amot, Energix and BE, the Company's Board of Directors and management relied on the process of examining and assessing the effectiveness of internal control and the report on the effectiveness of the internal control over the financial reporting and disclosure reported by the Amot management, the Energix management and the BE management.

Based on the management's assessment of the effectiveness under the supervision of the Board of Directors as described above, and based on the assessment of the effectiveness of the Amot management, the Energix management and the BE management under the supervision of the Amot Board of Directors, the Energix Board of Directors and the BE Board of Directors, respectively, **the Company's Board of Directors and management have concluded that the internal control over the financial reporting and disclosure in the Corporation, as of December 31, 2021, is effective.**

Executive statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement

Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have reviewed the periodic reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2021 (hereinafter: "**the Reports**");

2. To the best of my knowledge, the statements do not include any misrepresentation of a material fact nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

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

B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

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

B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as of the reporting date.

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

March 22, 2022

Signature, Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 9B(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970.

Executive Statement

Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have reviewed the financial statements and other financial information included in the reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for 2021 (hereinafter: "**the Statements**");

2. To the best of my knowledge, the financial statements and other financial information included in the reports do not include any misrepresentation of a material fact and do not lack the representation of a material fact that is necessary in order that the representations included therein, in view of the circumstances in which those representations are included, not be misleading in relation to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

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

B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

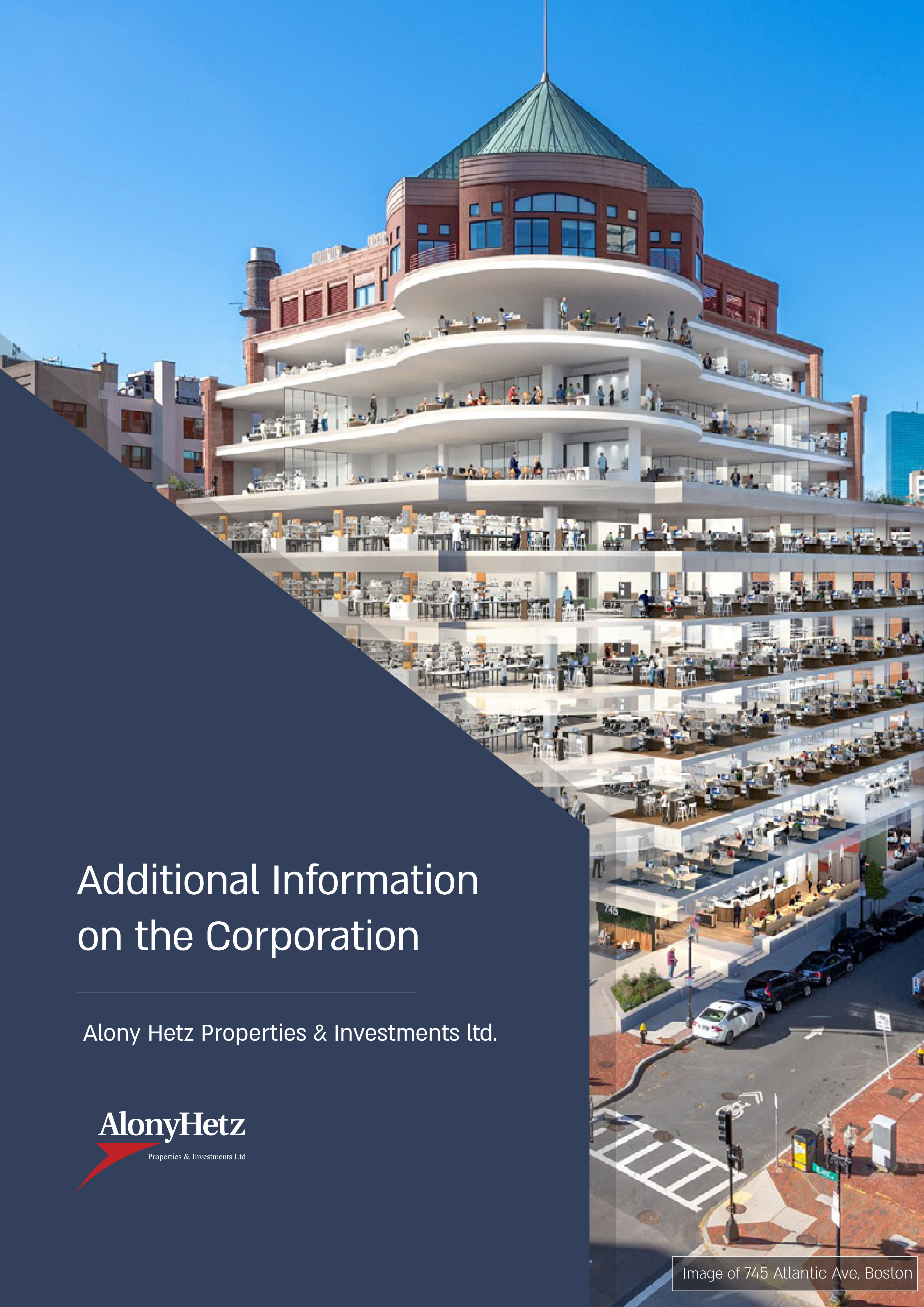
A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent that it is relevant to the financial statements and to other financial information included in the statements, is brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –

B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports as of the reporting date; my conclusions regarding my assessment have been brought up before the Board of Directors and management, and are integrated into this report.

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

March 22, 2022	Signature, Oren Frenkel, Chief Financial Officer;



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Additional Information on the Corporation

Alony Hetz Properties & Investments ltd.

Additional Information on the Corporation

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970

(Hereinafter: "**the Regulations**")

Contents

Company Name:	Alony-Hetz Properties and Investments Ltd.
Company registration no.:	520038506
Address:	Address: Amot Atrium Tower, 2 Jabotinsky Street, Ramat Gan
Telephone:	03-7521115
Fax:	03-7514730
Email:	office@alony-hetz.com
Website:	www.alony-hetz.com
Balance Sheet Date:	December 31, 2021
Date of the report:	March 22, 2022
Reporting period:	The year ended December 31, 2021

All data in this report is presented in the presentation currency, as defined in Note 2(i) to the financial statements, unless stated otherwise.

Regulation 10c – Use of Proceeds from Securities with Reference to Proceeds' Designation according to the Prospectus

In the Company's shelf prospectus dated May 6, 2021 ("**the Shelf Prospectus**") and in the previous shelf prospectus, no amount was raised. In the above shelf prospectuses, it was determined that if securities are offered according to the shelf prospectuses, the proceeds received from these offerings will be designated for various purposes, as the Company decides from time to time and/or as specified in the shelf offer report. During 2021 and subsequent to the date of the report, the Company raised debt through shelf offering reports. The consideration received in respect of these issues is intended for the Company's ongoing operations, including the recycling of existing debt and/or investing, according to the decisions of the Company's Board of Directors and/or the Company's management from time to time.

Regulation 11 – Investments in significant subsidiaries and significant associates as of December 31, 2021

A.

Company Name	Number of Shares/ Participation Units	Market Value as of December 31, 2021 NIS thousands	Balance Sheet Value as of December 31, 2021 NIS thousands	Ownership as of the Balance Sheet Date	Right to Appoint Directors
Amot Investments Ltd.	245,718,872	6,211,773	4,192,979	55.52%	55.52%
Amot Investments Ltd. - option warrants (Series 11)	2,880,000	5,587	4,950	-	-
Energix – Renewable Energies Ltd.[1]	260,352,283	3,449,668	769,069	53.33%	53.33%
Carr properties Holdings LP	707,338,514	-	2,989,790	55.77%	50%
Brockton Everlast Inc.	457,947,783	-	2,854,231	97.26%	Regarding the right to appoint directors in BE, see Note 6.d.4 to the financial statements.

B. Material loans and material capital notes issued (received) by the Company to subsidiaries and associates:
As of December 31, 2021, the Company has capital notes to subsidiaries, wholly owned by the Company, in the amount of NIS 2.8 million. For additional information, see Note (h)(1) to the separate reports.

Regulation 12 – Changes in Investments in Significant Subsidiaries and in Significant Associates in the Reporting Period

Date	Description	Company Name	Number of Shares/Units/Options	Cost (Proceeds) in NIS thousands
February 2021	Investment in units	BE(*)	46,337,370	206,704
March 2021	Investment in units	BE(*)	22,026,260	100,543
April 2021	Investment in units	BE(*)	30,945,710	135,975
June 2021	Investment in units	BE(*)	10,136,590	44,533
July 2021	Investment in units	BE(*)	12,238,690	63,755
September 2021	Investment in units	BE(*)	4,085,210	20,917
September 2021	Purchase of shares as part of a public offering	Amot	12,000,000 shares of common stock and 2,880,000 option warrants (Series 11)	287,999
December 2021	Investment in units	BE(*)	20,956,520	99,005

(*) Indirectly, through wholly owned private subsidiaries. The investment is in units of Brockton Holding LP, which owns BE.

1 The par value of Energix shares is NIS 0.01 PV per share.

Regulation 13 – Income from significant subsidiaries and associates and the corporation's income from them for the year ended December 31, 2021 (in Thousands of NIS) (*)

Company Name	Net Profit (Loss) for the Period	Other Comprehensive Income (Loss) for the Period	Dividend / Capital Reduction Received	Management Fees and Participation in Expenses, net	Interest Income (Expenses), net
Amot Investments Ltd.	932,186	-	236,722	9,128	-
Energix – Renewable Energies Ltd.	79,204	(74,100)	46,864	5,765	-
Carr Properties Holdings LP (*)	115,587	83,264	(**) 91,036	384	-
Brockton Everlast Inc.	994,332	1,003,908	51,884	533	6,442

(*) The data for net income for the period and other comprehensive income include non-controlling interests.

(**) Including receipts in the amount of NIS 87.2 million in respect of 2021 received in 2020.

Regulation 20 – Trading on a Stock Exchange – Securities Listed for Trade – Dates and Reasons for Suspension of Trade

- During 2021, 1,179,576 non-tradable option warrants, which were issued to directors, officers and employees, were exercised for NIS 1,179,576 PV shares of common stock.
- There was no suspension of trading during the reporting period, except in respect of the publication of financial statements.

Regulation 21 – Remuneration of Interested Parties and Senior Officers

21.1. The following are details regarding the remunerations granted in the reporting year, as recognized in the Company's financial statements for the reporting year, which were paid to each of the nine highest remunerated senior officers of the Company or in a corporation under its control that were granted in connection with their term in the Company or in a corporation under the Company's control (of which, 3 officers serve in the Company itself) (the data are in NIS thousands):

Recipient Details				Remuneration for Services				Benefit in respect of Share-based Payment	Value of Additional Benefits	Total
Name	**Position**	**Employment Percentage**	**Holdings in Company Capital**[2]	**Management Fees / Wages**[3]	**Annual Bonus**	**Deferred Bonus**	**Total**			
Mr. Jason Blank	Deputy Chairman of the Board of Directors and President Brockton Everlast Inc.	Full time	-	3,538	15,747	-	19,285	51	[4] 71	19,407
Mr. Richard Selby	Chief Investment Manager Brockton Everlast Inc.	Full time	-	3,538	15,747	-	19,285	51	56	19,392
Mr. Mr. David Marks	CEO Brockton Everlast Inc.	Full time	-	3,538	15,747	-	19,285	51	43	19,379
Mr. Oliver Carr[5]	Carr CEO	Full time	-	1,710.5	1,710.5	-	3,421	[6]6,568	-	9,989
Mr. Nathan Hetz	CEO	Full time	14.44%	3,344	1,229	1,229	5,802	-	[7]151	5,953
Mr. Moti Barzilay	VP of Business Development	Full time	-	2,067	1,100	-	3,167	1,000	[7] 151	4,318
Mr. Oren Frenkel	CFO	Full time	-	1,520	820	-	2,340	721	[7] 134	3,195

21.2. Additional information on the terms of employment of senior officers

21.2.1. Background – remuneration policy:

On October 9, 2018, the Company's General Assembly approved the remuneration policy for officers that adopts a policy implementation document in effect from January 1, 2019 for the years 2019-2021 (hereinafter: the "**Existing Remuneration Policy**"). For additional information regarding the existing remuneration policy, please refer to the Supplemental Immediate Report for the convening of the General Assembly on October 4, 2018 (Ref: 2018-01-092115) and to the Immediate Report on the Results of the General Assembly published on October 9, 2018 (Ref: 2018-01-094626) (together: "**the October 2018 Assembly Reports**").

On October 6, 2021, the Company's General Assembly approved the remuneration policy for officers for the years 2022-2024, which is based on the existing remuneration policy (hereinafter: the "**New Remuneration Policy**"). For additional information regarding the new remuneration policy, please refer to the Immediate Report for the convening of the General Assembly on August 25, 2021 (Ref: 2021-01-137562) and to the Immediate Report on the Results of the General Assembly published on October 6, 2021 (Ref: 2021-01-152283) (together: "**the October 2021 Assembly Reports**").

21.2.2. Company CEO.

On October 9, 2018, the General Assembly confirmed terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2019. On October 6, 2021, the General Assembly confirmed terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2022. For additional information, see the 2018 Assembly Reports, the 2021 Assembly Reports and Note 18(a) to the financial statements.

2 Holdings in Company capital as of December 31, 2021 (not including reference to options in circulation of each officer).
3 With the exception of Oliver Carr, Avshalom Mosler, Asa Levinger, Jason Blank, David Marks and Richard Selby, who receive remuneration as wages, the other remunerations recipients receive management fees.
4 Mainly for insurance benefits.
5 The amounts stated in relation to Carr's CEO are the amounts appearing in Carr's financial statements, which are attached to this periodic report. The Company's share as of the balance sheet date is 44.19%.
6 The amount stated does not include dividends received in respect of LTIP units that have not yet vested in the amount of NIS 27.5 thousand.
7 Mainly for a company car benefit.

21.2.3. Other Senior Officers

1. VP of Business Development

The Company has an agreement with Mr. Moti Barzilay dated June 26, 2019 (as amended in January 2022, which has replaced and canceled, as of April 1, 2019, an earlier agreement dated June 20, 2011, as amended from time to time), for management services as the Company's VP of Business Development. Under the agreement, each party may terminate the agreement at any time, with written notice of 6 months. According to the agreement, the monthly management fees for February 2022 were approx. NIS 175 thousand (including linkage differences), with the base index being the CPI for February 2019 (the management fees will not be less than the above nominal amount). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the VP of Business Development for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2022 meetings, the Remuneration Committee and the Board of Directors decided the following:

a.) Annual cash bonus for the year 2021 in the amount of NIS 1,100 thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy.
b.) Capital bonus for 2022 with an economic value of NIS 1,080 thousand, according to the new remuneration policy - see paragraph 3 below.
c.) Update of the monthly management fees paid to the VP of Business Development, starting from the salary paid for April 2022 in the amount of NIS 180 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount).

Regarding the officers liability insurance and provision of exemptions and indemnities to the VP of Business Development, see Note 18c(3) to the financial statements.

2. CFO

The Company has an agreement with Mr. Oren Frenkel (as amended in January 2022, which replaced a previous agreement from April 2019) for the receipt of management services as the Company's CFO. Under the agreement, each party may terminate the agreement at any time, with advanced written notice of 6 months. According to the agreement, the monthly management fees for February 2022 were approx. NIS 129 thousand (including linkage differences), with the base index being the CPI for February 2019 (the management fees will not be less than the above nominal amount). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the CFO for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2022 meetings, the Remuneration Committee and the Board of Directors decided the following:

a.) Annual cash bonus for the year 2021 in the amount of NIS 820 thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy.
b.) Capital bonus for 2022 with an economic value of NIS 1,080 thousand, according to the new remuneration policy - see paragraph 3 below.
c.) Update of the monthly management fees paid to the VP of Finance, starting from the salary paid for April 2022 in the amount of NIS 135 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount).

