QUARTERLY REPORT
Q2 2022

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, Image of Block 16, Austin, Texas

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Board of Directors' Report on the State of Corporate Affairs

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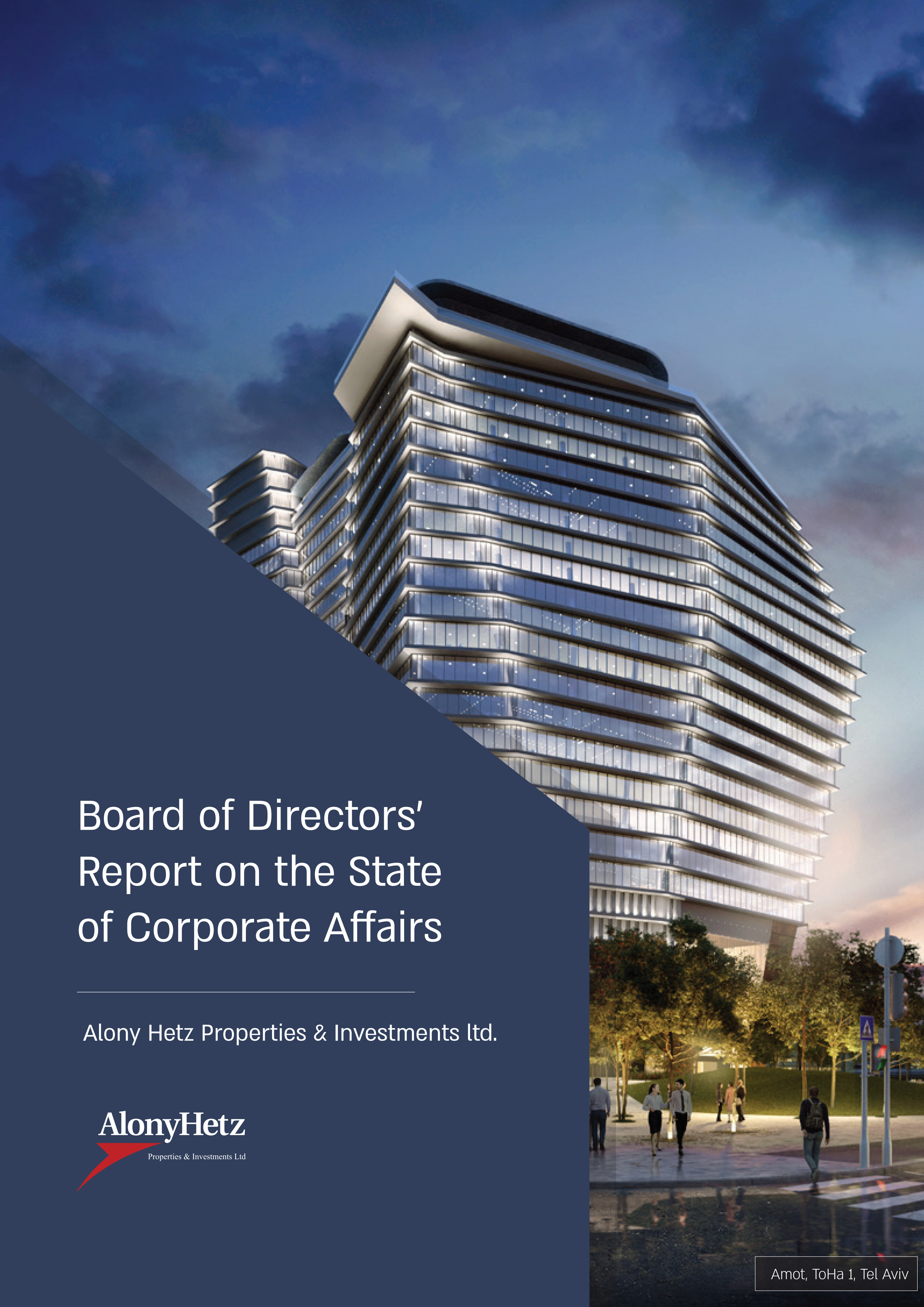


Amot, ToHa 1, Tel Aviv

Ramat Gan, August 17, 2022

Board of Directors' Report for the Six-Month Period ended June 30, 2022

The Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") is pleased to submit the Company's Board of Directors' Report for the six- and three-month periods ended June 30, 2022 (hereinafter: "**the Reporting Period**"). The Board of Directors' Report for the reporting period should be reviewed in the context of the 2021 Board of Directors' Report, which is attached to the 2021 Annual Report published by the Company on March 23, 2022 (Ref: 2022-01-033172) (hereinafter: "**Board of Directors' Report for 2021**").

1. Concise description of the Group

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

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

1.1 The Group's main income-generating property investments as of June 30, 2022:

Activity in Israel

Holdings at a rate of 53.8% 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 2.3.4 below.

Activity in the United States

- Holdings of 47% of the equity rights of Carr Properties (hereinafter: "**Carr**"), a private company and 50% in the control, a private company that operates in the income-generating property field whose income-generating properties are located in the United States, in the Washington D.C. area, in Boston and in Austin, Texas. For additional information, see Section 2.3.5 below.

- Holdings of 55% of the equity rights and 50% of the control in three property companies in the Boston metropolitan area (hereinafter: "**AH Boston**"). Two of the properties are in the Boston CBD and one is in East Cambridge. For additional information, see Section 2.3.6 below.

Activity in the UK

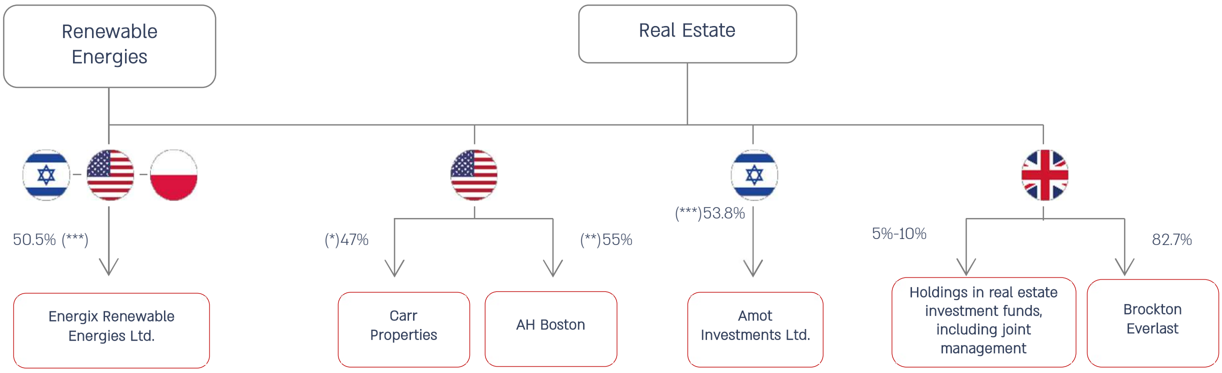
- Holdings of 82.7% in Brockton Everlast Inc. Limited (hereinafter: "**BE**"), a private company that operates in the income-generating property field in the UK, in the London metropolitan area, Cambridge and Oxford in the UK. For additional information, see Section 2.3.7 below.
- Holdings in two British real estate funds from the Brockton Group: 5% in Brockton Capital Fund II and 10% in Brockton Capital Fund III LP.

1.2 The Group's renewable energy investments as of June 30, 2022:

Holdings of 53%[1] 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 initiation, development, 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 generated 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 2.3.8 below.

[1] As of the date of publication of the report – 50.5% (taking into account a private placement to Altschuler that has not yet been cleared).

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.
*** taking into account a private placement to Altschuler that has not yet been cleared.

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 2022 to the date of publication of the report

AlonyHetz
The Company
Expanded Solo

- Acquisition of Energix shares in the amount of NIS 204 million in the reporting period, of which an amount of NIS 168 million is part of a public offering of Energix's ordinary shares.
- Investment in BE's capital in the amount of GBP 16.5 million (NIS 72 million).
- Investment in Carr's capital in the amount of USD 60 million (NIS 201.5 million), which was used by Carr to finance a partial redemption of non-controlling interest shares.
- Investment in Amot's capital in Amot's issuance of ordinary shares to the public, in the amount of NIS 159 million.
- Issuance of NIS bonds by way of an expansion of existing series for a gross total consideration of NIS 781 million and effective interest rate of 1.99% (a weighted average duration of 4.35 years).
- Signing of a credit agreement in the amount of NIS 150 million with the Bank of Israel for a one-year utilization period (until January 2023) repayable until the end of two years from the end of the utilization period. As of the date of publication of the report, the Company has lines of credit in the amount of NIS 650 million, of which NIS 285 million are not utilized.

AMOT

- Completion of the construction of the Amot Holon campus – an office building that includes a gross 60 thousand sq.m. above ground for marketing and a 5-story underground parking lot (Amot's share - 77.8%). As of the date of the report, the tower is in the population stage.
- Issuance of 25.3 million ordinary shares and 13.7 million options (Series 11) by way of a private placement and by way of a public offering for a net consideration of NIS 611 million (and a future consideration, assuming the full exercise of the options in circulation, in the amount of approx. NIS 538 million (subject to adjustments).
- Acquisition of the full lease rights (49 years with an option to extend for another 49 years) from the Tel Aviv municipality in an area of approx. 3.2 dunams at 15 Derech Hashalom St. in Tel Aviv, for the amount of approx. NIS 261 million.
- Issuance of NIS bonds by way of an expansion of existing series for a net total consideration of NIS 400 million (with an average duration of 6 years) and CPI-linked effective interest of 1.8%.

CARR PROPERTIES

- Signing of a 99-year lease agreement for a land reserve 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 with a total area of 738 thousand sq.ft. and a construction budget of USD 520-530 million. Carr intends to add a partner at a rate of 49% to the project.
- Signing of an agreement to lease the remaining rental space in the One Congress tower (owned 75% by Carr) with an area of 409 thousand sq.ft. (approx. 38 thousand sq.m.), so that after the agreement, the One Congress building is fully leased.

BROCKTON EVERLAST

Menora Mivtachim's investment in the amount of GBP 112 million in BE's capital in consideration for 13.6% of BE's capital. In this context, 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 Mivtachim's holding in BE will rise to up to 20%[17].

- Engagement in an agreement to expand Energix's strategic cooperation with First Solar and an agreement to purchase solar panels with a total capacity of over 2 GW at a guaranteed price. Most of the payments will be made close to the receipt of the panels as part of the construction of the projects, to the extent that they are actually built, by 2025.
- In the United States –
  - Virginia 2 (142 MWp) - Completion of the construction and commercial operation of 5 photovoltaic facilities (with a capacity of 116 MWp) of the 6 projects.
  - Completion of the acquisition of a construction project with a capacity of 104 MWp in Pennsylvania.
- In Israel –
  - Completion of the construction of 17 projects with a capacity of approx. 137 MWp in Competitive Procedures 3 and 4 and commercial operation of 11 of the facilities with a total capacity of 77 MWp.
  - ARAN Project:
    - Commencement of construction work on a wind farm in the Golan Heights with a capacity of 104 MW - the ARAN project, and signing of a financing agreement for the establishment of the ARAN wind farm in the initial amount of up to NIS 650 million.
- In Poland –
  - A substantial update to the electricity sales agreements for all Energix wind farms in Poland and as a result, an upward update of the revenue forecast - see Section 2.3.8.2 below.
  - Completion of construction and start of commercial operation of the Banie 3 wind farm (82 MW) and the Sepopol wind farm (44 MW).
  - Completion of construction and start of the electricity feed from the Banie 4 wind farm with a capacity of 56 MW.
- Capital raising in the amount of NIS 337 million, of which the Company invested an amount of approx. NIS 168 million.
- Subsequent to the date of the report, an agreement regarding a private placement to an institutional investor of 26 million shares for a consideration of approx. NIS 339 million.

ENERGIX RENEWABLES

1.6 Summary of the main data – the Group

Main Financial Results – Consolidated Statement	Unit	H1/2022	H1/2021	Q2/2022	Q2/2021	2021	% Change[2]
Revenues from rental fees and management of investment property	NIS thousands	573,553	463,463	293,240	243,957	989,381	23.8
Fair value adjustments of investment property	NIS thousands	456,863	431,349	333,301	472,903	1,715,469	5.9
Group share in the profits of associates, net	NIS thousands	(57,718)	59,831	(100,735)	(14,518)	126,719	(196.5)
Net profit for the period	NIS thousands	556,716	576,054	290,755	419,168	2,033,492	(3.4)
Net profit for the period attributed to Company shareholders	NIS thousands	278,922	418,765	123,915	312,519	1,557,947	(33.4)
Total comprehensive income for the period attributed to Company shareholders	NIS thousands	545,115	483,444	352,820	263,830	1,406,070	12.8
FFO attributed to Company shareholders[3]	**NIS thousands**	**271,717**	**223,097**	**138,310**	**112,302**	**488,607**	**21.8**
Total balance sheet	NIS thousands	34,381,746	27,964,027			31,956,592	7.6
Equity (including non-controlling interests)	NIS thousands	13,405,251	10,375,924			11,829,564	13.3
Financial debt (bank credit and bonds)[4]	NIS thousands	17,434,633	14,297,105			15,895,765	9.7
Net financial debt[5]	NIS thousands	15,818,997	12,334,920			14,732,476	7.4
Ratio of net financial debt to total balance sheet[6]	%	48.3	47.4			47.8	
Main Financial Results – Expanded Solo[7]							
Total balance sheet	NIS thousands	13,103,991	11,273,205			12,323,090	6.3
Equity attributed to Company shareholders	NIS thousands	8,020,710	6,768,141			7,638,174	5.0
Financial debt (bank credit and bonds)[4]	NIS thousands	4,701,802	3,800,956			3,916,548	20.0
Net financial debt[5]	NIS thousands	4,664,685	3,348,664			3,649,557	27.8
Ratio of net financial debt to total balance sheet	%	35.7	30.9			30.3	
Earnings per share data							
Earnings per share – basic	NIS	1.60	2.42	0.71	1.81	8.98	(33.9)
Comprehensive income per share – basic	NIS	3.13	2.79	2.02	1.52	8.11	12.1
FFO per share	**NIS**	**1.56**	**1.29**	**0.79**	**0.65**	**2.82**	**20.9**
Current dividend per share[8]	NIS	0.62	0.60	0.31	0.30	1.22	3.3
NAV per share	NIS	45.99	38.97			43.89	4.8
NNAV per share[9]	NIS	52.49	46.80			50.88	3.2
Price per share at end of period	NIS	43.76	45.40			57.93	(24.5)

2. Balance sheet data of June 30, 2022 compared to December 31, 2021. Result data of 1-6/2022 compared to 1-6/2021.
3. The FFO calculation did not include exchange rate differentials and linkage differentials for the bonds and the CPI-linked loans, since the Company's management believes that those expenses do not reflect cash flows from ongoing operating activities.
4. Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
5. Financial debt presented net of cash balances. The Company's financial debt (expanded solo) as of June 30, 2021 and 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 55 million and NIS 154 million.
6. Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of June 30, 2021 and 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 55 million and NIS 154 million.
7. In the expanded solo balance sheet, the investment in Amot, Energix and BE is presented on an equity basis instead of the consolidation of their statements with the Company's statements (the remaining investments are presented unchanged in the statement presented in accordance with IFRS principles).
8. The above dividend amount does not include an additional dividend for the year 2021 in the amount of NIS 44 per share and NIS 0.44 per share.
9. When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

1.7 Summary of Key Data – Investees

	Unit	H1/2022	H1/2021	Q2/2022	Q2/2021	2021	% Change[10]
Investment in Israel – Amot Investments Ltd. (rate of holdings - 53.8%)[11]							
Number of income-generating properties	Unit	176	105			175	
Value of investment property (without property in self-development)	NIS thousands	16,024,777	12,978,168			14,678,447	9.2
Weighted discount rate derived from investment property	%	6.12	6.49			6.08	
Occupancy rate at end of period	%	95.0	96.9			98.0	
Value of investment property in self-development	NIS thousands	1,858,987	1,371,660			2,447,443	(24.0)
Ratio of net financial debt to total balance sheet	%	41.4	42			42.9	
NOI[12]	NIS thousands	447,627	369,732	228,194	192,546	779,818	21.1
FFO[13] per share	NIS	0.77	0.66	0.39	0,352	1.39	16.7
NAV per share	NIS	17.78	15.65			17.17	3.6
NNAV per share	NIS	21.16	19.06			20.63	2.6
Price per share at end of period	NIS	20.98	21.38			25.28	(17.0)
Investment in the United States – Carr Properties Corporation (47% rate of holdings)[14]							
Number of income-generating properties	Unit	17	14			16	
Value of investment property (without property in development)	USD thousands	3,256,610	2,722,534			3,218,384	1.2
Occupancy rate at end of period	%	85.5	89.0			87.90	
Rental rate at end of period	%	90.5	90.7			92.80	
Number of properties in development	Unit	1	3			2	
Value of self-developed properties	USD thousands	664,803	1,138,847			654,476	1.6
Ratio of net financial debt to total balance sheet	%	44.6	43.7			43.1	
NOI	USD thousands	71,756	66,867	36,332	33,287	144,274	7.3
FFO[17]	USD thousands	38,925	33,610	20,292	16,466	77,511	15.8
Investment in the United Kingdom – Brockton Everlast Inc. Limited (rate of holdings - 82.7%)							
Number of income-generating properties	Unit	14	14			14	
Value of investment property	GBP thousands	950,350	892,150			938,125	1.3
Occupancy rate at end of period	%	97.5	91.8			97.3	
Value of land for initiation	GBP thousands	233,950	-			232,750	
Ratio of financial debt to total balance sheet	%	31.1	44.3			39.7	
NOI	GBP thousands	16,791	14,416	8,405	7,483	31,156	16.5
FFO	GBP thousands	5,680	4,948	2,679	2,529	15,577	14.8
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings – 53%)							
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	457.7	318			406.1	12.7
Installed capacity from connected wind systems (MW) – Energix's share	Unit	301.2	119.2			134.2	124.4
Balance of connected electricity-generating facilities – according to book value	NIS thousands	2,134,752	1,685,405			1,914,928	11.5
Revenues from sale of electricity and green certificates	NIS thousands	201,874	124,169	110,361	66,022	260,836	62.6
FFO from projects[15] – Energix's share	NIS millions	81	83.9	41	52.23	179	(3.5)
Price per share at end of period	NIS	10.57	12.51			13.25	(20.2)

10. Balance sheet data of June 30, 2022 compared to December 31, 2021. Result data of 1-6/2022 compared to 1-6/2021.
11. 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.
12. Net operating income.
13. Funds from operations.
14. The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
.15 Not including Energix's initiation, administrative and general cash flow costs that are not connected with projects.

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

2.1 The business environment

The following is information regarding the economic development from the beginning of 2022 in the business environment in which the Group operates:

A. General:

From the beginning of 2022, there has been a slowdown in the pace of activity in the global economy. The war in Ukraine and the slowdown in economic activity in China added to the disruptions in the global production chains, increased the prices of energy, goods and maritime transport, intensified inflationary pressures and accelerated the restraint measures taken by many central banks in the form of interest rate increases, while pulling back from an expansionary fiscal policy.

In view of these developments, the growth forecasts in many countries have been updated downwards. In the stock markets around the world, declines of tens of percent were recorded since the beginning of the year, due to the interest rate increases and fears of a recession.

B. The following is information regarding the economic development from the beginning of 2022 in the Group's real estate area of activity:

1. <u>Israel (Amot)</u>

According to Central Bureau of Statistics publications, the Consumer Price Index increased by a rate of 5.2% in the last 12 months (July 2022 compared to July 2021) and the Israeli economy grew in the second quarter of 2022 at an annual rate of 6.8%. According to the Bank of Israel forecast, the GDP is expected to grow in 2022 at a rate of approx. 5% and the unemployment rate is expected to drop to 3.3%.