Regarding the officers liability insurance and provision of exemptions and indemnities to the CFO, see Note 18c(3) to the financial statements.

3. Capital remuneration for the VP of Business Development and for the CFO

The following are details on option warrants (non-tradable) exercisable into Company shares, which, according to the remuneration policy and according to the Company's existing remuneration policy, have been allocated to the Company's VP of Business Development and to the CFO and have not yet been exercised as of the publication of this report, and option warrants for which a decision was made for their allocation on March 22, 2022, but have not yet been allocated:

Date of the Board of Directors' Decision to Grant the Options	VP of Business Development	VP of Business Development	Chief Financial Officer	Chief Financial Officer
	Economic Value of the Options in NIS thousands on the Grant Date	Number of Options	Economic Value of the Options in NIS thousands on the Grant Date	Number of Options
19.3.2019	1,000	215,556	725	156,278
18.3.2020	1,000	447,748	720	322,378
16.3.2021	1,000	107,373	720	77,309
22.3.2022	1,080	81,276	810	60,957

4. According to the agreements signed with the Company's VP of Business Development and the CFO, they are entitled to a company car and mobile phone. In addition, the agreements with them determine that management fees will also be paid for up to 22 business days (monthly gross) per calendar year, in which the management services are not provided and that failure to provide management services for a period of up to 18 business days per calendar year as a result of illness will not impact the payment of full management fees.
The management agreements with the Company's VP of Business Development and the CFO determine that the officers will repay the company or receive from the company, as applicable, amounts paid or which should be paid to them as a capital bonus or a cash bonus, if the amounts paid to them were paid on the basis of data that turned out to be misrepresented and restated in the Company's financial statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the Company's VP of Business Development and/or to the VP of Finance, as the case may be.

5. Carr CEO –

The Carr CEO, Mr. Oliver Carr (hereinafter: "**the Carr CEO**"), has an agreement with a wholly owned subsidiary of Carr Properties Corporation (hereinafter, in this section: "**Carr**"), dated March 1, 2020 (hereinafter, in this section only: "**the Agreement**") (Carr and its subsidiaries will hereinafter be referred to as: "**the Carr Group**"). The new agreement is in effect until December 31, 2025 and will be automatically renewed in one year, unless it is canceled with 30 days' advance notice by one of the parties.

According to the agreement, the CEO of Carr is entitled to basic consideration of USD 550,000 per year[8] (before social benefits), and to an annual cash bonus for reaching Carr Group targets and personal targets set by the Carr Board of Directors, based on the yearly work plan and operation plan as will be established from time to time by the Carr Board of Directors, while consulting with the CEO of Carr (hereinafter: "**the Annual Bonus**"). The amount of the annual bonus payable, subject to adjustments as detailed below, will be USD 550,000 (hereinafter: "**the Target Bonus**"). The annual bonus that will actually be paid may be higher or lower than the target bonus depending on the results and objectives achieved in that year and subject to a minimum and maximum amount. The annual bonus will be paid on the basis of Carr's audited annual financial statements, approved by Carr's Board of Directors, immediately after Carr's Board of Directors has determined that the targets have been reached but no later than March 15 of the subsequent year. Carr's Board of Directors decided to grant the CEO an annual bonus of USD 550 thousand in respect of 2021.

According to the agreement, the Carr CEO is subject to non-compete, non-solicitation and confidentiality conditions customary in the U.S.

The Carr CEO serves as a director in Carr Group companies for no additional payment.

8 This amount is updated by a rate of 3% per year, as is customary in the U.S.

According to the agreement, the Carr CEO is entitled to directors' and officers' insurance, to 35 days of paid absence, due to vacation or illness (with certain accrual rights), reimbursement of reasonable expenses incurred on the job and for the promotion of Carr Group business, as is customary in Carr, and participation in senior executive remuneration plans that the Carr Group will adopt from time to time, such as retirement benefits and/or other social benefits, as well as participation in the LTIP capital remuneration plan, as detailed below.

In the event of the initial listing of Carr (or another company in the Carr Group) for trading on the US Stock Exchange, the terms of employment of Carr's CEO will be rediscussed but will not be less than the remuneration terms determined in the agreement.

As of the reporting date, Carr's CEO holds, directly and indirectly, 0.173% of Carr's capital rights.

Long-term incentive plan – (hereinafter, in this section: "**the LTIP Plan**" or "**the Plan**"): On March 7, 2018, Carr's Board of Directors decided to adopt a new long-term remuneration plan for Carr employees. During the years 2018-2021, Carr's Board of Directors decided to allocate units from this plan to the Carr CEO, as follows:

THE PLAN	GRANTING DATE	ON THE GRANTING DATE	ON THE GRANTING DATE	AS OF DECEMBER 31, 2021	AS OF DECEMBER 31, 2021
The Plan	**Granting Date**	**Number of Units Allocated**	**Economic Value of Allocated Units in USD thousands**	**Number of Units**	**Economic Value of Allocated Units in USD thousands** [9]
2018 Performance-based units	1.6.2018	938,266	1,317	0	0
2018 Time-based units	1.6.2018	468,430	658	(*)468,430	638
2019 Performance-based units	1.6.2019	953,892	1,317	953,892	1,299
2019 Time-based units	1.6.2019	476,231	658	476,231	648
2020 Performance-based units	1.6.2020	982,587	1,317	982,587	1,338
2020 Time-based units	1.6.2020	491,294	658	491,294	669
2020 Special grant	1.6.2020	4,029,851	5,400	4,029,851	5,486
2021 Performance-based units	31.3.2021	497,606	658	497,606	677
2021 Time-based units	31.3.2021	995,213	1,317	995,213	1,355

(*) Of which 234,215 units vested and were converted into units as of December 31, 2021, while the balance vested on March 15, 2022.

The LTIP program consists of:

a.) Performance-based units, in which a minimum cumulative return of 18% is required during the 3 years of vesting of the plan, as a condition for the vesting of the units.

b.) Time-based units that vest at the end of 3 years from the date of their granting.

6. **Senior executives at Brockton Everlast Inc.**

Jason Blank (Deputy Chairman of the Board of Directors and President of BE), David Marks (BE CEO) and Richard Selby (Chief Investment Manager) constitute the active senior management team of Brockton Everlast Inc. (hereinafter: "**BE Managers**" and "**BE**", respectively). Two of BE's managers, Jason Blank and David Marks, also serve as directors of BE. The main terms of engagement with the BE managers until the end of 2025, as agreed under the partnership agreement, are as follows:

a.) An annual remuneration for each of the BE managers, including related expenses, of GBP 875,000 in return for their work at BE. This amount also includes GBP 20,000 for directors' wages. During 2021, each of the BE managers waived approx. GBP 33 thousand of his salary. During 2022, their wages will be updated in line with what is customary in the industry at that time, taking into consideration public real estate companies with similar assets in the UK.

Brockton managers will also be entitled to this salary for absence from work for annual vacation and for sick leave.

b.) Under the Long Term Incentive Plan ("**LTIP**") adopted by BE, BE executives are entitled to 60% of an amount equal to 14% of the future growth in BE's NAV beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2018 to December 31, 2021 (hereinafter: "**the**

9 The stated economic value is in accordance with NAV as of December 31, 2021.

First Period") and the second from January 1, 2022 to December 31, 2025 (hereinafter: "**the Second Period**"), where the second period includes a maximum grant ceiling (to all BE employees) of GBP 40 million. The BE managers must invest in BE 50% of the consideration received by them (less tax) under the LTIP plan, in exchange for the allotment of BE shares[10].

In this context, for the First Period, in March 2022, the Company paid each of BE's managers a cash bonus in the amount of approx. GBP 3.7 million (approx. NIS 15.7 million). In addition, each of BE's managers invested approx. GBP 2.5 million (approx. NIS 10.5 million) in BE's capital against the allocation of units at a price of GBP 1 per unit (compared to a unit value of GBP 1.472), reflecting a benefit of GBP 1,180 thousand (approx. NIS 5 million) to each of the BE managers.

c.) As part of a cash remuneration plan, the BE managers will be entitled, in the second period, to an annual bonus of GBP 2.5 million, and a total of GBP 10 million for the entire second period, subject to targets to be determined by BE's Board of Directors.

d.) The BE managers are committed to secrecy, non-solicitation of employees and non-competition. The agreement with them includes a mechanism determining different results, including expropriation of their holdings in BE, in the event that one of them ceases working at BE on a date before 2025, whether voluntarily or if they violated their commitment to BE.

As of December 31, 2021, the holdings of the BE managers in BE was approx. 2.74%, and as of the date of publication of this report they amount to 3.7%.

21.3. Details of the remuneration granted to interested parties in the Company not listed in Section 1 above, by the Company or by a corporation under its control

21.3.1. Chairman of the Company's Board of Directors

For information on the existing management agreement with the Chairman of the Company's Board of Directors and for the capital remuneration granted to the Chairman of the Board of Directors, see Note 18b to the financial statements as well as the 2018 Assembly Reports.

On October 6, 2021, the General Assembly approved changes in the terms of the management agreement of the Chairman of the Company's Board of Directors regarding the years 2022-2024. For additional information, see the 2021 Assembly Reports and Note 18b to the financial statements.

21.3.2. Remuneration of directors

For details regarding the remuneration of directors and capital remuneration of directors, see Note 18c to the financial statements.

On March 22, 2022, the Company's Board of Directors, in accordance with the remuneration policy and the decision of the General Assembly dated October 6, 2021, decided to allocate 204,172 option warrants to directors and officers[11] (it was also decided to grant 28,069 options to the Chairman of the Board), and from this amount, 22,430 options will be allocated to 6 directors not employed by the Company, at an economic value for each director of half of the annual remuneration to which the directors are entitled due to their position on the Board of Directors (not including compensation for participation in the meetings for the year ended December 31, 2021)[12]. The options will be allocated according to an option plan in accordance with Section 102 in a capital track with a trustee adopted by the Company's Board of Directors on February 19, 2018, as amended in October 2021.

21.3.3. Exemption and indemnity

Regarding letters of exemption and letters of indemnity that were given to the Company's directors and officers, see Note 18d to the financial statements.

21.3.4. Liability insurance for officers

Regarding officers' liability insurance, including directors' liability insurance, see Note 18d to the financial statements.

10 The share price will be GBP 1 per share in relation to the First Period and will be determined according to the equity per share (IFRS) on the date of the investment in relation to the Second Period.

11 In addition, the Board of Directors' decision also included an approval to allocate 40,638 options to Company employees.

12 NIS 55,502. It should be noted that regarding Ms. Gittit Guberman, options with an economic value of NIS 20.5 thousand will be allocated, in respect of the relative period in 2022 until the end of her service (May 15, 2022).

Regulation 21A – The Company's Controlling Shareholders

The Company does not have a controlling shareholder.

Regulation 22 – Transactions with Controlling Shareholders or Transactions in which Controlling Shareholders have a Personal Interest

As stated in Section 21A above, the Company does not have a controlling shareholder.

For details, to the best of the Company's knowledge, regarding any transaction carried out in 2019 until November 26, 2019 or earlier, which was in effect at that time with those who were until November 26, 2019 the controlling shareholders of the Company until November 26, 2019, or anyone for whom a controlling shareholder in the Company had a personal interest in its approval (hereinafter: "**transaction with a controlling shareholder**") to whom the Company, companies under its control and related companies engaged with them in 2019 up to the date the Company no longer had a controlling shareholder, see Regulation 22 of the Additional Information chapter of the 2019 periodic report, published by the Company on March 19, 2020 (Ref: 2020-01-026631) (hereinafter: "**the 2019 Periodic Report**").

Regulation 24 – Shares and other Company Securities Held by Interested Parties and Senior Officers in the Corporation

For details regarding holdings of interested parties and senior officers in shares and other securities of the Company, and in the securities of Amot and Energix as of December 31, 2021, see the amended immediate report published by the Company on January 9, 2022 (Ref: 2022-01-004537) (hereinafter, in this section: "**the immediate report**"). The information presented in the immediate report is presented here by way of reference.

Regulation 24A – Registered and Issued Capital and Convertible Securities, as of March 22, 2022

	NUMBER OF CONVERTIBLE SHARES/SECURITIES
Registered capital	(*) 1,000,000,000
Issued capital	174,383,785
Issued capital held by shareholders who are not the Company or a subsidiary	**174,298,445
Issued capital owned by the Company (dormant shares)	85,340
Non-tradable options to employees and officers[13]	1,976,908

(*) Of which 500,000,000 are regular shares and 500,000,000 are preferred shares.

(**) This total does not include 85,340 dormant shares owned by the Company.

Regulation 24B – Shareholders' Registry

For the Company's shareholders' registry, see the immediate report published by the Company on February 28, 2022 (Ref: 2022-01-023899). The information presented in the report is presented here by way of reference.

Regulation 25A – Registered Address

See the beginning of first page of this report for Additional Information Regarding the Corporation (Page 2 above).

13 It should be noted that on March 22, 2022, the Company's Board of Directors approved the allocation of 272,879 option warrants to the Chairman of the Company's Board of Directors, to the directors, officers and employees, which, as of the publication of this periodic report, have not yet been allocated and which have not been taken into account.

Regulation 26 – The Corporation's Directors

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	GITIT GUBERMAN	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	MIA LIKVERNIK
ID:	055585277	51673192	33433152	54048574	051112027	001331206	028951192	054133632
Date of birth:	25.10.1958	7.10.1952	8/10/1976	24.1.1956	20/11/1951	9/04/1949	25/09/1971	29.12.1956
Address:	8 Hatarbut, Ramat Hasharon	12 Litvinsky, Ramat Gan	1 Simtat HaRimon, Rishpon	11 A.D. Gordon, Jerusalem	11 Smadar, Carmei Yosef	22a Hatet-Zayin, Tel Aviv	1 Yafe Nof, Givatayim	Be'eri 12, Tel Aviv
Citizenship:	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on Board of Directors committees:	No	No	No	Member of the Financial Statement Examination Committee, Audit Committee and Remuneration Committee	No	Member of the Audit Committee (Chairman), Financial Statement Approval Committee and Remuneration Committee	Member of the Audit Committee, Financial Statement Approval Committee (Chairman) and Remuneration Committee (Chairman)	Member of the Financial Statement Examination Committee and Audit Committee from March 22, 2022.
Independent/external director?	No	No	No	Yes - independent director	Yes - independent director	Yes - external director	Yes - external director	Yes - independent director
Employed by the corporation, a subsidiary, a related company or an interested party?	Active salaried Chairman of the Board of Directors	Company CEO since January 1, 1993	No	No	No	No	No	No
In office as of:	November 26, 1996	October 28, 1990	August 16, 1998	May 16, 2013	November 23, 2015	May 13, 2018	July 12, 2018	November 15, 2021
Education:	BA Degree in Business Administration and Accounting – College of Management, Academic Studies, Certified Public Accountant.	BA in Economics and Business Administration, Bar Ilan University, BA in Accounting, Tel Aviv University, Certified Public Accountant.	Ph.D in Neuroscience, Haifa University, MBA in Business Administration, the Hebrew University of Jerusalem, MSc in Neurobiology (Neuroscience), Haifa University, BSc in Marine Biology from Ruppin College.	MA in Business Administration and Economics, BA in Mathematics, Economics and Supplementary Studies, BA in Law, all from Hebrew University of Jerusalem. Certified Attorney at Law.	BA in Economics, Ben Gurion University, MA in Public Administration, Harvard University.	BA in Economics, Tel Aviv University, PhD in Economics, University of Minnesota	BA in Business Administration with Specialization in Accounting, College of Management Academic Studies MBA in Business Administration, Ben Gurion University	MA in History of the Middle East and Africa and BA in Law, Tel Aviv University Studying for MA in Gender Studies, Tel Aviv University Certified Attorney at Law.