In April 2022, the Bank of Israel decided to raise the interest rate in several steps, from a zero rate [where it had been for about 7 years] to its current level of 1.25%, and according to the forecasts of the Bank of Israel's Research Department, by the second quarter of 2023, the Bank of Israel's interest rate should increase by 1.5% and reach 2.75%.

Amot owns an income-generating property portfolio of approx. NIS 16 billion. All lease agreements on these properties are CPI-linked and constitute long-term inflationary protection. The increase in the CPI led to an increase in NOI and accordingly, to an increase in the fair value of these properties.

91% of Amot's financial debt is in CPI-linked bonds bearing fixed annual interest. The rest of the financial debt is unlinked and bears a fixed interest rate. Amot's total debt has a long-term average duration.

According to Central Bureau of Statistics publications, the Construction Input Index increased in the last 12 months (July 2022 compared to July 2021) at a rate of 6.8%. An increase in the Construction Input Index implies an increase in the cost of the construction budgets of projects in initiation.

Throughout the first half of the year, despite inflation and the slowdown in growth, demand for office space, logistics, industry and commerce was evident in most of Amot's areas of activity, which was reflected in price stability and even an increase in rent in some areas of demand, and in maintaining high occupancy rates of approx. 95%.

2. United States (Carr)

As of June 2022, the annual inflation rate in the United States was 9.1%, the highest rate since 1981. The data for the month of July 2022 indicate a slowing in the inflation rate to an annual rate of 8.5%. The increase in the CPI contributed significantly to the increase in wages in the American economy. According to the estimates of American banks, the projected inflation for 2022 will amount to 7%.

During July 2022, 528 thousand new jobs were added to the American labor market and the unemployment rate in the US dropped to 3.5%, the lowest level since the late 1960s, and it is expected to remain below 4% during 2023 as well. Since the beginning of the year, 23 thousand employees were added in Washington D.C. and in Austin (each), while in Boston approx. 76 thousand employees were added.

In response to the inflationary outbreak, the US Central Bank (the "**FED**") raised the interest rate twice in a row by 75 basis points to 2.5%. According to capital market estimates, at the end of 2022, this rate will exceed 3%. Carr has some loans taken at variable interest (SOFR). 75% of Carr's financial debt is hedged through hedging transactions (CAP type).

In the second half of 2022, the GDP shrank by 0.9%, following another decrease of 1.6% in the first quarter of the year. Economists in the United States expect that the GDP will increase by approx. 1.5% during the second half of the year, and will amount to a growth rate of 1% in 2023.

As a result of the FED's appeal to the commercial banks in the United States to reduce the loan portfolio in order to increase capital adequacy, in view of fears of an economic recession, the commercial banks reduced the amount of loans they granted to commercial real estate backed by collateral, from a total of USD 29 billion in the first quarter of this year to a total of USD 21 billion in the second quarter.
This, among other things, resulted in a decrease of approx. 30% in the volume of commercial real estate transactions, compared to the previous year, and to an increase in the price of the debt that is provided by other financial entities such as investment funds and life insurance companies, mainly in the form of increased margins above (above the risk free debt cost, whose basis has become even more expensive).

As of the date of this report, the vacancy rate in the "CLASS A" office market is 11% in Washington D.C., compared to 9% in Boston and 17% in Austin. In the second quarter of the year, there was a positive absorption of rental space in "CLASS A" office buildings (net absorption) in the three markets where Carr operates.

The total "CLASS B" office space in Washington, D.C., which is in the process of being converted into rental housing, is approx. 2.5 million sq.ft. and is the same as the area of office buildings of the same type that are currently being converted in Boston to research and development laboratory buildings.

The rental prices for "CLASS A" offices in Washington, D.C. have remained unchanged since the beginning of the year, compared to Boston and Austin, which recorded moderate increases. In the three markets, the benefit packages for renters (free rental period and adjustments for renters) increased during the first half of the year.

The rental areas of the Trophy type buildings that are under construction or whose construction has been completed continued to constitute the main rental activity in the three markets. The cumulative amount of the total office space under construction in Washington D.C. for delivery in 2023-2024, is approx. 1 million sq.ft. and is the lowest in the last 15 years. As of June 2022, 2.7 million sq.ft. of office space is under construction in Austin's CBD, of which 69% is pre-leased, while in Boston's CBD, office towers are being built with a total area of approx. 3.8 million sq.ft., of which 74% is pre-leased.

At the same time as the dramatic decrease in the volume of transactions carried out during the first half of the year in "CLASS A" type office buildings in the markets where Carr operates, in Washington DC., an increase can be seen of up to half a percent in the rate of return.

The increase in inflation has a direct effect on operating expenses and on the procurement costs of projects under construction. Carr is working to make engagements to fix the energy prices in its properties and in addition, it carries out the construction work of its towers under agreements with "Gross Maximum Price" type contractors, which protects against an increase in the prices of construction materials.

3. **UK (BE)**

The geopolitical crisis in Europe, due to the war in Ukraine, has resulted in the doubling of gas prices for households in the UK, and accelerated the rate of inflation in the UK, which is expected to exceed 10% at the end of 2022, according to forecasts.

Since the beginning of 2022, the Bank of England ("**BOE**") has raised the interest rate to 1.75%. During the mentioned period, the exchange rate of the GDP depreciated against the USD by 10%.
All the loans taken by BE are at variable interest rates (SONIA), however all of BE's financial debt is hedged against rising interest rates through hedging transactions (of the CAP type).

The BOE expects that only in 2024 will inflation return to a target level of less than 3% per year. In addition, the BOE expressed its concern that the UK will enter a recession at the end of 2022. The BOE expects that the GDP will increase in 2022 by 3.5%, but in the years 2023-2024 it will contract.

The UK labor market continues to show signs of strength, and as of June 2022, the unemployment rate is 3.8% (compared to 4.1% in the corresponding year).

In the first half of 2022, the volume of transactions for the acquisition of office buildings in central London amounted to GBP 8 billion. The yield rates of "Prime" type offices remained stable in the West End compared to an increase of about a quarter of a percent in the discount rate of transactions carried out in the City. Due to the concern of investors regarding the Central Bank's forecast of a possible recession, along with the increase in the price of the money, there was an imbalance in the prices of transactions offered between buyers and sellers. This caused a halting of many transactions.

The vacancy rate in the office sector in central London is 7.8%, and it has remained stable compared to the beginning of the year. The projects whose construction may be completed by the end of 2022 has an area of approx. 5 million sq.ft., half of which have been pre-leased.

During the first half of 2022, rental prices for "CLASS A" central London office buildings continued to maintain stability as did the benefit packages provided to tenants. In Cambridge and Oxford there was a moderate increase in the rental prices of office buildings and research laboratories.

BE is in various planning and licensing stages that relate to the backlog of initiatives. An increase in construction inputs and the increase in financing costs accompanying construction will increase the amount of future investment. Therefore, BE will examine the appropriate date for the start of construction of these projects.

4. **Value of income-generating properties**

Based on the opinions and assessments of external appraisers, the Group companies estimate the fair value of their assets, among other things by determining the discount rates of the future cash flows from their assets. The Group has exposure to changes in these discount rates, which are affected, among other things, by the long-term risk-free interest rate. For information on real estate appraisals carried out by Group companies, see Section 2.3.3 below.

C. **The following is information regarding the economic development from the beginning of 2022 in the Group's energy area of activity:**

Against the backdrop of drought and severe heat waves plaguing Europe and the United States and as a result of the gas crisis following the fighting in Ukraine, a global trend of a sharp increase in electricity rates can be seen. In view of the above, during the reporting period and until the date of approval of the report, there has been a significant increase in electricity prices in Poland and the United States, which is expected to result in a significant increase in Energix's income from the sale of electricity in projects in Poland and the United States.

All of the projects financed in Israel are linked to the CPI. On the other hand, Energix's revenues from these projects are also CPI-linked. Energix's financing agreements are at a fixed interest rate (CPI-linked) or fixed in transactions hedging the risk of an increase in the base interest rate. An increase in the interest rate (with respect to the unhedged part of the financing) could affect the amount of Energix's interest payments. Also, an increase in interest rates in the economy and around the world, may affect the prices of credit for future financing of photovoltaic, wind energy and storage projects, and may affect the economic viability of purchasing and establishing additional systems.

D. **The following is information regarding the effect of inflation and the increase in the Company's interest rate (on an expanded solo basis):**

95% of the Company's financial debt is not CPI-linked, while 33% of the Company's bonds (on a debt measurement basis) bear variable interest (plus a fixed margin). An increase of one percent in the interest rate means an increase in the Company's interest expenses by approx. NIS 14 million.

E. **The Group's assessments:**

The Group has exposure to market risks as detailed in Section 4.1 of the Board of Directors' Report for 2021. According to the assessment 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 duration of the lease agreements, the quality of their properties and the fixing of electricity prices will enable them to face the challenges of rising interest rates, inflation and an economic recession.

The Company estimates that the status of the Group's liquidity, cash balance and credit facilities, the average duration of its debts, leverage level, current cash flows and access to bank credit and to the capital market will enable it to continue its operations and meet its obligations. Regarding the Group's liquidity, its unencumbered assets and its financial debt, see Section 2.4 below.

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

Sources:

1. Bank of Israel – Monetary Policy Report, H1/2022, July 2022.
2. Bank of England – Monetary Policy Report – August 2022
3. Federal Reserve Press Release – July 2022
4. 2022 Federal Reserve Stress Test Results – June 2022
5. JLL – Central Office London Market Review Q2 2022
6. JLL – Metro Washington D.C. Office Market Review Q2 2022
7. JLL- Boston Office Market Review Q2 2022
8. JLL- Austin Office Market Review Q2 2022

2.2 Statement of Financial Position

Statement of Financial Position Item	June 30, 2022 NIS millions	December 12, 2021 NIS millions	Notes and Explanations
Cash and cash equivalents	1,616	1,163	For Statement of Cash Flows – see Section 2.6 below.
Investment Property, Investment Property in Development and Land Rights	22,211	21,376	Most of the increase stems from property revaluation in the reporting period in the amount of NIS 456 million due to the rise in the CPI by 3.13% and from the investment in properties in development in the amount of approx. NIS 213 million.
Investments in associates Securities measured at fair value through profit and loss	5,144	4,611	The following are the main changes: • An increase in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 493 million. • An increase in respect of investments in investees in the amount of NIS 216 million (of which, NIS 202 million is an investment in Carr. • A decrease in investments in respect of the Group's share in the losses of investees in the amount of NIS 57 million. • A decrease in investments in respect of the realization of investments and the repayment of loans in the amount of NIS 132 million. For details regarding changes in the balance of investments in associates, see Notes 6 and 7 to the financial statements, respectively. In addition, see Section 2.3 below.
Electricity-generating facilities – connected and in development	4,517	3,765	Most of the increase is due to Energix's investments in the initiation and development of projects in the United States, Israel and Poland. For details on electricity-generating facilities, see Note 5 to the financial statements.
Other assets	894	1,042	
Total assets	34,382	31,957	
Loans and bonds	17,061	16,113	The following are the main changes: • Raising of bonds and receipt of loans in the amount of NIS 1.6 billion. • Repayment of bonds and loans in the amount of NIS 0.9 million. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	3,916	4,014	
Total liabilities	20,977	20,127	
Equity attributed to shareholders	8,021	7,638	For details regarding the main changes in equity attributed to shareholders – see Section 2.7.2 below.
Non-controlling interests	5,384	4,192	During the reporting period, the balance of the non-controlling interests increased by approx. NIS 1.1 billion following capital issues carried out by BE, Amot, and Energix (of that amount, a total of NIS 0.5 billion stems from the Menora transaction - see Section 2.3.7)
Total equity	13,405	11,830	
Total liabilities and equity	34,382	31,957	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of June 30, 2022:

	Currency	Number of Shares	Book Balance of the Company (expanded solo)	Value (*)	Value Measurement Basis
			NIS thousands	NIS thousands	
Amot	NIS	252,718,672 [16]	4,473,008	5,303,292	Stock market value - tradable
Energix	USD/PLN/NIS	276,060,936	966,137	2,917,964	Stock market value - tradable
Carr	USD	-	3,559,948	3,559,948	Equity method
AH Boston	USD	-	879,567	879,567	Equity method
Brockton Everlast	GBP	-	2,929,830	2,929,830	Equity method
Brockton Funds	GBP	-	161,446	161,446	Equity method
Other (mainly cash)			52,745	52,746	
Total			13,022,681	15,804,793	

(*) As of the date of approval of the statements, the value of the investment is NIS 17.4 billion.

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

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

	H1/2022
	In NIS millions
Energix	204
Carr	202
Amot	159
Brockton Everlast	72
Brockton Everlast - repayment of bridging loan	(158)
AH Boston	15
	494

16 In addition, the Company holds 9.879 million Amot options (Series 11) that are exercisable for Amot's ordinary shares.

2.3.3 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) (*)	NIS	440	-	(2)	438	236
UK (BE)	GBP	7	-	-	7	25
USA (Carr and AH Boston)(**)	USD	(128)	39	-	(89)	(144)
Company's share before the effect of tax						**117**
Tax effect						(21)
Company's share after tax						**96**

(*) Amot - The positive revaluations of the income-generating properties in the reporting period were mainly due to the effect of the increase in the CPI at a rate of 3.13% in the period.

(**) USA (Carr and AH Boston) - The negative revaluations of the income-generating properties in the reporting period were mainly due to the increase in the discount rate of most of the properties by 0.25%.

2.3.4 Investment in property in Israel – through Amot

As of June 30, 2022, Amot's properties, owned or leased, include 176 income-generating properties spread throughout Israel with a total area of 1.85 million sq.m. (Amot's share), 1.15 million sq.m. of rental areas and 0.7 million sq.m. of open storage and parking (18,300 parking spaces). These properties are spread throughout the country, with the majority of Amot's properties (91%) located in the big cities in the center of the country and in high-demand areas. The properties are leased to approx. 1,750 tenants, through contracts of varying durations. In addition, Amot has 6 projects in development amounting to 211 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiation amounting to 64 sq.m. above-ground (Amot's share). The occupancy rate of all of Amot's properties as of June 30, 2022 is 95%.

In January 2022, Amot issued 11.6 million ordinary shares of NIS 1 PV each ("**Amot's ordinary shares**"), by way of a private placement, for a net amount of approx. NIS 301 million, to several institutional investors, three of which are interested parties in Amot by virtue of their holdings. In May 2022, Amot issued 13.7 million ordinary shares and 13.7 million options (Series 11), exercisable until December 22, 2022. The net proceeds received for the issuance amounted to approx. NIS 310 million. In the offering, the Company purchased approx. 7 million ordinary shares of Amot together with approx. 7 million options (Series 11) for a total consideration of NIS 162 million (NIS 159 million considering the early commitment fee).

The future consideration that will be received by Amot given the full exercise of the options (Series 11) in circulation (which expire in December 2022) for Amot's ordinary shares, amounts to a total of approx. NIS 538 million (subject to adjustments) (of which the Company's share is NIS 255 million for the 9.9 million options it holds).

2.3.4.1 For information regarding Amot's activity, see Chapter B of the Company's Description of Corporate Business for 2021 and Section 2.3.5 of the Company's Board of Directors' Report for 2021.

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

Information regarding rental agreements signed during the reporting period

During the reporting period, 205 new contracts were signed, including the exercise of options and contract renewals amounting to an area of 79 thousand sq.m. at annual rental fees of NIS 81 million. The rate of increase in NIS per sq.m. between the new contracts and the previous contracts is 13%.

Amot Holon campus

At the beginning of 2022, the construction was completed on an office building that includes a gross 60 thousand sq.m. above ground for marketing (Amot's share - 47 thousand sq.m.) and a 5-story underground parking lot (Amot's share - 77.8%). The tower is in the population stage. In view of the above, in the first quarter of 2022, Amot reclassified the office building from 'property in development' to 'investment property', in the amount of NIS 470 million. As of the date of the report, contracts have been signed for approx. 14,100 sq.m., which are expected to generate approx. NIS 14.2 million per year (Amot's share - 77.8%).

Kargal Logistic Center

In March 2022, Amot engaged (through a wholly owned subsidiary) in an agreement with Kargal Ltd. (hereinafter: "Kargal"), according to which on March 3, 2022, the lease agreement between the parties (which was originally meant to end only on May 31, 2032) was terminated, under which Kargal leased land in Lod with a total area of approx. 106 dunams, on which there are several logistics buildings subleased to a number of sub-tenants for long periods (hereinafter: the "complex" and "sub-tenants").
Following the conclusion of the agreement, Amot was assigned the full rights and obligations under the lease agreements with the sub-tenants, in consideration for a payment of NIS 51.3 million (plus VAT by law). Due to its designation, size and strategic location, the complex is another significant development reserve for Amot in the logistics sector.

Derech Hashalom 15, Tel Aviv

In May 2022, Amot acquired of the full lease rights (49 years with an option to extend for another 49 years) from the Tel Aviv municipality in an area of approx. 3.2 dunams at 15 Derech Hashalom St. in Tel Aviv, for the amount of approx. NIS 261 million.
The complex, with an area of approx. 3.2 dunams, is designated for residential, employment and commercial use and is located on Derech Hashalom St. in Tel Aviv, adjacent to the ToHa project. The master plan is approved for the construction of 15,845 sq.m. of gross above-ground area, including 9,507 sq.m. of gross above-ground area for 94 residential units, 4,754 sq.m. of gross above-ground area for employment, and 1,584 sq.m. gross above-ground area for commerce, as well as underground service areas with the same total area.

Beit Shemesh Logistic Center

In June 2022 Amot and its partner to the property signed a lease agreement for the property with Logisticar (hereinafter the "**Lessee**") in relation to an area of 24,500 sq.m. for a period of 10 years, with an option for another 5 years. Amot purchased 60% of the plot in June 2021 in an area of 40 dunams for the establishment of a logistics center. Amot is promoting 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 Amot and its partner in the property, it was agreed between the parties that the companies will jointly establish an advanced logistics center, which will be built on two high floors of approx. 15 meters each 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 in the excavation and quarrying work.

Management agreement between the Company and Amot:

For additional information regarding the management agreement between the Company and Amot for the years 2022-2024, see Note 3(c) to the financial statements.

Fair value adjustments of investment property:

For real estate valuations recorded by Amot in the reporting period, see Section 2.3.3 above.

2022 forecast update:

The following is Amot's updated forecast for its main operational results for 2022, which is based on the following assumptions:

- An increase in the CPI by a rate of 4.6% in 2022.
- 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.

	Actual	Updated Forecast	Original Forecast	Actual
Data	**1-6.2022**	**2022**	**2022**	**2021**
NOI (in NIS millions)	448	905-915	860-890	**780**
Real FFO (in NIS millions)	352	713-723	675-695	**583**
FFO per share (in NIS 0.01)	77.0	154-156	149-153	**138.9**

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.

2.3.5 Investment in Carr

In May 2022, some of the non-controlling interests in Carr exercised their redemption right in relation to the redeemable shares which they hold. The redemption cost for the above shares amounted to approx. USD 60 million. Following the aforementioned, in June 2022, the Company invested the amount of approx. USD 60 million (NIS 201.5 million) in Carr's capital, which was used for the financing of the acquisition of the above redemption shares. After the investment in Carr's capital the Company holds 47% in Carr. For additional information, see Note 6(g) to the 2021 Financial Statements.

2.3.5.1 For information regarding Carr's activity, see Chapter C1 of the Company's Description of Corporate Business for 2021 and Section 2.3.6 of the Board of Directors' Report for 2021.

2.3.5.2 Carr's business development in the reporting period is as follows:

Block 16

In February 2022, 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 in the coming months for the construction of an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 520-530 million. Carr predicts that the construction of the tower will begin in the second quarter of 2023, subject to an examination regarding the effect of the increase in construction inputs and the increase in financing costs accompanying the construction. The duration of the tower's construction is expected to be three years.

Carr expects that 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%).

One Congress Project – Boston, Massachusetts

Carr holds 75% of the rights in a joint venture through which an office tower is currently being built in Boston whose designated name is "One Congress" with 1 million sq.ft. with a partner.