Employment over the past five years:	Alony-Hetz Properties and Investments Ltd.	Company CEO from January 1, 1993, Chairman of the Board of Directors of Amot Investments Ltd., Chairman of the Board of Directors of Energix Renewable Energy Ltd., Chairman of the Board of Directors of Carr Properties and Chairman of the Board of Directors of Brockton Everlast.	PhD student of Neuroscience – Haifa University. Director at Eden Energy Discoveries (until May 2017), Chairman of the Hetz Center at the Givat Olga Technoda, CEO of Hetz Umatara NGO.	Director and Chairman of the Audit Committee at the Company for the Management of Remuneration and Pension Funds of Jewish Agency Employees Ltd., external director at Chum Food products (Israel) Ltd., member of the Audit Committee and the Remuneration Committee at Chum until December 2017.	Head of the Institute for National Security Studies INSS (until May 2021), Chairman of the Ben Gurion Heritage Institute on a voluntary basis, Chairman of the Fidel Association on a voluntary basis. Owner of an international lecture and consulting company.	Professor of Economics, Dean of the Tiomkin School of Economics and Head of the Aharon Institute for Economic Policy at Reichman University, lecturer on Economics at Wharton School of Business Administration at the University of Pennsylvania, academic and strategic advisor at the Center for Financial Growth, Bank Hapoalim and economic consultant for Brevan Howard Investment until July 2017.	Head of the Accounting program and Deputy Dean of the Arison School of Business Administration at Reichman University, academic supervisor for accounting courses and academic consultant for accounting at the Open University, the Department of Management and Economics, owner and CEO of IFRS Consulting.	Founder and Chairman of Keshet Donor Fund (Public Benefit Company); External lecturer for Master's Degree in the Tel Aviv University Law Department.
Serves on the board of directors of:	The Company (Chairman), Amot Investments Ltd., Energix Renewable Energies Ltd., PSP Swiss Property AG, Carr Properties Corporation and director in consolidated companies of the Company, of Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies and in private companies owned by him and by family members.	The Company, Amot Investments Ltd. (Chairman), Energix Renewable Energy Ltd. (Chairman), Carr Properties Corporation (Chairman), Brockton Everlast Inc. (Chairman), director in the consolidated companies of the Company, of Energix, and of Carr, in joint companies of Alony-Hetz Properties and Investments Ltd. and of Oxford Properties and director in private companies	The Company, Feat Fund Investments - Limited Partnership.	The Company and the Company for the Management of Remuneration and Pension Funds of Jewish Agency Employees Ltd.	The Company, Ben Gurion Heritage Institute, Chairman of the Fidel Fund.	External director in the Company.	External director in the Company, Director at the Israeli Association of Valuators (Non-Profit), external director at Midroog Ltd.	The Company, Keshet Donor Fund (Chairman, Public Benefit Company); Israel Museum, Hebrew University (Board Member) and Clal Holdings.

		under its ownership and under the ownership of his family.						
Family member of another interested party in the corporation?	No	Father of Adva Sharvit	Daughter of Nathan Hetz	No	No	No	No	No
Does the Company consider them as having accounting and financial expertise for the purpose of complying with the minimum number on the Board of Directors?	Yes	Yes	No	Yes	No	Yes	Yes	Yes

Regulation 26A – Senior Corporate Officers

SENIOR OFFICERS	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	OSHRIT BAR-DAVID	MAYA YAAKOV	NAAMA EMMANUEL	YISRAEL GEWIRTZ
ID:	022939276	023944176	055080428	027217736	036402733	039265327	033762139
Date of birth:	13/9/1967	24/7/1968	25/1/1958	26/03/1974	13/7/1979	15/12/1983	19/02/1977
In office as of:	October 2005	April 2008	March 2007	June 2000	June 2008	April 2014	May 2017
Position at the corporation:	VP of Business Development	CFO	Legal Counsel and Company Secretary	Accountant	Accountant	Accountant	Internal Auditor
Position in the corporation's subsidiary or interested party	Director at Amot, director at Energix, director at Carr Properties Corporation, director at joint Alony-Hetz Properties and Investments and Oxford Properties companies, director at Brockton Everlast Inc. and director at Company subsidiaries. Member of Brockton Capital Funds steering committees	Director at Energix, director at Brockton Everlast Inc. and director at consolidated companies of the Company and Energix.	None	None	None	None	Internal Auditor at Energix Renewable Energies Ltd.
Interested party or family member of interested party or senior officer in the corporation:	No	No	No	No	No	No	No
Education:	MBA, BA in Economics and Accounting, Tel Aviv University. Certified Public Accountant	MST, University of San Jose, CA. BA in Business Administration and Accounting, College of Management Certified Public Accountant	Attorney, BA of Law, Tel Aviv University.	MBA in Business Administration and BA in Economics and Accounting, Bar Ilan University Certified Public Accountant	MBA (with a Specialization in Business Taxation), College of Management, BA in Accounting and Economics, Tel Aviv University. Certified Public Accountant.	BA in Accounting, Management and Economics, Tel Aviv University. Certified Public Accountant	BA in Accounting and Economics, Bar Ilan University. Certified Public Accountant. Certification in Risk Management Assurance (CRMA) and Certified Internal Auditor (CIA) from the U.S. Institute of Internal Auditors
Employment over the past five years:	Current position	Current position	Current position	Current position	Current position	Current position	Partner in Fahn Kanne Management and Control Ltd.

Regulation 26B – Independent Authorized Signatories

The Company has no independent authorized signatories.

Regulation 27 – The Corporation's Accountant

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

Regulation 28 – Amendment of Memorandum or in Articles of Association

There were no changes made to the Company's Memorandum or Articles of Association in 2021.

For an up-to-date version of the Company's Articles of Association, see the immediate report published by the Company on July 12, 2018 (Ref: 2018-01-063447).

Regulation 29 – Recommendations and Decisions of the Board of Directors

a.)

1. At its meeting on March 16, 2021, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.30 per share for the first quarter of 2021, in accordance with the dividend policy for 2021. In addition, at its above meeting, the Company's Board of Directors decided to distribute an additional dividend in respect of 2021 in the amount of NIS 0.20 per share.
2. At its meeting on May 18, 2021, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.30 per share, for the second quarter of 2021, in accordance with the dividend policy for 2021.
3. At its meeting on August 17, 2021, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.31 per share for the third quarter of 2021, in accordance with the dividend policy for 2021.
4. At its meeting on November 15, 2021, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.31 per share for the fourth quarter of 2021, in accordance with the dividend policy for 2021.
5. The Company did not engage in transactions with interested parties that are not in accordance with market conditions. For details of transactions between the Company and its interested parties, see Note 18 to the financial statements and Regulation 21 above.

b.) General Assembly decisions: In 2021, no special general meetings were held and no decisions were made contrary to the recommendation of the Board of Directors.

Regulation 29A – Company Decisions

6. Regarding Company decisions on the subject of indemnification, exemption and insurance, see Note 18 to the financial statements.
7. On May 18, 2021, the Company's Board of Directors (on the recommendation of the Audit Committee) approved the Company to extend, by three years, the existing arrangement with Energix for the execution forward transactions. For additional information, see Note 18.e.3 to the financial statements.

For the sake of caution, the framework transaction was defined as an exceptional transaction by the Audit Committee.

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

Banie Project, Poland

Corporate Governance Questionnaire

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Corporate Governance Questionnaire for 2021

Board of Directors' Independence		Correct	Incorrect
1.	Two or more external directors served at the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as noted in Section 363a(b)(10) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which two external directors did not serve during the reporting year (including a period of service approved retroactively, while separating between the different external directors): Director A: Prof. Zvi Eckstein – served throughout the year. Director B: Shlomi Shuv – served throughout the year. Number of external directors serving in the corporation as of the publication of this questionnaire: 2.	Correct	-
2.	Rate[1] of independent directors[2] serving in the corporation as of the date of publication of this questionnaire: 5/8. Rate of independent directors determined in the corporation's[3] bylaws[4]:. X N/A (no instructions were determined in the bylaws).	-	-
3.	In the reporting year, an examination was conducted with the external directors (and the independent directors) and they were found to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law in the reporting year regarding the absence of affiliation of the external (and independent) directors serving in the corporation, and they comply with the conditions required for serving as an external (or independent) director.	Correct	-
4.	None of the directors serving at the corporation during the reporting year are subordinate[5] to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if the corporation has employee representation). If your answer is "Incorrect" (meaning that the director is subordinate to the CEO) – note the rate of directors failing to meet this restriction: _____.	Correct	-

[1] In this questionnaire, "**rate**" means a certain number out of the total. For instance, 3/8.
[2] Including "external directors", as defined in the Companies Law.
[3] In this questionnaire – "bylaws" including in accordance with a specific legal provision applicable to the corporation (for instance in a banking corporation – the Supervisor of Banks instructions).
[4] A bond company does not have to answer this section.
[5] Regarding this question – the very fact of service as a director in an investee corporation under the corporation's control will not be considered "subordination", while on the other hand, the service of a director in a corporation serving as an officer (with the exception of a director) and/or an employee in a corporation held by the corporation will be considered "subordinate" for this question.

5.	All directors who announced the existence of their personal interest in approving a transaction on the agenda of the meeting were absent from the discussion and did not vote as aforesaid (except for discussion and/or voting under the circumstances in Section 278(b) of the Companies Law): If your answer is "Incorrect" – Was it for the presentation of a specific subject in accordance with Section 278(a) final clause: ☐Yes ☐No (check the appropriate box). Note the rate of meetings in which such directors attended the discussion and/or participated in the vote, except for the circumstances noted in Subsection (a): ____.	Correct	-
6.	The controlling shareholder (including his relatives or representatives on his behalf), who is not a director or other senior officer of the corporation, was not present at board meetings held during the reporting year[6]. If your answer is "Incorrect" (meaning that the controlling shareholder and/or their relative and/or their representative who is not a board member and/or senior officer of the corporation was present at the board meetings) – list the following information regarding the presence of any additional person at the board meeting: Identity: ____. Position at the corporation (if any): ____. Details of affiliation with the controlling shareholder (if the person present was not the controlling shareholder): ____. Was it for the presentation of a specific subject: ☐ Yes ☐ No (check the appropriate box) His rate of attendance[7] at board meetings held in the reporting year for his presentation of a specific subject: ____, other attendance: ____. X N/A (the corporation has no controlling shareholder).	-	-
Competence and capabilities of the directors		**Correct**	**Incorrect**
7.	The corporation's bylaws do not have a provision limiting the possibility of immediately terminating the service of all of the corporation's directors who are not external directors (in this regard – a regular majority vote is not considered a limitation)[8]. If your answer is "Incorrect" (meaning that such a limitation exists), note –	Correct	-
7a.	Director's term of office determined in the bylaws: ___.	-	-
7b.	Required majority determined in the bylaws for the termination of the service of directors: ____.	-	-
7c.	Legal quorum determined in the bylaws at the general assembly for the termination of the service of directors: ____.	-	-
7d.	Required majority for making these changes in the bylaws: ___.	-	-

[6] It should be noted that our answer relates to the controlling shareholder (including his relative and/or his representative), who is not a director, but not to other senior officers of the corporation.

[7] With separation between the controlling shareholder, his relative and/or representative.

[8] A bond company does not have to answer this section.

8.	The corporation was responsible for preparing a training program for new directors, on the subject of corporate business and regarding the laws applicable to the corporation and the directors, and also prepared an advanced program for the training of incumbent directors, which is adapted, inter alia, to the role of the director in the corporation. If your answer is "Correct" – note whether the program was activated during the reporting year: X Yes ☐ No (check the appropriate box)	Correct	-
9a.	The corporation established a mandatory minimum number of directors on the board of directors who are required to have accounting and financial expertise. If your answer is "Correct" – note the minimum number determined: 3.	Correct	-
9b.	Number of directors serving in the corporation during the reporting year – With accounting and financial expertise[9]: 5. Directors with professional qualifications[10]: 2. In the event of changes in the number of directors during the reporting year, the lowest number should be listed (with the exception of a period of 60 days from the change) of directors of any kind serving in the reporting year.	-	-
10a.	Throughout the reporting year, the composition of the board of directors consisted of members of both genders. If your answer is "incorrect" – note the period of time (in days) in which this was not upheld: ___. This question may be answered "Correct" if the period of time in which directors of both genders did not serve does not exceed 60 days, however, any (Correct/Incorrect) answer must note the period of time (in days) in which directors of both genders did not serve in the corporation: ___.	Correct	-
10b.	Number of directors of each gender serving on the corporation's board of directors as of the publication of this questionnaire: Men: 5. Women: 3.	-	-
Board meetings (and convening of the general assembly)		**Correct**	**Incorrect**
11a.	The number of board meetings held during each quarter in the reporting year: total during 2021 – 12 First quarter (2021): 4 Second quarter: 3 Third quarter: 2 Fourth quarter: 3	-	-
11b.	Next to the name of each of the directors serving in the corporation during the reporting year, note their participation rate in meetings of the board of directors (in this sub-section – including the meetings of the board of directors committees in which they are members, and as noted below) that took place during the reporting year (and referring to their term in office):	-	-

[9] After the assessment of the Board of Directors, in accordance with the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.

[10] See footnote 8.

	(Add additional lines according to the number of directors)							
	Name of Director	Attendance rate at Board meetings	Attendance rate at Audit Committee meetings[11]	Attendance rate at Financial Statements Examination Committee meetings[12]	Attendance rate at Remuneration Committee meetings[13]	Attendance rate at additional board committees in which they are members (noting the name of the committee)		
	Aviram Wertheim	100%	-	-	-	-		
	Nathan Hetz	100%	-	-	-	-	-	-
	Zvi Eckstein	92%	100%	100%	100%	-	-	-
	Shlomi Shuv	92%	100%	100%	100%	-	-	-
	Gitit Guberman	100%	100%	100%	100%	-	-	-
	Adva Sharvit	92%	-	-	-	-	-	-
	Amos Yadlin	92%	-	-	-	-	-	-
	Mia Likvernik	100%	-	-	-	-	-	-
12.	During the reporting year, the board of directors held at least one discussion on the subject of the management of the corporation's business by the CEO and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.						Correct	-

[11] For directors who are members of this committee.
[12] For directors who are members of this committee.
[13] For directors who are members of this committee.

Separation between the Positions of CEO and Chairman of the Board of Directors		Correct	Incorrect
13.	A chairman of the board of directors served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no chairman of the board served in the corporation does not exceed 60 days (as stated in Section 363a(2) of the Companies Law), however, any (Correct/Incorrect) answer must note the period of time (in days) in which a chairman of the board did not serve in the corporation: ___.	Correct	-
14.	A CEO served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no CEO served in the corporation does not exceed 90 days as stated in Section 363a(6) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which a CEO did not serve in the corporation: ___.	Correct	-
15.	In a corporation in which the chairman of the board also serves as the corporation's CEO and/or has the authorities of the CEO, the double service has been approved in accordance with Section 121(c) of the Companies Law[14]. X N/A (if no such double service exists at the corporation).	-	-
16.	The CEO is <u>not</u> related to the Chairman of the Board. If you answer is "Incorrect" (that is, the CEO is a relative of the Chairman of the Board of Directors –	Correct	-
16a.	State family relationship between the parties: ________	-	-
16b.	The service was approved in accordance with Section 121(c) of the Companies Law[15]: ☐ Yes ☐ No (Check the appropriate box).	-	-
17.	The controlling shareholder or his relative <u>does not</u> serve as CEO or senior officer in the corporation, except as a director.[16] X N/A (the corporation has no controlling shareholder).	-	-

[14] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[15] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[16] Note that as of November 26, 2019, the Company does not have a controlling shareholder.