In April 2022, the joint venture signed an agreement to lease the remaining rental space in the tower, which is in advanced stages of construction, to a single tenant with an area of 409 thousand sq.ft. (approx. 38 thousand sq.m.), so that after the agreement, the One Congress building is fully leased.

Cap transaction for fixing interest

To hedge the risk of a rise in interest rates in the United States, in May 2022, Carr purchased a CAP transaction for a period of 3 years, at an annual SOFR interest rate of 2.5% amounting to USD 400 million. After the aforementioned CAP transaction, 75% of Carr's total credit is at a fixed interest rate. The cost of the hedge transaction amounted to USD 11.5 million.

Fair value adjustments of investment property:

For real estate valuations recorded by Carr in the reporting period, see Section 2.3.3 above.

2.3.6 Investment in AH Boston

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through fully owned corporations) in three companies that (each) hold an office building in the Boston CBD and in East Cambridge (hereinafter, collectively: the "**Boston Partnerships**"). The Company's partner in the Boston Partnerships is the Oxford Properties Group (hereinafter: "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

During the reporting period, the Company invested the amount of approx. USD 4.6 million (NIS 14.6 million) in two of the Boston partnerships. The balance of the investment in the three Boston Partnerships in the financial statements as of June 30, 2022 is USD 251 million (approx. NIS 880 million).

Further to Note 6i.1 to the annual financial statements, during the second quarter, approvals were received and work began on the conversion of the 745 Atlantic building from an office building to laboratories. In order to pay off an existing loan on the property and finance the construction costs, in June 2022, one of the Boston partnerships, through a company that owns the building (hereinafter, in this subsection - the "**Property Company**"), entered into an agreement for the receipt of a loan in a total amount of up to approx. USD 180 million (approx. NIS 630 million) from an international investment fund (the "**Loan**"), of which, by the date of this report, the property company has withdrawn a total of approx. USD 93 million (approx. NIS 325 million). The loan is non-recourse (except for cases specified in the loan agreement, for which the Company and its partner Oxford are guarantors) and secured by a lien on the property. The loan bears interest at an annual rate of SOFR interest plus an annual margin of 3.4% which will be paid on a monthly basis. The loan repayment date is July 9, 2025, subject to the right of the property company to extend the loan repayment date (subject to certain conditions) by another two years. The property company purchased a CAP hedging transaction in case the SOFR interest rate rises above 2.5%.

Fair value adjustments of investment property:

For real estate valuations recorded by AH Boston in the reporting period, see Section 2.3.3 above.

2.3.7 Investment in Brockton Everlast ("**BE**"):

2.3.7.1 For information regarding BE's activity, see Chapter D of the Company's Description of Corporate Business for 2021 and Section 2.3.7 of the Board of Directors' Report for 2021.

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

BE is taking active steps to locate investments in the office sector in the London Metro area and in the office and life science sector in Cambridge and Oxford. Such investments, if any, will be financed from BE's equity (by raising capital from its shareholders) and from bank loans that BE will receive.

2.3.7.3 Adding an investor to BE:

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**")[17]. If and to the extent that the option is exercised, Menora's holding rate in BE will increase up to 20%.

Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Note 6 to the annual financial statements (Subsections 4 and 5, respectively).

During the reporting period, the Company invested the amount of approx. GBP 16.5 million (approx. NIS 72 million) in BE's capital. As of June 30, 2022 and as of the date of publication of the report, the Company indirectly holds approx. 82.7% of the rights in BE.

2.3.8 Investment in renewable energy through Energix

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its photovoltaic and wind energy systems, as of the date of publication of the report, amounts to approx. 770 MW in commercially operated projects, approx. 620 MW in projects in development or pre-construction and approx. 720 MW in projects in advanced stages of initiation. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.4 GW and storage projects in initiation with a capacity of approx. 7 GWh.

In January 2022, Energix issued 25.8 million ordinary shares, through a shelf offer report, for a total consideration of approx. NIS 337 million, from which the Company acquired 13 million ordinary shares of Energix for the amount of NIS 168 million. In addition, the Company invested an amount of NIS 36 million in the acquisition of Energix shares.

On August 10, 2022, Energix's Board of Directors approved a private placement to an institutional investor of 26 million of Energix's ordinary shares of NIS 0.01 PV (each), against an investment of approx. NIS 339 million.
After the allocation, the rate of the Company's holdings in Energix is 50.48% (46.9% fully diluted)[18].

2.3.8.1 For information regarding Energix's activity, see Chapter F of the Company's Description of Corporate Business for 2021 and Section 2.3.9 of the Board of Directors' Report for 2021.

[17] BE is included in the list of significant non-financial corporations according to the Law for the Promotion of Competition and Reduction of Centralization, 2013, and therefore Menora will be forbidden to exercise the option as long as it does not receive the approval of the Centralization Committee.
[18] taking into account a private placement to Altschuler that has not yet been cleared.

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

Raising forecasts for the results of operations for 2022:

Following the amendment of the electricity sales agreements at Energix's 5 wind farms in Poland in July 2022 (see Section 3(a) below) and following the increase in electricity prices in the United States and Poland, Energix has updated its forecast results upward for all indicators of its results of operations for 2022. In this context, the revenue forecast for 2022 increased by approx. 30%-40%.

It should be clarified that the forecast update is based on the high electricity prices as of the date of approval of the report and electricity price-fixing transactions carried out by Energix. At the same time, there is no certainty that electricity prices will remain high over time, and Energix's forecasts may change substantially depending on actual production volumes and electricity prices and within the framework of future price-fixing transactions to be carried out by Energix.

According to Energix's updated forecast, the total representative annual revenue expected in 2022 from the sale of electricity and green certificates 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 535-565 million (instead of NIS 400-430 million according to the original forecast).

(1) Israel

a.) **Wind farm in the Golan Heights with a capacity of 104 MW - the ARAN project:** In the reporting period, Energix began preparations for the project's construction after it was issued a building permit in February 2022. For this purpose, Energix completed the series of engagements with the main contractors, including, entering into an agreement for the purchase of the turbines, engaging with a contractor to perform the civil work and the electrical work for the project and engagement with the Ministry of Defense. Energix is preparing to complete the conditions for the project's financial closure, including the obtaining of a guaranteed rate and meeting the conditions for withdrawal as part of a financing agreement signed with Discount Bank to finance the project's construction in the amount of up to NIS 650 million. For additional information, see Note 5 to the financial statements.

b.) **Promotion of photovoltaic activity in Israel:** Energix continues to develop and promote its activity in the photovoltaic field. In this context, Energix is working to obtain a building permit for the construction of the Julis project at extra-high voltage with a capacity of approx. 90 MWp, following the approval of the plan for the project's construction by the National Infrastructures Committee and the government, and is also preparing for the start of the construction of photovoltaic projects for electricity generation and storage as part of Competitive Procedure 2, with a capacity of approx. 180 MWp (including 320 MWh of storage) and in this context, Energix entered into an engagement with a wholly owned subsidiary of Tadrian Group Ltd. for the supply of energy storage systems at a total cost of up to approx. USD 85 million. For additional information, see Note 5 to the financial statements.

(2) United States

a.) **Continued momentum in project construction in the United States:** Energix has commenced construction work on a project with a capacity of approx. 150 MWp and is preparing to commence the construction of additional projects with a total capacity of approx. 160 MWp in Virginia and a project with a capacity of 104 MWp in Pennsylvania. In this context, during the reporting period and until the date of approval of the report, Energix entered into agreements for the sale of electricity, on an "As Generated" basis for periods of 12 and 25 years for projects with a capacity of 73 MWp and is in negotiations towards the signing of additional electricity agreements for projects with a capacity of 240 MWp.

b.) **A renewed bill promoting renewable energies:** Near the date of approval of the report, the U.S. Senate and the House of Representatives approved legislation to promote climate and energy programs with an allocation of approx. USD 369 billion. The program is expected to include, among other things:

(1) An extension of the period for eligibility for the ITC tax benefit so that it will apply until the year 2032, instead of 2026;

(2) An increase of the ITC tax benefit rate from 26% to 30% for the entire period, instead of the current 26%, which decreases significantly over the years;

(2) Additional benefits in connection with the receipt of the ITC tax benefit, including the possibility of selling the right to the tax benefit, instead of introducing a partner;

(3) A tax benefit of up to 10% of the total construction cost of renewable energy projects, including storage, which are built in combination with equipment manufactured in the United States (such as First Solar panels, which are manufactured in the United States);

(4) An additional tax benefit of up to 10% of the total construction cost for projects that are defined as "Brownfield Sites" that enable optimal utilization of the land, such as the construction of a facility on an abandoned coal mine.

Approval of the aforementioned legislative plan, to the extent that it is consolidated into binding legislation, provides prospects for investment in renewable energies in the United States, with a tax benefit of 30%, for another 10 years.

c.) **Negotiations for a financing package in the amount of approx. USD 480 million from a leading financial institution in the United States:** As of the date of approval of the report, Energix is in negotiations for the receipt of a financing package in the amount of approx. USD 480 million dollars from a leading American bank to finance projects in development and pre-construction with a capacity of 416 MWp. The financing package is expected to include lines of credit for the construction period that will be replaced by Tax Equity financing and long-term Back Leverage financing.

d.) **Engagement with First Solar for the purchase of panels with a total capacity of over 2 GWp.** The transaction reflects attractive panel prices relative to current market prices. These panels were purchased as part of Energix's strategy to purchase the main equipment required for the construction of the projects in advance (expected to be used by Energix for its projects until and including 2025) and Energix estimates that they will give it a comparative advantage in the US photovoltaic market. In April 2022, Energix paid an advance payment of USD 30 million. The balance of the payments will be paid near the delivery of the panels.

(3) Poland

a.) **Amendment of electricity sales agreements at Energix's 5 wind farms in Poland:** In July 2022, Energix signed an amendment to the electricity sale agreements for price fixing transactions in which it engaged with a local broker for all 5 of Energix's active wind farms in Poland, through the Company's local project companies in Poland (100% ownership through an international structure). In the amendment to the agreement, the amount of electricity generation that Energix was committed to in previous transactions was reduced by about half. The amendment also included a long-term price-fixing engagement for the years 2025-2034 in relation to expected generation at a rate of up to 38% of Energix's total expected electricity generation in Poland from the aforementioned wind farms. For additional information, see Note 5 to the financial statements and the Company's immediate reports dated July 3, 2022 (Ref: 2022-01-082702) and July 7, 2022 (Ref: 2022-01-085426) which are fully included herein by way of reference.

It should be noted that after the amendment to the electricity sales agreements entered into effect, Energix entered into new price-fixing transactions in relation to part of the expected electricity generation from all of its wind farms in Poland for the years 2022-2024 that were not yet fixed.

b.) **Completion of construction and start of electricity feed from the Banie 3 wind farm (82 MW) and the Sepopol wind farm (44 MW)** - In the reporting period, the construction work has been completed on the 2 wind farms wholly owned by Energix in Poland, Banie 3 and Sepopol, with a total capacity of 126 MW. Accordingly, all 57 wind turbines in the projects began to generate electricity fed into the Polish electricity grid.

c.) **Completion of construction and start of electricity feed from the Banie 4 wind farm with a capacity of 56 MW –** As of the date of the report, the construction work has been completed on Energix's wholly owned wind farm in Poland, Banie 4, with a total capacity of 56 MW. Accordingly, all 16 wind turbines in the project began to generate electricity fed into the Polish electricity grid. For information regarding the financing transaction for the project, see Note 8 to the financial statements.

d.) **Increase in the backlog of wind energy and photovoltaic projects in advanced initiation and initiation:** In the reporting period and until the date of approval of the report, Energix worked to expand the backlog of wind and PV projects in initiation and development in Poland. This activity, together with the expected amendment of the Distance Law, which significantly limited the ability to establish new wind farms in Poland, are expected to accelerate the renewal of activity in the initiation, development and establishment of new wind farms. At the same time, Energix is working to establish its photovoltaic activity in Poland, and in this context, it has commenced construction work on its first photovoltaic project in Poland with a capacity of approx. 12 MWp.

The provisions of Section 2.3 above regarding projects in initiation, development and construction include forecasts, valuations, estimates or other information relating to a future event or matter, the realization of which is uncertain and beyond the Group's control, and therefore constitutes forward-looking information as the term is defined in Section 32A of the Securities Law, 1968 ("**Forward-Looking Information**").

Such information is based on knowledge existing in the Group as of the date of approval of the report, or information published in external sources, and may change, among other things, due to the influence of business-economic variables and regulators, as well as the risk factors that characterize Energix's operations, and therefore their realization is uncertain. Accordingly, the actual results relating to the information may differ significantly from the information presented or from the estimated or implied results of this information.

2.3.9 Dividend receipts and returns of capital

The following are the dividends and returns of capital received from the Company's main investments (expanded solo) in 2022, up to the date of publication of the financial statements, and the projected receipts of dividends and capital repayments for 2022:

	From January 2022 to the Date of Publication of the Reports	**2022 Forecast**
	In NIS millions	
Amot	213	350
BE	67	67
Energix	28	55
AH Boston	34	52
Total dividend and cash flow returns of capital	342	524
[19]Carr – Dividend Reinvestment Plan	72	97
Total dividend and returns of capital	414	621

The dividend receipt and return of capital forecast for 2022 is calculated in accordance with the declared dividend distribution and return of capital policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

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

The information on dividend receipts and return of capital for 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.

[19] 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 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of June 30, 2022, the Group has cash balances of NIS 1.6 billion (of which the Company's expanded solo balance – NIS 37 million) and unutilized lines of credit in the amount of approx. NIS 1.6 billion (of which the Company's expanded solo lines of credit – NIS 365 million, and Amot's lines of unutilized credit – approx. NIS 1.1 billion).

2.4.2 Unencumbered assets

As of June 30, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash) as of June 30, 2022 is NIS 13 billion (a market value of NIS 15.8 billion). As of June 30 2022, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 17.2 billion.

2.4.3 Financial debt

As of June 30, 2022, the Group's net financial debt amounted to NIS 15.8 billion, which constitutes 48.3% of the Group's total assets, compared with a net financial debt of NIS 14.7 billion, which constituted 47.8% of the Group's assets, on December 31, 2021.

As of June 30, 2022, the Company's (expanded solo) net financial debt amounted to NIS 4.7 billion, constituting 35.7% of the Company's assets (expanded solo), compared to a net financial debt of NIS 3.6 billion, constituting 30.3% of the Company's assets (expanded solo) as of December 31, 2021.

The Company's adjusted leverage rate (expanded solo) based on the stock exchange value of the Company's tradable holdings close to the date of publication of the report amounts to 25.1%.

Approx. 67% of all the Company's bonds (expanded solo) are at fixed interest and 33% are at variable interest.

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

- During the reporting period, the Company signed a credit facility agreement with the Bank of Israel (hereinafter, in this subsection: the "**Bank**") in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter, in this subsection: the "**utilization period**") to be repaid by the end of two years from the end of the utilization period (hereinafter, in this subsection: the "**New Facility Agreement**"), replacing the previous agreement that expired.
- During the reporting period, 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 a weighted effective annual interest rate of 1.99%. For additional information, see Note 9 to the financial statements.
- Shortly before the date of approval of the report, the Company published drafts of a trust deed for the bonds (Series M) and a trust deed for the bonds (Series N), regarding which the Company is examining the possibility of raising debt from the public by issuing the aforementioned bonds for the first time.

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

For disclosure specific to bondholders, see Section 5 below.

For details of the Company's liabilities (expanded solo) maturing after June 30, 2022, see Section 2 of Appendix A below.

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

<u>Amot:</u>

In May 2022, Amot issued bonds by way of an expansion of Series F and G for a net consideration of NIS 400 million at an effective CPI-linked NIS interest rate of 1.8% and an average duration of 6 years. For additional information, see Note 9 to the financial statements.

<u>Energix</u>:

For information regarding negotiations for the receipt of a financing package from an American bank in the amount of approx. USD 480 million to finance projects under construction, see Section 2.3.8.2 above.

For details regarding Energix's financing transactions in the reporting period, see Note 8 to the financial statements.

BE

- **Early repayment of a loan** - In June 2022, BE initiated the early repayment of a total of GBP 40 million (approx. NIS 170 million) from a loan of approx. GBP 64 million. BE intends to repay the balance of the loan during the coming months.

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

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

For information regarding the financing transactions of Carr and the Boston Partnerships in the reporting period, see Sections 2.3.5 and 2.3.6 above.

2.4.4 Working capital deficit

The working capital deficit as of June 30, 2022 amounted to a total of NIS 525 million in the consolidated statements (NIS 753 million in the Company's expanded solo statements). As of June 30, 2022, the Group has unutilized lines of credit in the amount of approx. NIS 1.6 billion (NIS 365 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 NIS 557 million. The share of Company shareholders in the profit amounted to NIS 279 million, compared to a profit of NIS 419 million attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 808 million. The share of Company shareholders in the income amounted to NIS 545 million, compared to a profit of NIS 483 million attributed to Company shareholders in the corresponding period last year.

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

2.5.1 FFO (Funds From Operations)

The FFO is an index commonly-used in the United States and in Europe to provide additional information on the results of the operations of real estate companies, providing an appropriate basis for comparisons between income-generating property companies. The FFO reflects net income, with the neutralization of profits (or losses) from the sale of properties and/or from property revaluations, depreciation and amortization and deferred taxes. This index presents the Company's cash generating capability from regular and ongoing activities in the reporting period.

In calculating the FFO, exchange rate differentials and linkage differentials expenses in respect of bonds and CPI-linked loans were not included because, in the Company management's opinion, those expenses do not reflect cash flow from regular ongoing activities.

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

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

The following is the calculation of the FFO (in NIS thousands):

	H1/2022	H1/2021	2021
	NIS thousands	NIS thousands	NIS thousands
Company shareholders' share in net income for the period	278,922	418,765	1,557,947
Adjustments to profit and loss:			
Fair value adjustments of investment property	(456,863)	(431,349)	(1,715,469)
Company share in real estate revaluations and other non-FFO items in investees	139,375	20,587	42,687
Profit from decrease in rate of holding, from purchase and realization of investees	(21,337)	(17,500)	(17,396)
Profit from securities	(5,337)	(16,712)	(48,101)
Others (mainly depreciation and amortizations)	51,046	45,552	119,566
Accumulated linkage differentials and exchange rate differentials	231,985	50,599	116,158
Deferred taxes and current taxes from the realization of securities and real estate, net	(8,751)	142,490	275,841
Share of non-controlling interests in the above adjustments to FFO	62,677	10,665	157,374
FFO	**271,717**	**223,097**	**488,607**

The sources of the FFO are as follows:

	H1/2022	H1/2021	2021
Revenues			
Investment property NOI	501,601	419,895	884,439
NOI from the sale of electricity, less initiation costs	169,888	101,020	211,132
PSP's share in FFO without real estate revaluations	-	2,390	2,569
Carr's share in FFO without real estate revaluations	57,147	48,501	110,546
AH Boston's share in FFO without real estate revaluations	14,185	20,912	35,441
Energix, Brockton Everlast and Amot associates' share in FFO	10,324	8,614	20,850
Dividend income from investments and others (mainly Brockton Funds)	1,019	-	5,789
Total revenues	**754,164**	**601,332**	**1,270,766**
Expenses			
Real financing, net	(161,807)	(143,490)	(286,318)
Administrative and general	(79,370)	(64,249)	(128,559)
Current taxes	(26,153)	(23,872)	(49,111)
Share of non-controlling interests attributed to current operations	(215,117)	(146,624)	(318,171)
Total expenses	**(482,447)**	**(378,235)**	**(782,159)**
FFO	**271,717**	**223,097**	**488,607**
FFO per share (NIS)	**1.56**	**1.29**	**2.82**