Audit Committee		Correct	Incorrect
18.	The following did not serve on the Audit Committee in the reporting year –	-	-
18a.	The controlling shareholder or his relative X N/A (the corporation has no controlling shareholder).	-	-
18b.	Chairman of the Board of Directors	Correct	-
18c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct	-
18d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct	-
18e.	A director whose main earnings are from the controlling shareholder. X N/A (the corporation has no controlling shareholder).	-	-
19.	Those who are not entitled to be members of the Audit Committee, including the controlling shareholder or his relatives, were not present in the reporting year at the meetings of the Audit Committee, except in accordance with Section 115(e) of the Companies Law.	Correct	-
20.	A legal quorum for discussions and decision-making at all of the Audit Committee meetings held in the reporting year was a majority of the committee members, and most of those present were independent directors, and at least one of them was an external director. If your answer is "Incorrect" - state the number of meetings in which the requirement was not upheld: _______	Correct	-
21.	The Audit Committee held at least one meeting during the reporting year in the presence of the internal auditor and the auditing accountant, and without the presence of officers of the corporation who are not committee members, on the subject of deficiencies in the corporation's business management.	Correct	-
22.	In all Audit Committee meetings at which people not entitled to be committee members were in attendance, it was with the approval of the chairman of the committee or at the committee's request (regarding the corporation's legal counsel and secretary, who is not a controlling shareholder or related to one).	Correct	-
23.	During the reporting year, arrangements were in effect that had been established by the Audit Committee regarding the treatment of complaints of the corporation's employees in the matter of deficiencies in the management of its business and regarding the protection given employees who complained.	Correct	-
24.	The Audit Committee (and/or the Financial Statements Examination Committee) is satisfied that the extent of the work of the auditing accountant his wage regarding the financial statements in the reporting year are sufficient for performing appropriate auditing and reviewing work.	Correct	-

The duties of the Financial Statements Examination Committee (hereinafter – the Committee) in its preliminary work for the approval of the financial statements		Correct	Incorrect
25a.	Note the amount of time (in days) that the Board of Directors has determined as a reasonable time for submitting the Committee's recommendations for the Board of Directors' discussion for approval of the financial statements: 3.	-	-
25b.	Number of days that passed between submission of the recommendations to the board of directors and the date of the Board meeting for the approval of the financial statements: First quarter report: 5 Second quarter report: 4 Third quarter report: 3 Annual report: 4	-	-
25c.	Number of days that passed between submission of the Draft Financial Statements to the directors and the date of the Board discussion for the approval of the financial statements: First quarter report: 5 Second quarter report: 4 Third quarter report: 3 Annual report: 5		
26.	The corporation's auditing accountant participated in all of the meetings of the committee and the board of directors, in which the corporation's financial statements were discussed, which refer to periods included in the reporting year. If your answer is "Incorrect", note his participation rate: ____.	Correct	-
27.	The Committee complied with all of the conditions below during the entire reporting year and until the publication of the annual report:	-	-
27a.	The number of its members was not less than three (on the date of the committee discussion and approval of the statements).	Correct	-
27b.	All of the conditions in Section 115(b) and (c) of the Companies Law (regarding the tenure of members of the Audit Committee) were complied with.	Correct	-
27c.	The Chairman of the Audit Committee is an External Director.	Correct	-
27d.	All of the members are directors and the majority are independent directors.	Correct	-
27e.	All of its members are capable of reading financial statements and at least one of the independent directors has accounting and financial expertise.	Correct	-
27f.	The Committee members submitted declarations prior to their appointment.	Correct	-
27g.	The legal quorum for discussions and decision-making in the Committee is a majority of its members, on the condition that the majority of those present are independent directors, at least one of whom is an external director.	Correct	-

27h.	If your answer for one or more of the sub-sections of this question is "Incorrect", specify regarding which report (periodic/quarterly) the condition was not complied with and the condition that was not complied with: ____.	-	-
Remuneration Committee		**Correct**	**Incorrect**
28.	In the reporting year, the committee consisted of at least three members and there was a majority of external directors (on the date of the committee's discussion). ☐N/A (no discussion held).	Correct	-
29.	The terms of service and employment of all members of the Remuneration committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000.	Correct	-
30.	The following did not serve on the Remuneration Committee in the reporting year –	-	-
30a.	The controlling shareholder or his relative X N/A (the corporation has no controlling shareholder).	-	-
30b.	Chairman of the Board of Directors	Correct	-
30c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct	-
30d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct	-
30e.	A director whose main earnings are from the controlling shareholder. X N/A (the corporation has no controlling shareholder).		-
31.	The controlling shareholder or his relative did not attend the Remuneration Committee meetings in the reporting year, unless if the chairman of the committee stated that any of them were needed to present a certain subject. X N/A (the corporation has no controlling shareholder).	-	-
32.	The Remuneration Committee and the Board of Directors did use their authority under Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a remuneration policy despite the opposition of the General Assembly. If your answer is "Incorrect" note – The type of transaction approved: ______ The number of times their authority was used in the reporting year: _____	Correct	-
Internal Auditor		**Correct**	**Incorrect**
33.	The Chairman of the Board of Directors or the corporation's CEO is the Internal Auditors organizational supervisor at the organization.	Correct	-
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan for the current year. Audit topics addressed by the Internal Auditor in the reporting year: (a) bank accounts and current investments; (b) financing and cash flow; (c) dealing with the Corona crisis.	Correct	-

35.	Scope of employment of the internal auditor in the corporation in the reporting year (in hours[17]): 145	-	-
	A discussion was held in the reporting year (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	Correct	-
36.	The Internal Auditor is not an interested party in the corporation, a relative, an auditing accountant or anyone acting on his behalf and does not conduct significant business relations with the corporation, its controlling shareholder, his relative or corporations under his control.	Correct	-
Transactions with interested parties		**Correct**	**Incorrect**
37.	The controlling shareholder or his relative (including a company under his control) are not employed by the corporation or provide management services. If your answer is "Incorrect" (meaning that the controlling shareholder or their relatives are employed by the corporation or provide management services), note – - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): - Were such employment agreements and/or management services approved by the legally mandated organs: ☐ Yes ☐ No X N/A (the corporation has no controlling shareholder).	-	-
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's area of activity (in one area or more). If your answer is "incorrect" – note whether an arrangement was determined for setting boundaries between the corporation's activity and that of its controlling shareholder: ☐ Yes ☐ No (Check the appropriate box). X N/A (the corporation has no controlling shareholder).	-	-

Chairman of the Board of Directors: Aviram Wertheim

Chairman of the Audit Committee: Zvi Eckstein

Chairman of the Balance Sheet Examination Committee: Shlomi Shuv

Signing date: March 22, 2022

[17] Including work hours invested in audits of investees. It should be noted that the public subsidiaries, Amot Investments Ltd. and Energix Renewable Energy Ltd., have their own internal auditors.

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

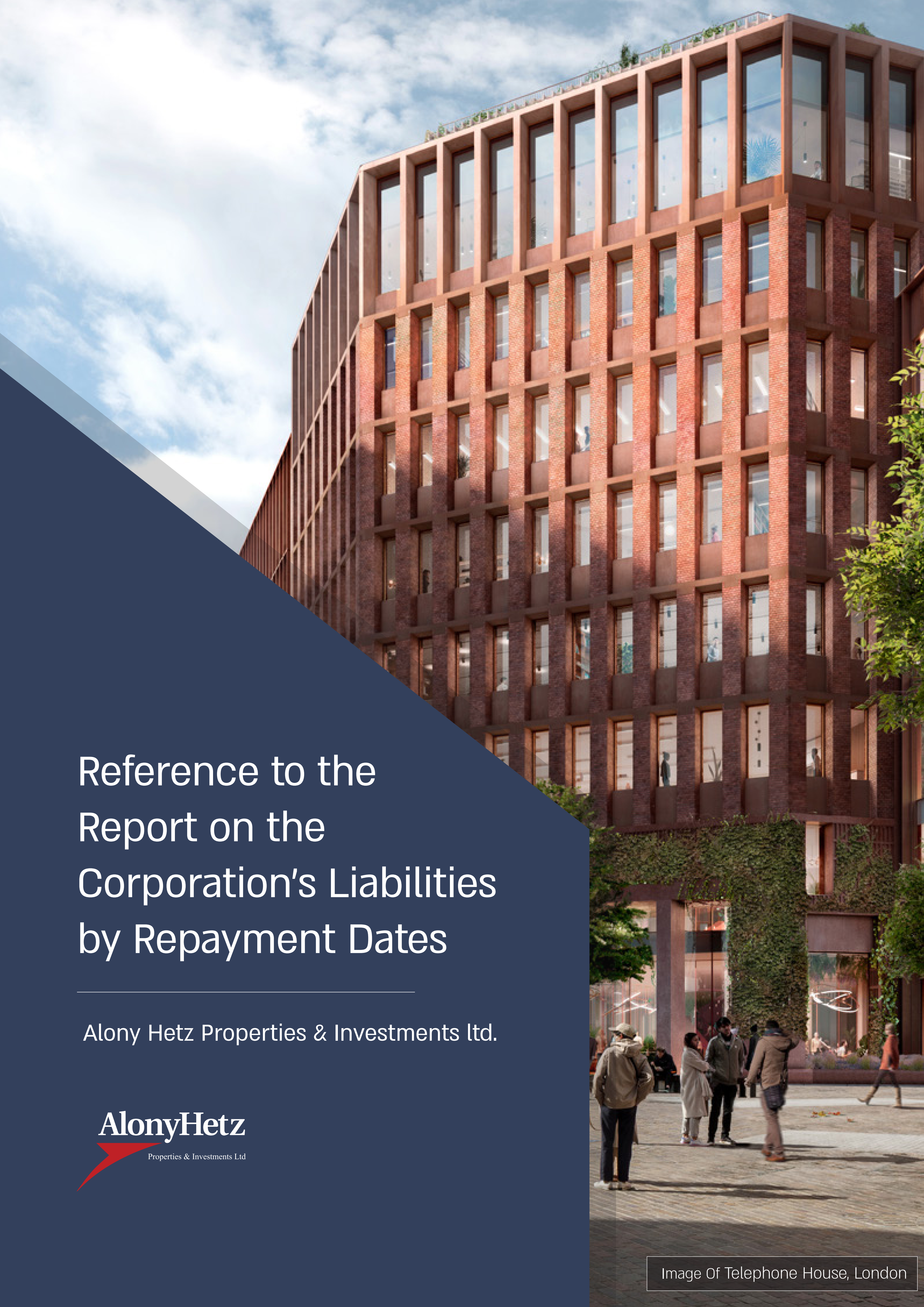


Image Of Telephone House, London

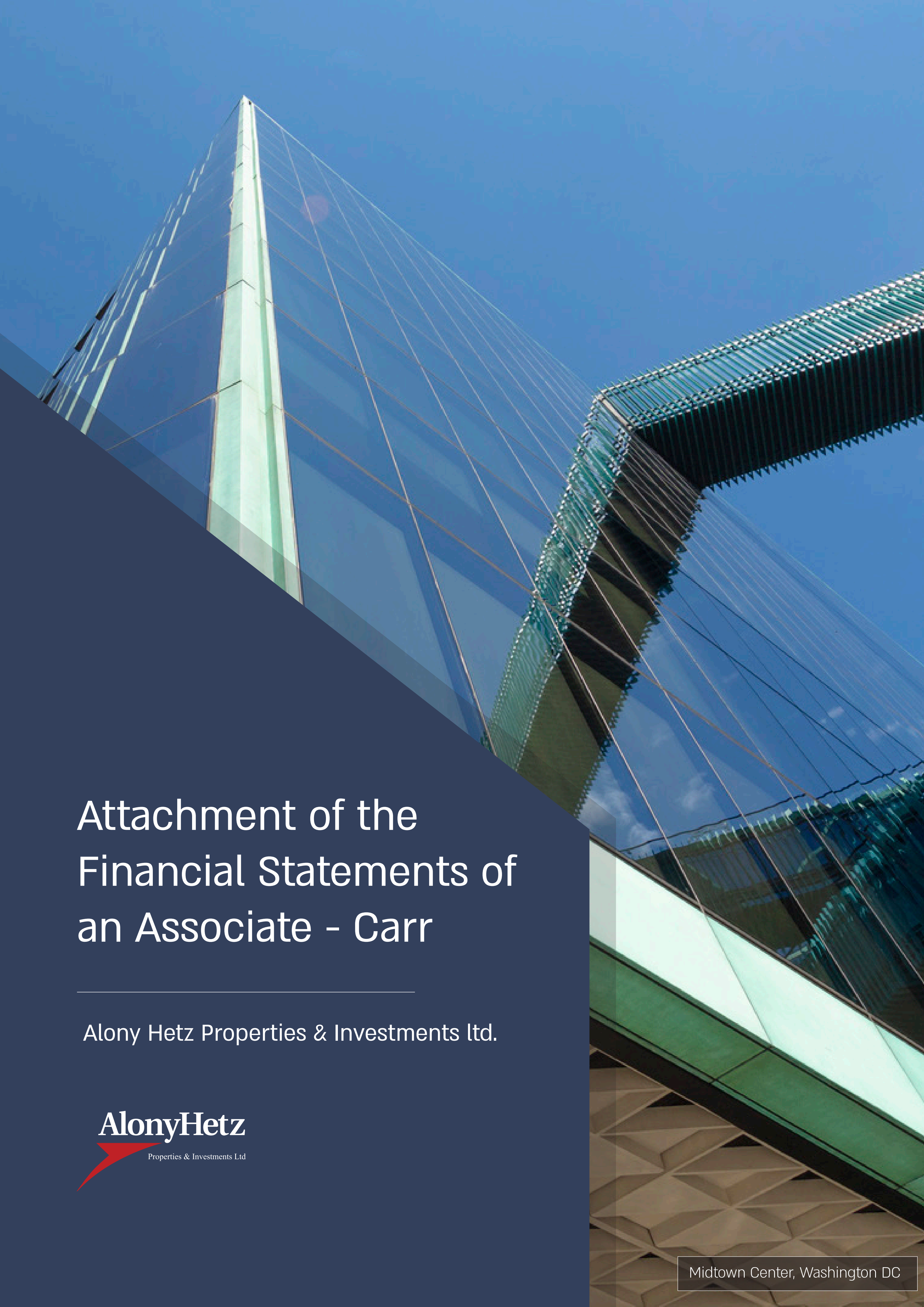
Report on the Status of Liabilities by Repayment Dates, as of December 31, 2021

Regarding the Report on the Status of Liabilities by Repayment Dates, as of December 31, 2021, see the immediate report dated March 23, 2022.