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

	H1/2022	H1/2021	Q2/2022	Q2/2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits					
Revenues from rental fees and management of investment property	573,553	463,463	293,240	243,957	989,381
Fair value adjustments of investment property	456,863	431,349	333,301	472,903	1,715,469
Group share in the profits (losses) of associates, net	(57,718)	59,831	(100,735)	(14,518)	126,719
Net profits (losses) from investments in securities measured at fair value through profit or loss	5,337	12,434	4,464	(5,057)	43,822
Profit from decrease in rate of holding, from purchase and realization of associates	21,337	17,500	2,972	12,556	17,396
Revenues from sale of electricity and green certificates	201,874	124,169	110,361	66,022	260,836
Other revenues, net	930	3,907	360	3,870	8,264
	1,202,176	1,112,653	643,963	779,733	3,161,887
Costs and Expenses					
Cost of investment property rental and operation	71,550	42,844	38,384	24,321	104,404
Initiation, maintenance and operation costs of electricity-generating facilities	26,810	17,326	12,567	9,044	39,247
Depreciation and amortizations	50,336	40,228	27,920	21,557	84,947
Administrative and general	85,570	75,750	45,923	43,894	172,369
Financing expenses, net	393,792	194,089	230,639	127,660	402,476
	628,058	370,237	355,433	226,476	803,443
Profit before taxes on income	574,118	742,416	288,530	553,257	2,358,444
Income tax expenses (income)	17,402	166,362	(2,225)	134,089	324,952
Net profit for the period	556,716	576,054	290,755	419,168	2,033,492
Distribution of net income for the period:					
Company shareholders' share	278,922	418,765	123,915	312,519	1,557,947
Non-controlling interests	277,794	157,289	166,840	106,649	475,545
	556,716	576,054	290,755	419,168	2,033,492

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

Revenues from rental fees and management of investment property, net – amounted to NIS 574 million in the reporting period, compared to NIS 463 million in the corresponding period last year, a 24% increase. The increase is mainly due to a change in Amot's revenues (approx. NIS 102 million) due to additional revenues from the acquisition of new properties, from the lack of relief granted to the shopping center tenants in the reporting period compared to the corresponding period last year due to the Corona crisis, from an increase in revenues in identical properties (including as a result of the increase in the CPI) and from properties whose construction was completed.

Fair value adjustment of investment property – In the reporting period, positive property revaluations were recorded in the amount of NIS 457 million, of which NIS 427 million stem from the revaluation of Amot's properties. The increase in the value of Amot's properties in the reporting period were mainly due to the effect of the increase in the CPI at a rate of 3.13%.

In the corresponding period last year, positive property revaluations were recorded in the amount of NIS 304 million, in respect of Brockton Everlast's properties and positive property revaluations in the amount of NIS 127 million in respect of Amot's properties.

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

- Group share in Carr's profits – A loss of NIS 35 million was recorded in the reporting period, compared to a profit of NIS 4 million in the corresponding period last year. The loss in the reporting period is due to a negative value adjustment of Carr's properties in the amount of USD 60 million (the Company's share in the loss before tax - NIS 90 million) mainly due to the increase in the discount rate of most of the properties by 0.25%.
  In the corresponding period last year, Carr's results included a loss in the amount of USD 16.2 million (the Company's share in the loss - NIS 24 million) due to the sale of 49% of the rights in Midtown Center.
- Group share in AH Boston's profits – A loss of NIS 32 million was recorded in the reporting period, compared to a profit of NIS 68 million in the corresponding period last year.
  The loss in the reporting period is due to a negative value adjustment of AH Boston's properties in the amount of USD 29 million (the Company's share - NIS 54 million) mainly due to the increase in the discount rate of two of the properties by 0.25%.
  AH Boston's profits in the corresponding period last year included positive revaluations recorded in respect of the Boston properties in the amount of USD 28 million (the Company's share - NIS 51 million), mainly in respect of the increase in value of the 745 Atlantic building due to a plan for a change in the designation of the property from an office building to a laboratory building (see more information in Section 2.3.6 above).

Net profit, relating to investments in securities measured at fair value through profit and loss – The profit (loss) in the reporting period and in the corresponding period last year stems from the fair value adjustment of securities measured at fair value through profit or loss (including Brockton funds).

The profit in the corresponding period last year amounted to approx. NIS 12 million and stemmed mainly from a non-recurring revenue in the amount of NIS 18 million resulting 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 2021.

Profit from decrease in rate of holdings and from the realization of investees – The profit in the reporting period is due mainly to a capital gain recorded as a result of the sale of a consolidated partnership by Energix (approx. NIS 18 million). Most of the profit in the corresponding period last year is due mainly to a capital gain recorded as a result of the sale of the Meitarim project by Energix (approx. NIS 13 million) and the recording of a profit of NIS 5 million as a result of the sale of 100 thousand PSP shares during the first quarter of 2021.

Revenues from sale of electricity and green certificates – Revenues from the sale of electricity and green certificates in the reporting period amounted to NIS 202 million compared to NIS 124 million in the corresponding period last year, an increase of NIS 78 million (approx. 63%). The increase in revenues stems from newly connected facilities in Poland, the United States and in Israel (approx. 69 million), from an increase in the capacity generated due wind and radiation conditions (approx. NIS 5 million), and from an increase in the effective price of electricity in the reporting period compared to the corresponding period last year, offset by the effect of the exchange rate (approx. NIS 4 million).

Financing expenses – There was a NIS 200 million increase in financing expenses in the reporting period compared to the reporting period last year. Most of the change (approx. NIS 190 million) stems from the effect of the CPI, which rose by a rate of 3.13%, compared to an increase of only 1.4% in the corresponding period last year.

Tax expenses – There was a NIS 149 million decrease in tax expenses in the reporting period, compared to the reporting period last year, due mainly to a decrease in tax reserves in relation to investment property.

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

	H1/2022	H1/2021	Q2/2022	Q2/2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Net profit for the period:	556,716	576,054	290,755	419,168	2,033,492
Profit (loss) from investment in Carr(1) (2)	177,688	45,290	134,743	(5,842)	(10,686)
Profit (loss) from investment in PSP	-	(2,147)	-	-	(2,147)
Profit (loss) from investment in Boston properties (1)	41,772	3,395	33,798	(9,611)	(14,240)
Profit (loss) from investment in BE (1) (3)	17,413	14,875	42,005	(15,403)	(61,018)
Classification of profit from realization of investment in long-term securities intended for sale to the Statement of Income (before tax)	-	(1,628)	-	-	(1,628)
Profit (loss) from other investments (4)	(3,675)	3,980	10,369	(12,740)	(74,571)
Tax effects	17,722	3,298	22,970	(11,416)	(24,291)
Other comprehensive income (loss) for the period	250,919	67,063	243,884	(55,012)	(188,581)
Total comprehensive income for the period	807,635	643,117	534,639	364,156	1,844,911
Distribution of comprehensive income for the period:					
Share of Company shareholders	545,115	483,444	352,820	263,830	1,406,070
Non-controlling interests	262,520	159,673	181,819	100,326	438,841
	807,635	643,117	534,639	364,156	1,844,911

(1) Profit (loss) from investment in respect of foreign currency – The profit (loss) represents the increase (decrease) in the Company's investments due to changes in the NIS against the investment currencies in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions and cross-currency swap transactions in USD, designated as hedges for investments. In the reporting period, there was a devaluation of the NIS by a rate of 12.5% and 0.8% against the USD and the GBP, respectively. In the corresponding period last year, there was a devaluation of the NIS by a rate of 1.4% and 2.9% against the USD and the GBP, respectively.

(2) The net profit in the reporting period includes an increase in capital in the amount of NIS 15 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr.

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

(3) The net profit in the reporting period includes a profit in the amount of NIS 22 million resulting from the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE (in the corresponding period last year - a profit of NIS 2 million).

(4) Mainly in respect of exchange rates and price fixing transactions for electricity in Energix:

2.6 Cash Flows

	H1/2022	H1/2021	2021
	NIS millions	NIS millions	NIS millions
Total cash provided by operating activities	20	309	666
Cash flows used in investing activities			
Investment in investment property and fixed assets	(450)	(903)	(3,455)
Investment in electricity-generating systems	(614)	(435)	(1,194)
Investment in Carr	(202)	-	-
Investment in Boston properties	(15)	(14)	(39)
Proceeds from the sale of PSP (net of tax), including tax refund	20	196	187
Net increase in pledged deposits and restricted cash in Energix.	(4)	-	(36)
Proceeds from repaid hedging transactions	71	55	117
Proceeds from the realization of tradable securities	-	-	119
Acquisition of consolidated companies	-	-	(121)
Investment in Brockton Funds	-	-	(26)
Repayment (provision) of loans	125	(92)	(88)
Other	28	83	(35)
Total cash flow used for investment activity	(1,041)	(1,110)	(4,571)
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	460	459	2,138
Proceeds from the issue of bonds and bond options	1,155	856	2,263
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit).	(911)	(585)	(1,563)
Capital raised by the Company	23	25	29
Capital raised by Amot (net of the Company's investment in the issue)	484	38	47
Capital raised by Energix (net of the Company's investment in the issue)	180	5	437
Capital raised by BE (net of the Company's investment in the issue)	504		
Acquisition of Amot and Energix shares from non-controlling interests	(35)	-	(10)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(393)	(245)	(471)
Other	-	(9)	-
Total cash provided by financing activities	1,467	544	2,870
Total increase (decrease) in cash balances in the period	446	(257)	(1,035)
Other influences	6	4	(17)
Cash and cash equivalents at end of period	1,615	1,962	1,163

2.7 Equity

2.7.1 Equity per share

	As of June 30/ 2022	As of December 31 2021
	NIS millions	NIS millions
Equity	13,405	11,830
Less non-controlling interests	(5,384)	(4,192)
Equity attributed to Company shareholders	8,021	7,638
NAV per share	45.99	43.89
NNAV per share	52.49	50.88

2.7.2 Explanation of changes in equity

During the reporting period, the capital attributed to the Company's shareholders increased by NIS 383 million. The main changes are as follows:

- Net profit attributed to the Company shareholders in the amount of NIS 278 million – see additional details in Section 2.5.2 above.
- Other comprehensive income attributed to the Company shareholders in the amount of NIS 266 million – see additional details in Section 2.5.3 above.
- A reduction in capital following dividends declared in the amount of NIS 185 million.
- An increase due to the raising of capital (in connection with the exercise of employee option warrants) in the amount of NIS 14 million.
- Increase in capital reserves due to the profit created in the capital issue of consolidated companies and others in the amount of NIS 10 million.