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd



Midtown Center, Washington DC

CARR PROPERTIES HOLDINGS LP

Consolidated Financial Statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020

CARR PROPERTIES HOLDINGS LP

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Report of Independent Auditors

To the Management of Carr Properties Holdings, LP

Opinion

We have audited the accompanying consolidated financial statements of Carr Properties Holdings, LP and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Washington, D.C.
March 2, 2022

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

		December 31,	
	Notes	2021	2020
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,415,564 and $2,512,155)	5,12	$ 2,403,873	$ 2,796,120
Properties in development (cost of $160,848 and $577,019)	5,12	169,254	646,316
Investments in associates	6	705,632	318,983
Goodwill	9	9,326	9,326
Derivative asset	11	3,601	—
Straight line rent receivable		95,701	110,632
Deferred leasing costs and other, net		38,783	59,079
		3,426,170	3,940,456
Current assets			
Investment property held for sale	2	—	18,750
Trade receivables, net		6,133	13,039
Prepaid expense and other assets		14,124	9,906
Restricted cash	11	5,310	12,153
Cash and cash equivalents	2,11	28,373	34,128
		53,940	87,976
Total assets		$ 3,480,110	$ 4,028,432
EQUITY			
Equity attributable to common shareholders	18	$ 1,606,196	$ 1,606,196
Equity reserve from increase in CPP		9,829	9,756
Equity reserve for cash flow hedges	12	(15,173)	(38,054)
Retained earnings		292,854	262,864
Equity attributable to non-redeemable non-controlling interests	18	144,161	143,031
Total equity		2,037,867	1,983,793
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	10,11	$ 567,981	$ 431,130
Notes payable, net of current portion and deferred financing fees	10,11	508,870	1,230,917
Lease liabilities, net of current portion	8,16	143,170	128,746
Redeemable non-controlling interests, net of current portion	18	2,233	2,997
Derivative liabilities, net of current portion	12	2,550	7,030
Security deposits		3,956	4,056
Other liabilities		12,863	13,198
		1,241,623	1,818,074
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	10,11	2,578	2,505
Derivative liabilities, current	12	—	39
Current portion of lease liabilities	8,16	524	335
Redeemable non-controlling interests, current	18	152,448	147,373
Rent received in advance		9,296	14,736
Trade and other payables	2	35,774	59,649
Liabilities of investment property held for sale		—	1,928
		200,620	226,565
Total liabilities		1,442,243	2,044,639
Total equity and liabilities		$ 3,480,110	$ 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	March 2, 2022	

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

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

	Notes	For The Years Ended December 31, 2021	2020
Revenues			
Rental revenue		$ 174,743	$ 198,927
Recoveries from tenants		28,452	38,923
Parking income		7,934	7,681
Property management fees and other	15	3,916	2,065
Total revenues		215,045	247,596
Operating expenses			
Property operating expenses			
Direct payroll and benefits		9,119	8,469
Repairs and maintenance		10,169	10,028
Cleaning		5,131	5,482
Utilities		6,982	6,764
Real estate and other taxes		39,210	41,467
Other expenses	14	17,955	19,320
Property operating expenses		88,566	91,530
Non-property general and administrative expenses	13	23,308	20,079
Total operating expenses		111,874	111,609
Other operating loss			
Net loss from fair value adjustment of investment properties	5	(45,730)	(33,198)
Realized loss on sale of investment properties	4	(24,804)	—
Income from investments in associates	6	53,967	30,965
Total other operating loss and expense		(16,567)	(2,233)
Operating income		86,604	133,754
Other income			
Loss on extinguishment of debt	10	(3,474)	(1,157)
Other income		391	191
Revaluation of redeemable non-controlling interests		(4,506)	2,887
Interest expense	10	(42,138)	(56,840)
Pre-tax income		36,877	78,835
Income and franchise tax expense (benefit)		1,611	(1,700)
Net income		$ 35,266	$ 80,535
Attribution of net income			
Common shareholders		$ 32,323	$ 74,239
Non-redeemable non-controlling interests		2,943	6,296
		$ 35,266	$ 80,535
Other comprehensive income (loss)			
Items that may be subsequently reclassified to income or loss:			
Unrealized gain (loss) on cash flow hedges	12	$ 8,120	$ (4,122)
Less: Reclassification adjustments for losses included in net income	10	1,225	3,936
Less: Reclassification adjustments for disposition losses included in net income		16,277	—
Other comprehensive income (loss)		25,622	(186)
Total comprehensive income		$ 60,888	$ 80,349
Attribution of comprehensive income			
Common shareholders		$ 55,204	$ 74,376
Non-redeemable non-controlling interests		5,684	5,973
		$ 60,888	$ 80,349

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

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

	Notes	Common Units Issued and Outstanding		Equity Reserve from Increase in CPP	Equity Reserve for Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity	Non-Redeemable Non-Controlling Interests	Total Equity
		Units	Amount						
Balance as of December 31, 2019		1,328,639	$ 1,519,563	$ 9,732	$ (38,191)	$ 296,335	$ 1,787,439	$ 143,314	$ 1,930,753
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	64	64
Non-controlling interest partner distribution to 2311 Wilson	5	—	—	—	—	—	—	(4,840)	(4,840)
Issuance of common shares, net of offering costs	18	64,709	86,633				86,633	5,810	92,443
Change in equity reserve from increase in CPP		—	—	24	—	—	24	(24)	—
Net Income		—	—	—	—	74,239	74,239	6,296	80,535
Unrealized loss on cash flow hedges	12	—	—	—	(3,552)	—	(3,552)	(570)	(4,122)
Amortization of terminated cash flow hedge		—	—	—	3,689	—	3,689	247	3,936
Distributions	18	—	—	—	—	(107,710)	(107,710)	(7,266)	(114,976)
Balance as of December 31, 2020		1,393,348	$ 1,606,196	$ 9,756	$ (38,054)	$ 262,864	$ 1,840,762	$ 143,031	$ 1,983,793

	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		—	—	—	—	—	—	92	92
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(4,328)	(4,328)
Change in equity reserve from increase in CPP		—	—	73	—	—	73	(73)	—
Net income		—	—	—	—	32,323	32,323	2,943	35,266
Unrealized gain on cash flow hedges	12	—	—	—	6,479	—	6,479	1,641	8,120
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	18	—	—	—	—	(2,333)	(2,333)	(245)	(2,578)
Balance as of December 31, 2021		1,393,348	$ 1,606,196	$ 9,829	$ (15,173)	$ 292,854	$ 1,893,706	$ 144,161	$ 2,037,867

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

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

	Notes	For The Years Ended December 31, 2021	2020
Cash flows from operating activities			
Net income		**$ 35,266**	**$ 80,535**
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	5	45,730	33,198
Write off of previously terminated cash flow hedge		16,277	—
Income from investments in associates	6	(53,967)	(30,965)
Loss on extinguishment of debt	10	3,474	1,157
Income and franchise tax expense (benefit)		1,611	(1,700)
Interest expense, net excluding amortization of deferred financing fees		40,069	56,272
Amortization of deferred financing fees		2,204	703
Amortization of equipment leases		269	515
Amortization of Equipment & Software		233	1,039
Amortization of deferred leasing costs and lease incentives		5,268	4,792
Amortization of note payable premium		(135)	(135)
Provision for bad debt expense		280	672
LTIP Compensation		5,648	3,664
Revaluation of redeemable non-controlling interests		4,506	(2,887)
Changes in assets and liabilities			
Trade receivables		6,626	(10,323)
Straight line rent receivable		(23,260)	(3,343)
Prepaid expense and other assets		(4,218)	696
Trade and other payables		88	(1,438)
Rent received in advance		(5,440)	2,802
Cash generated by operations		**80,529**	**135,254**
Cash paid for interest		(37,197)	(59,371)
Net cash provided by operating activities		**43,332**	**75,883**
Cash flows from investing activities			
Proceeds from sale of investment property held for sale		18,496	—
Proceeds from sale of income generating property	5	302,930	181,656
Acquisition of income generating property, including prepaid acquisition costs	5	(195,674)	(102,664)
Contributions to investment in associates	6	(24,549)	(73,971)
Return of investments in associates	6	10,154	1,592
Additions to deferred leasing costs		(7,904)	(4,890)
Additions to tenant improvements		(22,800)	(22,576)
Additions to construction in progress, including capitalized interest		(44,377)	(174,856)
Other capital improvements on income generating properties		(32,440)	(14,921)
Decrease in restricted cash		7,117	14,857
Net cash provided by (used in) investing activities		**10,953**	**(195,773)**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	18	(1,078)	(1,499)
Distribution to joint venture non-controlling interest partner	5	(4,328)	(4,840)
Principal portion of lease payments	8	(636)	(496)
Issuance of common shares, net of offering costs	18	—	92,443
Borrowings under credit facility	10	595,000	170,000
Repayments under credit facility	10	(454,000)	(213,500)
Borrowings on notes payable	10	67,606	272,972
Repayments of notes payable	10	(253,912)	(63,728)

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

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

	Notes	For The Years Ended December 31, 2021	2020
Payment of deferred financing fees		(6,222)	(3,377)
Issuance of redeemable non-controlling interests		—	228
Distributions to common shareholders and non-redeemable non-controlling interests	18	(2,562)	(114,976)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		92	68
Net cash (used in) provided by financing activities		**(60,040)**	**133,295**
Net (decrease) increase in cash and cash equivalents		**(5,755)**	**13,405**
Cash and cash equivalents, beginning of the period		**34,128**	**20,723**
Cash and cash equivalents, end of the period		**$ 28,373**	**$ 34,128**
Supplemental disclosures of cash flow information:			
Capitalized interest		$ 4,108	$ 10,906
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		709	(12,130)
Lease liabilities arising from obtaining/revaluing right-of-use assets	8	14,919	13
Non-cash interest expense	10	1,557	3,936
Debt and other liabilities assumed in acquisition of 75-101 Federal	5	—	140,820
Debt and other liabilities assumed in acquisition of 100 Congress	5	120,625	—
Debt and other liabilities deconsolidated due to disposition of Midtown Center	5	(525,000)	—
Debt and other liabilities deconsolidated due to disposition of 100 Congress	5	(140,560)	—
Issuance of redeemable non-controlling interests	18	864	—

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

1. Organization and Description of Business

Carr Properties Holdings LP (collectively, the "Partnership", "Holdings", "our", or "CPH") was formed as a Delaware limited partnership. The Partnership's corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. The Partnership owns a 100% interest in Carr Properties Corporation ("CPC"), which has a consolidated subsidiary, Carr Properties Partnership ("CPP"). Through CPP, the Partnership engages in owning, operating and developing commercial office real estate properties in primarily the Greater Washington, D.C. area (defined as the District of Columbia, northern Virginia, and suburban Maryland), Boston, Massachusetts, and Austin, Texas. Currently, the Partnership has 11 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 December 31, 2021, were 50.77%, 40.16%, and 9.04%, respectively. The remaining interests in Holdings are held by six additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These financial statements are presented in United States dollars, which is the Partnership's functional and reporting currency. The Partnership has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

The Partnership reports cash flows from operating activities using the indirect method. Interest received and paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership's business activities.

(c) Principles of Consolidation

General

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

Investments in Associates

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

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

Joint Arrangements

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

Non-Controlling Interests

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

(d) Leases

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

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Partnership has the right to direct the use of the asset. The Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

As a lessee

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

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

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

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

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

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

(e) Acquisitions/dispositions of Investment Property

Acquisitions

The Partnership applies judgment to determine whether the acquisition of an investment property is the acquisition of an asset under International Accounting Standards 40 - *Investment Property* ("IAS 40") or the acquisition of a business under IFRS 3 - *Business Combinations* ("IFRS 3"). In October 2018, the International Accounting Standards Board (IASB or Board) issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment is effective for periods beginning on or after January 1, 2020. The Partnership has concluded the adoption of the amendment did not have a material impact on its financial position and results from operations.

An asset acquisition exists when: (i) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and (ii) the cost of the investment property can be measured reliably. The Partnership classifies an acquisition as an asset acquisition when it acquires a property or a portfolio of properties. The initial cost of an asset acquisition is comprised of its purchase price and any directly attributable expenditures. Identifiable assets acquired and liabilities assumed in asset acquisitions are measured initially at fair value at the acquisition date. Acquisition-related costs for asset acquisitions are capitalized to the investment property at the time the acquisition is completed.

The Partnership classifies an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. The cost of a business combination is measured as the aggregate of the consideration transferred at acquisition date fair value. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. The Partnership recognizes any contingent consideration to be transferred by the Partnership at its acquisition date fair value. Goodwill represents the purchase price of acquired businesses in excess of the fair value of net assets acquired and liabilities assumed. Acquisition related costs for business combinations are expensed in the period incurred.

Dispositions

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

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

(f) Investment Properties

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

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

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

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

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

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

Total properties in development measured at cost, at December 31, 2021 and 2020 totaled $0.0 million and $91.4 million, respectively. Real estate taxes, insurance, and overhead are capitalized onto the cost basis of the asset. Borrowing costs incurred for the construction of assets are also capitalized during the period of time that is required to complete and prepare the asset for its intended use. Thereafter, borrowing costs are charged to earnings. Interest capitalized, including debt financing costs, on investment property that is being constructed, developed or redeveloped totaled $5.1 million at a weighted average rate of 2.99% for the year ended December 31, 2021 and $13.7 million at a weighted average rate of 3.23% for the year ended December 31, 2020.

Development rights are development opportunities in the early phase of the development process where the Partnership either has an option to acquire land, enter into a leasehold interest or where the Partnership is the buyer under a long-term conditional contract to purchase land. The Partnership capitalizes related pre-development costs incurred in pursuit of new developments for which the Partnership currently believes future development is probable. Repairs and maintenance costs are charged to expense as incurred and are included in the Consolidated Statements of Operations and Comprehensive Income.

(g) Goodwill and Intangible Assets

Goodwill arises on the acquisition of a business and represents the excess of consideration transferred over the fair value of the net identifiable assets acquired and the liabilities assumed. Each quarter, the Partnership evaluates the values assigned to its goodwill and other intangible assets to determine whether any indicators of impairment are present. The Partnership also performs an annual impairment test or more frequently when there is an indicator of an impairment on the goodwill balance, which has an indefinite life. No such losses have been identified and reflected in the accompanying consolidated financial statements.

(h) Restricted Cash

The Partnership classifies cash that is restricted as to usage or withdrawal as restricted cash. Restricted cash includes amounts established pursuant to various agreements for property taxes, insurance and other future lease operations. Restricted cash consists of funds restricted by agreements with financial institutions. These funds will be released upon completion of agreed-upon events, tasks, or time-lines as specified in the respective agreements. For purposes of the Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(i) Fair Value Measurements

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

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

The Partnership recognizes transfers into and transfers out of the fair value hierarchy levels as of the date of the event or changes in circumstances that causes the transfer. There were no transfers in and out of level 1, 2, or 3 for the year ended December 31, 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 Consolidated Balance Sheets. The Partnership does not enter into hedging derivative transactions for trading or other speculative purposes. The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatility. The fair values of interest rate swaps are determined by using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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

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

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

The majority of the inputs used to value the Partnership's derivatives fall within Level 2 of the fair value hierarchy. However, the credit valuation adjustments associated with its derivatives use Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. The Partnership believes the likelihood of realizing losses from counterparty nonperformance is remote and accordingly has classified the derivative assets and liabilities as Level 2 in the fair value hierarchy.

(j) Revenue Recognition and Straight-Line Rent

Rental Revenue

In accordance with IFRS 16, the Partnership leases office space to tenants under various non-cancelable operating leases with remaining lease terms expiring through June 30, 2037. Revenue from rental properties is comprised of minimum base rent, straight-line rent adjustments, lease termination fee income, and lease incentive amortization.

Rental revenue from tenants is recognized on a straight-line basis over the terms of the leases, including all fixed and determinable rent escalations and any periods of free rent (rent abatement), 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 December 31, 2021 are as follows:

Years Ending December 31,	Amount
2022	137,526
2023	150,307
2024	136,289
2025	121,854
2026	112,177
Thereafter	470,646
	$ 1,128,799

Recoveries from Tenants

The Partnership operates as a principal for all investment properties with the exception of 75-101 Federal. As a principal with respect to property operating expenses subject to tenant recoveries, the Partnership is required to report tenant recovery revenue on a gross basis. The Partnership accounts for and reports as revenue all property operating costs reimbursable by the tenants as the costs are incurred.

Construction Management Fees

Construction management fees are earned by the Partnership for managing the construction of tenant and capital improvements at properties owned by related parties or third parties. Construction management fees are recognized as a single performance obligation (managing the construction of the project) comprised of a series of distinct services. Construction management fees are based upon contractual rates as defined in the relevant leasing and property management agreements. The Partnership believes that the overall service of construction management has substantially the same pattern of performance over the term of the agreement, therefore construction management fee income is recognized ratably throughout the period. Construction management fees for wholly owned properties and the Partnership's proportion of the management fees earned from unconsolidated entities in which the Partnership is invested have been appropriately eliminated.

Property Management Fees

Management fees are earned by the Partnership for managing properties owned by related or third parties. The management fees are based upon contractual rates applied to gross cash receipts from property operation. Property management fees are recognized on a monthly basis as a single performance obligation comprised of a series of distinct services related to property operations. The Partnership believes the overall services provided by property management activities have the same pattern of performance over the term of the agreement. Management fees for wholly owned properties and the Partnership's share of the management fees earned from unconsolidated entities in which the Partnership is invested have been eliminated in consolidation.

Parking Income

The Partnership generates revenues from the parking garages located within its operating properties through management agreements. The Partnership operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(k) Deferred Financing Fees and Notes Payable

The Partnership amortizes the costs incurred to obtain debt financing over the terms of the underlying obligation using the straight-line method, which approximates the effective interest method, in accordance with IFRS 9, *Financial Instruments*. Debt financing costs are netted against the related loan balance and are amortized to interest expense. Deferred financing fees, net of accumulated amortization, were $6.6 million and $7.0 million at December 31, 2021 and 2020, respectively. Amortization expense net of the capitalized portion of deferred financing fees totaled $2.2 million and $0.7 million for the years ended December 31, 2021 and 2020, respectively.

In accordance with IFRS 9, notes payable are recognized initially at fair value, net of transaction costs incurred. After initial recognition, notes payable are subsequently measured at amortized cost. Amounts payable within one year of the balance sheet date are classified as current.

(l) Deferred Leasing Costs

The Partnership defers costs incurred to obtain new tenant leases or to extend existing tenant leases. Deferred leasing costs are direct costs that are essential in originating a lease and include third-party commissions and legal leasing costs (legal leasing costs capitalized prior to adoption of IFRS 16). These costs are amortized over the life of the related lease. If a tenant terminates its lease prior to the contractual termination, the unamortized balance of any previously deferred leasing costs are expensed in the period the lease is terminated. Amortization expense on deferred leasing costs is recorded within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income. Deferred leasing costs, net of accumulated amortization, are included within "Deferred leasing costs and other, net" on the Consolidated Balance Sheets.

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

(m) Trade Receivables

Trade receivables are recorded initially at cost and are carried net of a provision for bad debt expense. The Partnership applies IFRS 9 simplified approach to measuring expected credit losses. The determination as to the collectability of trade receivables and, correspondingly, the adequacy of this allowance is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, days past due, and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. Accounts receivable are written-off when they are deemed to be uncollectible and the Partnership is no longer actively pursuing collection. Bad debt expense, net of recoveries, totaled $0.3 million and $0.7 million for the years ended December 31, 2021 and 2020, respectively.

The aging analysis of trade receivables, net of the provision for bad debts of $1.0 million and $1.1 million as of December 31, 2021 and 2020, respectively, is as follows:

	December 31,	
Trade receivables	**2021**	**2020**
Current	$ 5,141	$ 12,650
30 - 90 days	741	348
Over 90 days	1,272	1,102
AR allowance	(1,021)	(1,061)
Trade receivable, net	$ 6,133	$ 13,039

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term deposits with original maturities of three months or less which are subject to an insignificant risk of changes in value. The majority of the Partnership's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of $0.25 million. The Partnership has not experienced any losses to date on its invested cash. For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are comprised of the following:

	December 31,	
	2021	**2020**
Cash at banks	$ 28,102	$ 33,924
Short-term investments	271	204
Cash and cash equivalents	$ 28,373	$ 34,128

(o) Prepaid Expenses

Prepaid expenses include deposits, prepaid insurance and other prepaid operating expenses.

(p) Trade and Other Payables

Trade payables are expected to be settled within the next 30 days, with a year being the maximum duration for the Partnership to settle any outstanding short term payables.

(q) Security Deposits

Certain leases require tenants pay a deposit as a guarantee to return the property at the end of the lease term in a good condition or to cover a portion of future lease payments for leases with terms ranging from 6 to 204 months. Such deposits are treated as financial liabilities in accordance with IFRS 9 and are initially recorded at face value as defined in the terms of the lease agreements, which approximates fair value. Security deposits are maintained as a non-current liability until refunded to the tenant. Amounts expected to be refunded within the next 12 months are recorded in "Trade and other payables" on the Consolidated Balance Sheets.

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

(r) Income Taxes

The Partnership owns 100% interest in CPC, which has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Partnership is a flow-through entity for income tax purposes and generally will not be subject to federal income tax on its taxable income. The only provision for federal income taxes in the accompanying consolidated financial statements relates to the Partnership's indirect ownership in the taxable REIT subsidiaries ("TRSs") of CPC.

No provision has been made in the consolidated financial statements for federal, state, or local income taxes, for which the partners of CPH are individually responsible for reporting and paying directly, nor for non-income measure taxes (which include the net worth tax in Massachusetts and the gross margin tax in Texas). The Partnership is directly liable for certain taxes, primarily District of Columbia taxes and federal and state taxes of its TRSs. The Partnership is directly liable for some taxes, primarily Massachusetts, Texas, and District of Columbia franchise taxes and federal and state taxes of its TRS. The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2018 forward (with limited exceptions). If such examinations result in changes to the Partnership's profits and losses, the tax liability of the partners could be changed accordingly. Deferred income tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income liabilities are measured at the tax rates that are expected to apply to the year when the liability is settled, based on the tax rates and laws that have been enacted at the balance sheet date.

The Partnership's primary investment is the units it owns in CPC, whose primary investment is the units it owns in CPP, a limited partnership that is taxed as a partnership for federal and state income tax purposes. While the majority of CPP's net income is not taxed at the entity level and is passed through to the partners, CPP is liable for its share of federal income taxes on the taxable income of the TRSs it owns, which are taxed as corporations for federal and state income tax purposes.

The significant components of the Partnership's deferred tax assets and liabilities which are included within "Deferred leasing costs and other, net" and "Other liabilities", respectively, on the Consolidated Balance Sheets are as follows:

	Year Ended December 31,	
Deferred tax assets:	**2021**	**2020**
Deferred tax assets	$ 2,693	$ 3,632
Deferred tax liabilities:		
Deferred tax liabilities	$ —	$ (2)

The tax provision for the year ended December 31, 2021 is as follows:

Provision	Federal	State	Total
Current[(1)]	$ —	$ —	$ —
Deferred[(1)]	(103)	1,039	936
	$ (103)	$ 1,039	$ 936

(1) This tax provision excludes net worth and gross margin tax expense of $0.5 million that is included within "Income and Franchise Tax Benefit" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax provision for the year ended December 31, 2020 is as follows:

Provision	Federal	State	Total
Current[(1)]	$ —	$ —	$ —
Deferred[(1)]	68	(2,112)	(2,044)
	$ 68	$ (2,112)	$ (2,044)

(1) This tax provision excludes franchise tax expense of $0.3 million that is included within "Income and Franchise Tax Benefit" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax loss carryforward of $29.5 million and $42.2 million ($2.4 million and $3.5 million deferred tax asset) as of December 31, 2021 and 2020, respectively, primarily relates to tax losses incurred in the District of Columbia prior to August 19, 2013 which was accounted for as a purchase price adjustment as of Inception, and for losses incurred in 2014 and 2019. The DC tax loss carryforward generated during tax years before 2018 begins to expire in 2028 whereas the tax loss carryforward generated in subsequent years do not expire.

(s) Commitments and Contingencies

For properties in development, the Partnership or its subsidiaries have made commitments as to the completion of construction of the development properties and repayment of any construction-related indebtedness. Commitments to repay investment-related debt and complete construction represent contingent funding commitments by the Partnership to invest additional amounts in its investment properties. The Partnership accounts for these commitments in accordance with the provisions of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

(t) Equity

Dividend Policy

Preferred dividends are paid semi-annually at a rate of 12.0%-12.5% per year. Common dividends are paid upon declaration of the Board of Directors, generally quarterly.

Preferred Stock

Various consolidated entities of the Partnership issue preferred stock for tax planning purposes. These entities have authorized and issued 750 and 500 shares of 12.5% cumulative preferred stock as of December 31, 2021 and 2020, respectively. Total proceeds from the issuances were $0.2 million and $0.0 million for years ended December 31, 2021 and 2020, respectively. The net proceeds and related dividends were classified as non-controlling interests. Dividends are paid semi-annually on all preferred stock.

(u) Performance Plan Accruals

All employees of the Partnership participated in an annual performance bonus plan (the "Bonus Plan") under which employees were awarded bonuses based on their performance against assigned goals and objectives. The estimated cost of the bonus is accrued ratably over the year, and the accrual is adjusted based upon actual performance at the end of the respective year. Bonus payments are made in the first quarter following the performance year. At December 31, 2021 and 2020, the Partnership accrued $4.7 million and $4.5 million, respectively, for payments due under the Bonus Plan. The bonus is recorded within "Trade and other payables" on the Consolidated Balance Sheets, and within "Direct payroll and benefits" and "Non-property general and administrative expenses" on the Consolidated Statements of Operations and Comprehensive Income. Amounts capitalized as part of development projects are classified as part of "Investment properties, at fair value."

Some of the Partnership’s employees participate in an Equity Incentive Plan (“the Plan”). The Plan provides for the issuance of LTIP Units which may be in the form of Service Units ("LTIP Service Units"), Performance Units ("LTIP Performance Units") or both. See Note 16 - "Commitments and Contingencies" for further disclosure.

(v) Property Operating Expenses

Expenses classified as "Property operating expenses" on the Consolidated Statements of Operations and Comprehensive Income consists of expenses directly and indirectly associated with operating the properties.

(w) Retirement Plans

The Partnership operates a defined contribution plan qualified under Section 401(k) of the US Internal Revenue Code. Participants may contribute a portion of their compensation each pay period not exceeding a limit set annually by the Internal Revenue Service. The Partnership matches 100% of the first 4% of contributions made by employees. The Partnership has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense each pay period, and are recorded within "Direct payroll and benefits" and "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income based upon the classification of the employee.

(x) Interest Expense

Premium and issuance costs on the Partnership's notes payable or credit facility are recognized over their respective terms using the straight-line method which approximates the effective interest method, except for borrowing costs relating to properties in development, which are capitalized. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the discount rate at which the estimated future cash payments or receipts throughout the expected life of the financial instrument, or for a shorter period where appropriate, equals the net carrying amount of the financial asset or financial liability.

(y) Use of Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses for the reporting periods. Actual results could differ from those estimates. The material judgments, apart from those involving estimations, that management has made in the process of applying the Partnership’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Investment properties and the real estate investments owned by associates are carried at fair value as determined by management, using independent third-party appraisals, and reflect the price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. Factors beyond the Partnership’s control may cause significant swings in assigned values, resulting in significant changes in reported earnings. Most of the Partnership’s properties are located in the Greater Washington, D.C. metropolitan area, making the Partnership vulnerable to changes in economic conditions in the region, including the adverse impact of decreased government spending. Any adverse change in the region’s economic conditions may reduce the ability of the Partnership to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, significantly decreasing cash flow.

- The Partnership determines whether joint arrangements should be accounted for as joint operations or joint ventures, associates, consolidated or unconsolidated structured entities and determines which investments should be reported as assets held for sale.

3. Standards Issued, and Standards Issued But Not Yet Effective

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary relief which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The Partnership adopted the provisions of IFRS 9 replacing IAS 39 effective January 1, 2021. This adoption did not have a material impact on the Partnership's financial position or results from operations.

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Application of the reliefs is mandatory.

The amendments are effective for annual periods beginning on or after 1 January 2020. The adoption of these amendments on January 1, 2020, did not have a material impact on the Partnership's financial position or results from operations. The Partnership' is still evaluating the impact of the future IBOR reform as well as expected additional amendments to the standards.

In August 2020, the IASB has published 'Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Partnership adopted these amendments on January 1, 2021. The adoption of these amendments did not have a material impact on the Partnership's financial position or results from operations.

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify aspects regarding the right to defer settlement, existence of such rights at the reporting period and classification of liabilities.

The amendments further clarify that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. Management's intention to settle in the short run does not impact the classification, and this applies even if settlement has occurred when the financial statements are authorized for issuance. The amendments are effective for annual reporting period beginning on or after 1 January 2023, and the Partnership is evaluating the impacts. The amendments must be applied retrospectively.

COVID-19-Related Rent Concessions – Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in interim or year end financial statements not yet authorized for issue at May 28, 2020.

In March 2021, the IASB issued an additional amendment to IFRS 16 for COVID-19-related rent concessions beyond the originally stated June 30, 2021 concession timeframe. This amendment applies a one-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 Leases through June 30, 2022. IFRS 16 amendments did not have a material impact on the Partnership's financial position or results from operations.

4. Operating Segments and Concentration

The Partnership presently operates under one operating segment, defined as the acquisition, development, ownership and management of commercial real estate investments, primarily in the office buildings sector in the Greater Washington, D.C. Metropolitan area as well as Boston and Austin.

5. Investment Properties

Income Generating Properties

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

Balance, December 31, 2019	**$**	**2,805,605**
Capital expenditures additions and other		42,899
Barlow Sale[(1)]		(155,281)
King I Sale[(2)]		(57,433)
Acquisition of tenancy in common interest joint arrangement in 75-101 Federal[(3)]		242,616
Net loss from fair value adjustment of income generating properties		(82,286)
Balance, December 31, 2020	**$**	**2,796,120**
Capital expenditures additions and other		48,042
Revaluation of right-of-use assets[(7)]		14,043

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

Net loss from fair value adjustment of income generating properties	(73,322)
Reclassification of The Wilson from properties in development	284,259
Reclassification of The Elm from properties in development	231,529
Reclassification of Signal House from properties in development	25,231
Midtown deconsolidation due to partial sale(4)	(922,036)
Acquisition of 100 Congress(5)	316,299
100 Congress deconsolidation due to partial sale(6)	(316,292)
Balance, December 31 2021	**$ 2,403,873**

(1) On March 6, 2020, the Partnership sold Barlow. See below "2020 Dispositions" for additional information.
(2) On December 22, 2020, the Partnership sold King I. See below "2020 Dispositions" for additional information.
(3) On March 12, 2020, the Partnership acquired 75-101 Federal. See below "2020 Acquisitions" for additional information.
(4) On April 23, 2021, the Partnership sold a 49% interest in Midtown Center. See below "2021 Dispositions" for additional information.
(5) On May 12, 2021, the Partnership acquired 100 Congress. See below "2021 Acquisitions" for additional information.
(6) On September 24, 2021, the Partnership sold a 49% interest in 100 Congress. See below "2021 Dispositions" for additional information.
(7) On April 1, 2021, the 1701 Duke Street ground lease reset and on December 1, 2021, the Partnership signed a modified ground lease for Colombia Center. See footnote 8 - Leases, "2021 revaluations" for additional information.

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 90.3% leased as of December 31, 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 capitalized transaction costs of $1.3 million.

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 82.9% leased as of December 31, 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 December 31, 2021. The fair value of the Partnership's proportionate interest in the investment property was $256.3 million as of December 31, 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.

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 10 - "Debt" for additional details. Subsequent to disposition, the Partnership will account for its ownership in the joint venture using the equity method.

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

On September 24, 2021, the Partnership 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 Partnership of $86.4 million. The Partnership used the proceeds to pay down the credit facility. The Partnership recognized a loss of $0.4 million upon disposition. Subsequent to disposition, the Partnership will account for its ownership in the joint venture using the equity method.

2020 Dispositions

On March 6, 2020, the Partnership sold Barlow at a contractual price of $160.0 million resulting in consideration of $157.1 million net of transaction costs of $3.0 million. The Partnership repaid $61.5 million outstanding on the credit facility and reinvested the remaining proceeds of $93.8 million in a like-kind exchange transaction as discussed in Note 6 - "Investments in Associates" and to repay outstanding borrowings on the credit facility. The Partnership recognized a loss of $1.4 million upon disposition.
On December 22, 2020, the Partnership sold King I at a contractual price of $58.5 million resulting in consideration of $58.3 million net of transaction costs of $0.2 million. The buyer assumed debt of $31.1 million, and the Partnership used the remaining proceeds of $26.4 million to fund distributions. The Partnership recognized a loss of $0.5 million upon disposition.

Properties in Development

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

Balance, December 31, 2019	**$**	**437,148**
Capital expenditures additions and other		178,579
Net gain from fair value adjustment of development properties		49,088
Reclassification of 2025 Clarendon to investment properties held for sale		(18,499)
Balance, December 31, 2020	**$**	**646,316**
Capital expenditures additions and other		36,365
Net gain from fair value adjustment of development properties		27,592
Reclassification of The Wilson to income generating properties		(284,259)
Reclassification of The Elm to income generating properties		(231,529)
Reclassification of Signal House to income generating properties		(25,231)
Balance, December 31, 2021	**$**	**169,254**

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 the majority of the office space commenced in early 2021. The office space was 100% leased and 83% occupied as of December 31, 2021. The remaining office tenant took occupancy in January 2022, bringing the office space to 100% occupied. The Wilson was fully placed in service in October 2021 upon which capitalization of interest expense, real estate taxes and other operating expenses ceased. The Partnership incurred $21.4 million and $55.6 million of capital expenditures for The Wilson for the years ended December 31, 2021 and 2020, respectively. The 2021 capital expenditures are reflected in the income generating roll forward above.

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 58.1% leased as of December 31, 2021. The Partnership incurred $24.4 million and $75.5 million of capital expenditures for The Elm for the years ended December 31, 2021 and 2020, respectively. Approximately 72% of the Elm was placed in service at December 31, 2021.

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 $12.2 million and $47.5 million of capital expenditures for the years ended December 31, 2021 and 2020, respectively. Substantial completion of Signal House was achieved on June 30, 2021. The Partnership has signed four leases totaling 135,000 square feet bringing the project to approximately 60% leased at December 31, 2021.

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

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. As of December 31, 2021, the Partnership elected to permanently cease development activities on this site, and wrote off all costs incurred of $2.0 million.

Consolidated, Non-Wholly Owned Properties, Developable Land and Capital Contributions

The Partnership is a joint venture partner in the ownership of 2311 Wilson, an approximately 178,000 square foot office building completed in February 2018 and placed it into service during the first quarter of 2019. As of December 31, 2021, the building was 97.9% leased. During the years ended December 31, 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 Partnership, respectively. There were no capital contributions to 2311 Wilson during the years ended December 31, 2021 and 2020, respectively.

In January 2016, the Partnership entered into a joint venture to develop land at 2025 Clarendon. The land can be developed into an approximately 200,000 square foot office building. During the years ended December 31, 2021 and 2020, the JV Entity (2025 Clarendon Boulevard, LLC) distributed a total of $18.6 million and $0.0 million, of which $2.8 million and $0.0 million were distributed to the joint venture partner, and $15.9 million and $0.0 million to the Partnership, respectively. Capital contributions to 2025 Clarendon totaled approximately $0.0 million and $0.1 million during the years ended December 31, 2021 and 2020, respectively. The Partnership signed a binding purchase and sale agreement to sell 2025 Clarendon for $19.0 million as of December 31, 2020. The sale subsequently closed on January 7, 2021. The Partnership classified 2025 Clarendon as held for sale as of December 31, 2020.

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

		As of December 31, 2021					For the years ended December 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ —	$ —	$ —	$ —	$ —	$ —	$ (34)
2311 Wilson	60.00 %	3,528	120,309	812	80,506	42,519	8,754	1,600
		$ 3,528	$120,309	$ 812	$ 80,506	$ 42,519	$ 8,754	$ 1,566
Less interest held by non-controlling interests						(17,006)		(720)
Equity attributable to Partnership						$ 25,513		$ 846

		As of December 31, 2020					For the years ended December 31, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ 176	$ 18,501	$ 8	$ 1,920	$ 16,749	$ —	$ (3,575)
2311 Wilson	60.00 %	3,531	120,553	914	81,331	41,839	7,577	3,407
		$ 3,707	$139,054	$ 922	$ 83,251	$ 58,588	$ 7,577	$ (168)
Less interest held by non-controlling interests						(19,403)		(1,228)
Equity attributable to Partnership						$ 39,185		$ (1,396)

6. Investments in Associates

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

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

Balance, December 31, 2019	**$**	**215,639**
Contributions		73,971
Distributions		(1,592)
Share of unrealized gain on valuation of underlying properties		31,159
Share of net loss (excluding unrealized gain on valuation)		(194)
Balance, December 31, 2020	**$**	**318,983**
Contributions		24,549
Distributions		(10,154)
Share of unrealized gain on valuation of underlying properties		41,597
Share of net income (excluding unrealized gain on valuation)		12,370
Ownership interest in Midtown Center		231,264
Ownership interest in 100 Congress		87,023
Balance, December 31 2021	**$**	**705,632**

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 5 - "Investment Properties" for additional details.

100 Congress

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 90.3% leased as of December 31, 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.

On September 23, 2021, the Partnership sold a 49% interest in 100 Congress Ave to PPF OFF Congress Member, LLC. The Partnership will account for its remaining 51% investment in the joint venture using the equity method. See note 5 - "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. The property was 58% leased at December 31, 2021. See note 19 - "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 years ended December 31, 2021 and 2020, the Partnership contributed $24.6 million and $73.9 million to the venture, respectively. The Partnership has contributed a total of $270.7 million to the venture as of December 31, 2021.

Construction Loan

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

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 December 31, 2021, the Partnership incurred $179.2 million of borrowing under this facility.

The facility stipulates the joint venture must contribute up-front equity not less than $341.3 million prior to incurring any borrowings under the loan.

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

	As of December 31, 2021						For the years ended December 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 8,640	$ 962,402	$ 11,768	$ 532,771	$ 426,503	$ 50,593	$ (8,959)
100 Congress	51.00 %	8,312	342,731	10,213	140,820	200,010	8,325	29,379
One Congress	75.00 %	374	748,935	33,958	198,446	516,905	—	58,081
		$ 17,326	$ 2,054,068	$ 55,939	$ 872,037	$1,143,418	$ 58,918	$ 78,501
Less: interest held by third-parties						(437,786)		(24,534)
Amounts per financial statements						$ 705,632		$ 53,967

	As of December 31, 2020						For the years ended December 31, 2020	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Centerpointe I & II	— %	$ —	$ —	$ —	$ —	$ —	$ —	$ 35
One Liberty	— %	—	—	—	—	—	—	(29)
One Congress	75.00 %	542	441,055	15,531	—	426,066	—	41,292
		$ 542	$ 441,055	$ 15,531	$ —	$ 426,066	$ —	$ 41,298
Less: interest held by third-parties						(107,083)		(10,333)
Amounts per financial statements						$ 318,983		$ 30,965

7. Assets Held for Sale

2021 Assets Held for Sale

There were no assets classified as Held for Sale for the year ended December 31, 2021.

2020 Assets Held for Sale

The Partnership signed a binding purchase and sale agreement to sell 2025 Clarendon for $19.0 million as of December 31, 2020. The sale subsequently closed on January 7, 2021. The Partnership classified 2025 Clarendon as held for sale as of December 31, 2020.

8. Leases

The Partnership has material ground leases under its Columbia Center and 1701 Duke Street properties. In addition, the Partnership leases air rights at its 2001 Penn property. The Partnership also enters into various equipment and copier leases in a normal course of operations.

As a lessee

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

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.

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

	December 31, 2021	December 31, 2020
Non-current assets		
Income generating properties, net of ROUA	$ 2,257,774	$ 2,660,020
ROUA, at fair value	146,100	136,100
Income generating properties	2,403,874	2,796,120
Properties in development	169,254	646,316
Total investment properties, at fair value	$ 2,573,128	$ 3,442,436
Current assets - CPH		
Prepaid expense and other assets	13,022	9,263
ROUA, net of accumulated depreciation and non-current portion	1,102	643
Prepaid expense and other assets	$ 14,124	$ 9,906

At December 31, 2021 and December 31, 2020, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $146.1 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 January 1, 2020	$ 135,600	$ 1,051	$ 136,651
Fair value adjustment, valuation	500	—	500
ROUA Additions, net	—	108	108
Accumulated Depreciation	—	(516)	(516)
Balance at December 31, 2020	$ 136,100	$ 643	$ 136,743
Fair value adjustment, valuation	10,000	—	10,000
ROUA Additions, net	—	729	729
Accumulated Depreciation	—	(270)	(270)
Balance as of December 31, 2021	$ 146,100	$ 1,102	$ 147,202

The air and ground leases have remaining terms ranging between 66-99 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:

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

Property	Discount Rate	Maturity	Carrying Value December 31, 2021	Carrying Value December 31, 2020
Columbia Center(1)	4.93%	2120	$ 130,530	$ 119,396
1701 Duke Street(2)	5.20%	2107	7,729	4,656
2001 Penn	4.94%	2087	4,372	4,345
Other equipment leases	Various	Various	1,063	682
Total lease liabilities			143,694	129,079
Less current portion			524	335
Lease liabilities, net of current portion			$ 143,170	$ 128,744

(1) The Partnership executed a modified ground lease with a new land owner for 99 years. See below "2021 Revaluations" for additional information.
(2) The 1701 Duke Street Ground Lease was revalued on April 1, 2021. See below "2021 Revaluations" for additional information.

2021 Revaluations

On April 1, 2021 the ground lease under the land at 1701 Duke was revalued based on appraised value as well as the 10 year treasury rate at that time. The ROUA and lease liability each increased by $3.0 million. The Partnership did not incur any transaction costs as a result of the modification, and the reset did not have a material impact on the Partnership's financial statements.

The ground under Columbia Center was sold from a related party to an unrelated party on December 1, 2021. Simultaneously, the Partnership executed a modified ground lease with the new land owner for 99 years. The ROUA and lease liability increased by $13.7 million and $11.1 million, respectively, inclusive of initial direct costs of $2.6 million for the modification.

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

Future Lease Maturities	**December 31, 2021**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	4,969
One to five years	19,297
More than five years	1,260,709
Total undiscounted lease liabilities as of December 31, 2021	1,284,975

Lease liabilities	**December 31, 2021**
Current lease liabilities	$ 524
Non-current lease liabilities	143,170
Total lease liabilities	$ 143,694

Lease expense costs were as follows:

Lease Expense	**For The Years Ended December 31, 2021**	**2020**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 4,830	5,142
Equipment lease depreciation	270	516
Total lease expense	$ 5,100	$ 5,658

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

Cash Flows	**For The Years Ended December 31,**	
	2021	**2020**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 636	496
Interest expense on lease liabilities	4,830	5,142
Total cash outflows related to leases	$ 5,466	$ 5,638

9. Goodwill and Intangibles

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

10. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of			
Borrower/Facility	**Contractual Rate**	**Maturity**	**December 31, 2021**		**December 31, 2020**	
Credit facility [1]:						
Revolver	LIBOR +1.25% to 2.00%	7/1/25	$ 273,500	(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%		—	(2)	200,943	(2)
Midtown Center	3.09%	10/11/29	—	(9)	525,000	(3)
1700 New York Avenue	LIBOR +1.50%	4/25/24	63,540	(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	31,668	(3,4)	33,276	(3,4)
1615 L Street	4.61%	9/1/23	134,250	(3)	134,250	(3)
2311 Wilson	LIBOR +1.35%	3/27/27	75,000	(3,6)	75,000	(3,6)
Total Debt			1,086,052		1,671,592	
Less unamortized deferred financing fees			6,623		7,040	
Total Debt, net of unamortized deferred financing fees			1,079,429		1,664,552	
Less current portion, net of unamortized deferred financing fees [5]			2,578		2,505	
Debt obligations, net of current portion			**$ 1,076,851**		**$ 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 December 31, 2021, the premium was 1.45% for the Revolver and 1.40% for the Term loan. As of December 31, 2020, the premium was 1.60% for the Revolver and 1.50% for the Term A, Term B and Term C loans. As of December 31, 2021, and December 31, 2020, the one-month LIBOR was 0.10% and 0.14%, respectively.

(2) A consolidated subsidiary of the Partnership, Carr Properties OC LLC, had 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 December 31, 2021, The Wilson and the Elm had no guarantees incurred. As of December 31, 2020, The Wilson and the Elm borrowings had $30.0 million of guarantees outstanding.

(3) The fair value of the collateral pledged to these notes was $620.8 million and $1,656.1 million as of December 31, 2021, and December 31, 2020, respectively.

(4) The carrying value of the Clarendon Square note payable as of December 31, 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 December 31, 2021, and December 31, 2020, respectively.
(6) 1700 New York Avenue, 75-101 Federal, and 2311 Wilson loans are hedged against an anticipated rise in interest rates through interest swaps. See Note 12 - "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 Partnership 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 5 - "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 December 31, 2021. As a result of this transaction, the Partnership and its joint operations partner, paid financing costs of $2.2 million, with the Partnership's share of $1.1 million, which were deducted from the carrying amount of the debt. The loan is an interest only loan bearing interest at LIBOR plus 1.50%, has a five-year term, matures in 2025, and can be extended one year subject to terms and conditions.

On April 3, 2020, the Partnership and its joint operations partner entered into a four-year interest rate swap agreement with a notional value of $280.0 million for the loan associated with 75-101 Federal. The Partnership's proportionate share of the swap is $140.0 million. The interest rate swap rate was 0.44% and effectively fixed the above referenced rate at 1.94%. The swap matures on April 4, 2024.

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

On April 9, 2020, the Partnership entered into a seven-year interest rate swap agreement with a notional value of $75.0 million for the loan associated with 2311 Wilson. The interest rate swap rate was 0.66% that effectively fixed the above referenced rate at 2.01%. The swap matures on March 27, 2027.

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 year ended December 31, 2021, $1.2 million was accreted in "Interest expense" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss). As part of the sale of 49% of Midtown Center, the Partnership 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 5 - "Investment Properties" for additional information.

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

Credit Facility

On March 5, 2021, the Financial Conduct Authority (“FCA”) announced that USD LIBOR will no longer be published after June 30, 2023. This announcement has several implications, including setting the spread that may be used to automatically convert contracts from LIBOR to the Secured Overnight Financing Rate (“SOFR”). Additionally, banking regulators are encouraging banks to discontinue new LIBOR debt issuances by December 31, 2021.

We anticipate that LIBOR will continue to be available at least until June 30, 2023. Any changes adopted by the 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, our 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.

We and our unconsolidated joint ventures have contracts that are indexed to LIBOR and we are monitoring and evaluating the related risks. These risks arise in connection with transitioning contracts to an alternative rate, including any resulting value transfer that may occur, and are likely to vary by contract. The value of loans, securities, or derivative instruments tied to LIBOR, as well as interest rates on our unconsolidated joint ventures current or future indebtedness, may also be impacted if LIBOR is limited or discontinued. For some instruments the method of transitioning to an alternative reference rate may be challenging, especially if we cannot agree with the respective counterparty about how to make the transition.

While we expect LIBOR to be available in substantially its current form until at least the end of June 30, 2023, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified.

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 0.25%. The Partnership incurred transaction costs of $1.1 million associated with the agreement which were deducted from the carrying amount of the debt.

In addition, the credit agreement governing the Amended Credit Facility contains certain covenants which, among other things, require the Partnership to meet various financial covenants, including maximum leverage levels, minimum coverage levels and minimum tangible net worth, all as defined in the Amended Credit Facility. The Partnership was in compliance with all of its debt covenants as of December 31, 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.

As of December 31, 2021, the Partnership had capacity to borrow an additional $226.5 million under the Credit Facility. Subsequent to December 31, 2021, the Partnership borrowed $8.0 million of the revolver through March 2, 2022.

Construction Loan - The Wilson and the Elm

On August 15, 2018, the Partnership entered into a $300.0 million construction loan facility on the Wilson project. The loan bears an interest rate of LIBOR plus 3.00%, has a five-year term and matures in 2023 but can be extended by one year by the Partnership subject to terms and conditions. Transaction costs and related fees were $7.8 million. As of December 31, 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.

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

Interest Expense

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

Description	For The Years Ended December 31, 2021	For The Years Ended December 31, 2020
Credit facility	$ 8,548	$ 9,541
Notes payable	30,140	43,409
Distributions to redeemable non-controlling interests	191	8,950
Lease liabilities	5,162	5,142
Amortization expense of deferred financing fees	3,172	3,464
Gross interest expense	$ 47,213	$ 70,506
Capitalized interest expense		
Capitalized deferred financing fees	(967)	(2,761)
Capitalized interest	(4,108)	(10,905)
Total capitalized interest expense	(5,075)	(13,666)
Net interest expense	42,138	56,840

Future Maturities of Debt

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

Years Ending December 31,	Amount (1)
2022	$ 2,684
2023	137,008
2024	127,955
2025	418,369
2026	301,860
Thereafter	97,495
	$ 1,085,371

(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 years ended December 31, 2021:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2019	$ (1,383,827)	$ (129,514)	$ (1,513,341)	$ 20,723	$ (1,492,618)
Cash flows	(131,309)	496	(130,813)	13,405	(117,408)
New leases	—	(63)	(63)	—	(63)
Assumption of debt	(140,820)	—	(140,820)	—	(140,820)
Other changes	(8,596)	—	(8,596)	—	(8,596)
Net Debt, December 31 2020	$ (1,664,552)	$ (129,081)	$ (1,793,633)	$ 34,128	$ (1,759,505)

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

Cash flows	$ 51,528	$ 637	$ 52,165	$ (5,755)	$ 46,410
New leases	—	(876)	(876)	—	(876)
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
Revaluation of right-of-use assets	—	(14,043)	(14,043)	—	(14,043)
Other changes	(11,340)	(331)	(11,671)	—	(11,671)
Net Debt, December 31 2021	$ (1,079,429)	$ (143,694)	$ (1,223,123)	$ 28,373	$ (1,194,750)

11. Financial Instruments

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

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

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 28,373	$ 28,373	Level 1
Restricted cash(1)	5,310	5,310	Level 1
Trade receivables, net	6,133	6,133	Level 3
Liabilities, including current portion			
Credit facility(2)	$ 573,500	$ 573,482	Level 3
Notes payable(2)	511,871	508,051	Level 3
Redeemable non-controlling interests(3)	154,681	154,681	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $4.9 million, and $0.4 million of cash held in bank lockbox pending disbursement.
(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 consolidated financial statements are set forth in the table below:

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

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

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

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.

12. Fair Value Measurements

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

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 278,540
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 that matured on February 5, 2021.
(2) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

In February 2017, the Partnership entered into five forward-starting interest rate swaps with a combined notional value of $400.0 million in an effort to limit its exposure to the changes in the variability of future interest rates on anticipated financings for Midtown Center. The forward-starting interest rate swaps call for the Partnership to pay interest at a fixed rate in exchange for receiving interest at a variable rate equal to LIBOR. The forward-starting interest rate swaps are exclusive of any applicable margin that would be incremental to the interest rate of the anticipated financings. On September 30, 2019, the Partnership settled its forward-starting interest rate swaps in connection with the permanent loan financing of debt at Midtown Center. See Note 10 - "Debt" for additional information.

The interest rate swaps are being accounted for as cash flow hedges as these transactions were executed to hedge the Partnership's anticipated interest payments, and these hedges are deemed to be highly effective. As such, changes in the fair value of these derivative instruments are recorded as unrealized gains (losses) on cash flow hedges included within "Equity Reserve for Cash Flow Hedges" on the Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $8.1 million and $(4.1) million for the years ended December 31, 2021 and 2020, respectively. There was no material hedge ineffectiveness recognized during the years ended December 31, 2021 and 2020. During the years ended

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

December 31, 2021 and 2020, the Partnership reclassified $(2.6) million and $(2.3) million, respectively, of (losses) gains on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.”

As of December 31, 2021, the Partnership anticipates the reclassification of $1.5 million of hedging losses from "Equity reserve for cash flow hedges" into earnings within the next 12 months to offset the variability of cash flows of the hedged items during this period.

As of December 31, 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 December 31, 2021, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,403,873
Investments in properties in development	—	—	169,254
Derivative assets	—	3,601	—
Total Assets	$ —	$ 3,601	$ 2,573,127
Liabilities:			
Derivative liabilities, net of current portion	—	2,550	—
Total Liabilities	$ —	$ 2,550	$ —

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 5 - "Investment Properties"

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership regularly evaluates factors that may adversely impact the fair value assessments. In consideration of the COVID-19 impacts and the significant disruption to our business and economy (as further disclosed in Note 18 - "Credit and Other Risks") we considered the potentially broad effects on the fair value measurement of our properties at December 31, 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 December 31, 2021.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2021:

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,403,873	Discounted cash flow - Income capitalization Market transaction Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	5.75% - 7.25% (6.29%) 4.75% - 6.00% (5.56%)
Investments in properties in development	169,254	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.00% - 7.00% (6.40%) 4.75% - 6.00% (4.82%)
Total	$ 2,573,127			

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.

13. Non-Property General and Administrative Expenses

The Partnership incurs personnel and compensation costs, professional fees, information technology costs and other corporate related costs that are collectively classified as non-property general and administrative expenses.

The following summarizes the various expenses comprising this activity for the respective periods:

	For The Years Ended December 31,	
Description	2021	2020
Personnel and compensation	$ 16,345	$ 13,340
Professional fees	3,483	3,247
Information technology	950	1,167
Other corporate	2,530	2,364
Total non-property general and administrative	$ 23,308	$ 20,118

14. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $18.0 million and $19.3 million for the years ended December 31, 2021 and 2020, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Partnership is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

15. Related Party Transactions

The Partnership manages properties owned by associates and other unconsolidated related parties for which it receives fees for asset management, property management, construction management and development. All fees charged to wholly owned properties are fully eliminated in consolidation. The Partnership's portion of the fees earned from Investment in associates is appropriately eliminated during the consolidation process. Property management fees for the years ended December 31, 2021 and 2020, totaled $3.6 million and $1.8 million, respectively. Construction management fees totaled $0.2 million for the years ended December 31, 2021 and 2020, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $1.3 million and $0.7 million for December 31, 2021 and December 31, 2020, respectively. The Partnership leases the ground under 1701 Duke property from related parties. See Note 8 - "Leases" for additional information.

On December 22, 2020, the Partnership sold King I to a related party at a contractual price of $58.5 million resulting in consideration of $58.3 million net of transaction costs of $0.2 million. The Partnership recognized a loss of $0.5 million upon disposition. The Partnership manages property operations for several properties owned by the related party, and the Partnership's Chief Executive Officer serves on the Board of Directors of the related party.

16. Commitments and Contingencies

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

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure its performance under its development projects. These bonds provide a guarantee to the counterparty that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of December 31, 2021, the Partnership had $1.9 million in performance bonds outstanding with commitment terms expiring through December 16, 2022.

Repayment Guarantees

The Partnership and its subsidiaries have guaranteed certain construction work to be performed at the Partnership's investment properties, payment of construction loans related to property development, ground lease payments and repayment of mortgage liabilities. Because the Partnership controls the investment properties and the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of December 31, 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. As of December 31, 2021, the Partnership elected to permanently cease development activities on this site, and wrote off all costs incurred of $2.0 million.

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. The determination of units awarded to each grantee is based on the Partnership's respective Net Asset Value ("NAV") at the time of issuance. Through December 31, 2020, the Partnership granted 26.4 million LTIP units. In April 2021, the Partnership granted an additional 5.7 million units.

The 2018 grant included 1.5 million of LTIP Service Units of which 50% vested in March 2021 and the remaining 50% will vest in March 2022. None of the 2018 Performance Units vested. 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 2020 grant includes certain awards which are solely service based and will fully vest in December 2023, December 2024 and December 2025 for the respective recipients. The remainder of 2020 awards include service and performance based awards that will vest in March 2023.

Vesting of all performance units is dependent upon the Partnership achieving certain return thresholds based on NAV over a three-year performance period. Below a 6.0% cumulative per annum return, no performance units will be earned. Between a 6.0% and 9.0% cumulative per annum return, the earning begins at 75% and grows to 125% at the high end of the performance units that may be earned based on linear interpolation within that range.

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.

A summary of the Partnership's LTIP activity during the period ended December 31, 2021 is presented below:

(in thousands)	**Total Units**
LTIP units outstanding, December 31, 2019	$ **9,984**
LTIP units granted during the period	15,672
LTIP units forfeited - termination	(792)
LTIP units outstanding, December 31, 2020	$ **24,864**
LTIP units granted during the period	5,727
LTIP units converted	(645)
LTIP units forfeited/other	(4,709)
LTIP units outstanding, December 31, 2021	**$ 25,237**

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 years ended December 31, 2021 and 2020, respectively, the Partnership recognized $6.2 million and $3.8 million of LTIP-related expense, of which $0.5 million and $0.4 million was capitalized. For the years ended December 31, 2021 and 2020, there were 4,709 and 792 LTIP units forfeited, respectively.

17. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $3.6 million and $2.7 million for the years ended December 31, 2021 and 2020, respectively. Employee benefit expense for these officers was $0.1 million and $0.1 million for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, LTIP expense was $4.8 million and $2.9 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

18. Equity

2020 Capital Raise

On June 30, 2020, the Partnership raised additional funds through the sale of shares of common units of CPH and CPP of $86.7 million and $5.8 million, respectively, to CET, Alony-Hetz and six additional investors. Total proceeds to the Partnership were $92.5 million. Amounts raised by CPH were contributed to CPC in exchange for shares through a subscription agreement and subsequently contributed to CPP. The proceeds from the raise were used primarily to repay outstanding borrowings on the revolver and for operational purposes. As of December 31, 2021 and 2020, CPH owned 100% of CPC.

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

The ownership interests of CPP as of December 31, 2021 are as follows:

Ownership of Carr Properties Partnership LP after equity raise:

Partner/Investor	Additional Investment	Ownership Percent
Carr Properties Corporation	$ 86,691	93.71 %
Clal	5,814	6.29 %
	$ 92,505	100.00 %

Ownership of Carr Properties Holdings LP after equity raise:

Partner/Investor	Additional Investment	Ownership Percent
AH Carr Properties Holdings LP	$ 44,009	50.77 %
CET Acquisition Company Inc.	34,816	40.16 %
Clal	7,840	9.04 %
Other Investors	26	0.03 %
	$ 86,691	100.00 %

Non-Controlling Interests

Certain of the non-controlling interests have special redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of December 31, 2021, the value of these redeemable non-controlling interests were $152.4 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 Consolidated Balance Sheets. As of December 31, 2021 and December 31, 2020, the total value of these non-redeemable non-controlling interests was $144.2 million and $143.0 million, respectively.

The changes in the Partnership’s redeemable non-controlling interests are set forth below:

	Shares	Value
Balance, December 31, 2019	**114,729**	**$ 154,529**
Share issuances	170	228
Redemptions	(1,120)	(1,500)
Revaluation	—	(2,887)
Balance, December 31, 2020	**113,779**	**$ 150,370**
LTIP Issuances	645	864
Redemptions	(807)	(1,078)
Revaluation/Other	—	4,525
Balance, December 31 2021	**113,617**	**$ 154,681**

The Partnership also maintained seven additional subsidiary REITs as of December 31, 2021 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. As of December 31, 2021, the Partnership has not declared any unpaid distributions.

Subsequent to December 31, 2021, the Partnership declared a distribution of $1.3 million from CPP for payment on March 2, 2022, all of which was attributable to redeemable non-controlling interests.

19. 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 year ended December 31, 2021. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the year ended December 31, 2021, the Partnership provided short-term rent relief to certain tenants on a case by case basis. However, these changes did not have a material impact on the 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.

For the years ended December 31, 2021 and 2020, one tenant at Midtown Center, accounted for approximately 7% and 24% (excluding termination fee revenue), respectively, of Rental revenue and Recoveries from tenants combined.

20. Capital Management

The Partnership manages its capital, taking into account its long-term business objectives. The Partnership's capital structure currently includes common shares, preferred shares, mortgage notes and revolving credit facilities, which together provide the Partnership with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions of operating properties, capital improvements, leasing costs and principal repayments on our mortgage notes and Credit Facility. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the optimal leverage in the business.

21. Subsequent Events

The Partnership evaluated subsequent events through March 2, 2022 the date the consolidated financial statements were available to be issued. The Partnership concluded that no additional subsequent events have occurred that would require additional recognition or disclosure in the consolidated financial statements other than those disclosed in the respective footnotes and herein.

On February 15, 2022, the Partnership entered into a joint venture to acquire a 99% ownership interest of a 0.8 acre development site in Austin, Texas. The Partnership contributed approximately $3M at closing including prepaid ground rent under the terms of a ground lease. The site can accommodate office development of approximately 738,000 square fee. The Partnership has the option to terminate the ground lease if the decision to not proceed with development is made prior to April 1, 2024.

Image of One Congress, Boston

Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Deloitte.

Date: March 22, 2022

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 way of reference) of our statements detailed below in connection with the May 2021 shelf prospectus.

(1) Auditors' Report dated March 22 2022 regarding the Consolidated Financial Statements of the Company as of December 31, 2021, and 2020 and for the three years periods ended December 31, 2021.

(2) Auditors' Report dated March 22, 2022, regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2021.

(3) Auditors' Report dated March 22, 2022 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2021, and 2020 and for the three years periods ended December 31, 2021.

Respectfully,

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

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) Report of Independent Auditors dated March 2, 2022 regarding the Consolidated Financial Statements of Carr Properties Holdings LP as of December 31, 2021 and 2020, and for the years then ended.

PricewaterhouseCoopers LLP

Washington, DC
March 21, 2022

PricewaterhouseCoopers LLP, 655 New York Avenue, Washington, DC 20001
T: (202) 414 1000, F: (202) 414 1000, www.pwc.com/us