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

2.7.3.1 Below is the composition of the surplus of assets over liabilities on the basis of the Company's Statements (expanded solo) by currency, as of June 30, 2022 (in NIS millions)[20]:

Currency	Assets	Liabilities	Assets, net	%
USD	4,393	(3,117)	1,276	16%
GBP	3,098	(1,663)	1,435	18%
Other (mainly PLN and CAD)	148	(25)	123	2%
Excess assets over liabilities in foreign currency	7,639	(4,805)	2,834	35%
Excess assets over liabilities in NIS	5,465	(278)	5,187	65%
Equity as of June 30, 2022	13,104	(5,083)	8,021	100%

2.7.3.2. For information regarding the effect of changes in exchange rates on the Company's capital subsequent to the balance sheet date, see Note 11c to the financial statements.

2.7.4 For details on dividends distributed by the Company in 2022 – see Note 10(a) to the financial statements.

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

2.8 Remuneration of senior officers and directors

For details on options granted to the Company's senior officers and directors, see Note 16e to the annual financial statements and Note 11b to the financial statements.

For details regarding the new terms of service of the Company CEO and the Chairman of the Board of Directors for the years 2022-2024, see Notes 18a and 18b to the Annual Financial Statements, respectively.

3. Market risk exposure and management

3.1 Over the course of the reporting period, no material changes have occurred in the types of market risks as reported in the Board of Directors Report for 2021 and in Company policy regarding the management of these risks.

3.2 Regarding the linkage base report for monetary balances (expanded solo) as of June 30, 2022, see Section 2.7.3 above and Appendix B.

3.3 Regarding the effect of the increase in inflation in the period of the report, see Section 2.1 above.

4. Aspects of Corporate Governance

4.1. The Company's Board of Directors

As of the date of publication of this report, the Company's Board of Directors has 7 directors, of which:

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

On May 15, 2022, the term of office of Ms. Gitit Guberman, who served from May 16, 2013 as an independent director of the Company and as a member of the Audit Committee, the Financial Statements Review Committee and the Remuneration Committee, ended.

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

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

4.2 The Company's Internal Auditor

On March 14, 2019, the Audit Committee approved a multi-year work plan for the years 2019-2022 and in the same decision it was determined that the plan for each specific year would be re-examined for that year, prior to its implementation. At its meeting on November 8, 2021, the Audit Committee approved a work plan for 2022 that includes the following topics: (a) Internal Enforcement Plan; (b) Information Systems - Backups; (c) Insurance and (d) Wages (including executive wages).

The Audit Committee, at its May 17, 2022 meeting, discussed the Internal Auditor's report on information-backup systems.

In its August 10, 2022 meeting, the Audit Committee discussed the Internal Auditor's report on the subject of the internal enforcement plan and the Internal Auditor's report on the subject of insurance.

5. Special Disclosure for Bondholders

5.1 The following are data as of June 30, 2022 relating to bonds issued by the Company:

(in thousands)	Bonds (Series H)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Total
Par value as of Jube 30, 2022	207,910	1,118,035	1,399,383	180,839	1,330,478	4,236,645
Linked par value as of June 30, 2022	226,741	1,118,035	1,399,383	180,839	1,330,478	4,255,476
Value in the financial statements as of June 30, 2022 (at amortized cost)	230,943	1,148,315	1,414,189	178,516	1,332,505	4,304,468
Stock market value as of June 30, 2022	237,247	1,156,496	1,432,128	169,753	1,226,701	4,222,325
Accrued Interest as of Junr 30, 2022	3,474	14,348	3,430	1,617	10,776	33,645

Regarding the expansion of bonds (Series I), bonds (Series J) and bonds (Series L) in the reporting period, see Note 9 to the financial statements.

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

Financial Ratio		Criterion	Value as of June 30, 2022
Net financial debt to value of holdings21	%	Less than 80	35.6%
Minimum equity (Series H, I, J, K and L)[22]	NIS billions	More than 2.1	8

For further information, see Section 5.2.2 of Chapter F(5) to the Description of Corporate Business in the 2021 Periodic Report.

[21] Value of the holdings as defined in the deed of trust. In order for grounds to exist for early redemption, the breach of the financial ratio must exist for four consecutive quarters.
[22] In order for there to be grounds for early repayment, the breach of the financial ratio must exist for four consecutive quarters. For Series H – the minimum equity is NIS 1.2 billion, For Series I and J – the minimum equity is NIS 1.8 billion.

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

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

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

Appendix A - Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

Appendix D – Separate Financial Statement of the Corporation in accordance with Regulation 9C and Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Appendix A – Financial Information, Expanded Solo

1. Financial Statements – Expanded Solo

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

1.1 Condensed expanded solo balance sheet (NIS thousands):

	As of June 30	As of December 31
	2022	2021
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	37,116	113,137
Loan to a consolidated company	-	153,854
Other accounts receivable	71,896	151,062
Total current assets	109,012	418,053
Non-current assets		
Securities measured at fair value through profit or loss	161,520	157,341
Investments in investees	12,824,045	11,653,879
Others	9,414	93,817
Total non-current assets	12,994,979	11,905,037
Total assets	13,103,991	12,323,090
Current liabilities		
Short-term credit and current maturities of long-term liabilities	658,802	481,587
Other accounts payable	202,945	245,586
Total current liabilities	861,747	727,173
Non-current liabilities		
Bonds and long-term loans	3,930,881	3,620,795
Deferred taxes	266,386	335,818
Others	24,267	1,130
Total non-current liabilities	4,221,534	3,957,743
Equity	8,020,710	7,638,174
Total liabilities and equity	13,103,991	12,323,090

Financial Data, Expanded Solo

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

	H1/2022	H1/2021	Q2/2022	Q2/2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues					
Group share in the profits of investees, net	306,595	564,787	121,548	452,513	1,657,741
Profit from decrease in rate of holding, from purchase and realization of associates	3,240	5,137	2,972	193	5,030
Net profits (losses) from investments in securities measured at fair value through profit or loss	2,504	13,882	2,943	(3,609)	43,265
Other revenues, net	9,204	11,538	4,620	7,968	19,172
	321,543	595,344	132,083	457,065	1,725,208
Expenses					
Administrative and general (including contributions)	16,285	21,914	9,406	13,648	39,464
Financing expenses, net	62,023	45,567	32,227	27,783	99,091
	78,308	67,481	41,633	41,431	138,555
Profit before taxes on income	243,235	527,863	90,450	415,634	1,586,653
Income tax expenses (income)	(35,687)	109,098	(33,465)	103,115	28,706
Net profit for the period	278,922	418,765	123,915	312,519	1,557,947

2. The Company's liabilities (expanded solo) maturing after June 30, 2022:

	Bonds	Bank Loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current Maturities	553,684	100,215	653,899	14
Second Year	590,256	185,000	775,256	17
Third Year	590,740	-	590,740	13
Fourth Year	592,450	-	592,450	13
Fifth year	592,941	-	592,941	13
Sixth year onward	1,343,392	-	1,343,392	30
Total repayments	4,263,463	285,215	4,548,678	100
Others			25,659	
Asset balance in connection with foreign currency forward transactions			127,465	
Total financial debt (taking foreign currency forward transactions into account)			4,701,802	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 239 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of USD 70 million.

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

As of June 30, 2022 **NIS thousands**	In Unlinked NIS	In CPI-Linked NIS	In USD	In GBP	Other (Mainly PLN and CAD)	Total	Adjustments - Non-Monetary Items	Total
Current assets								
Cash and cash equivalents	12,740	-	21,773	676	1,927	37,116	-	37,116
Other accounts receivable	49,384	-	140	5,750	-	55,274	16,622	71,896
Total current assets	62,124	-	21,913	6,426	1,927	92,390	16,622	109,012
Non-current assets								
Securities measured at fair value through profit or loss	74	-	-	161,446	-	161,520	-	161,520
Investments in associates	-	-	-	-	-	-	12,824,045	12,824,045
Others	6,372	-	-	-	-	6,372	3,042	9,414
Total non-current assets	6,446	-	-	161,446	-	167,892	12,827,087	12,994,979
Total assets	68,570	-	21,913	167,872	1,927	260,282	12,843,709	13,103,991
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	427,644	230,943	215	-	-	658,802	-	658,802
Other payables	186,944	4,420	-	-	34	191,398	11,547	202,945
Total current liabilities	614,588	235,363	215	-	34	850,200	11,547	861,747
Non-current liabilities						-		
Bonds and long-term loans	3,930,881	-	-	-	-	3,930,881	-	3,930,881
Deferred tax liabilities	-	-	-	-	-	-	266,386	266,386
Others	23,080	-	876	-	-	23,956	311	24,267
Total non-current liabilities	3,953,961	-	876	-	-	3,954,837	266,697	4,221,534
Total liabilities	**4,568,549**	**235,363**	**1,091**	**-**	**34**	**4,805,037**	**278,244**	**5,083,281**
Excess assets over liabilities (liabilities over assets)	(4,499,979)	(235,363)	20,822	167,872	1,893	(4,544,755)	12,565,465	8,020,710
Financial derivatives	4,404,308	-	(2,755,130)	(1,649,178)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	(95,671)	(235,363)	(2,734,308)	(1,481,306)	1,893	(4,544,755)	12,565,465	8,020,710
Distribution of non-monetary assets (liabilities), net – by linkage basis	770,431	4,747,763	4,010,773	2,915,581	120,917	12,565,465	(12,565,465)	-
Excess assets over liabilities (liabilities over assets)	674,760	4,512,400	1,276,465	1,434,275	122,810	8,020,710	-	8,020,710

Appendix C – Rating Reports[23]

- For an up-to-date Midroog rating report see the immediate report published by the Company on April 14, 2022 (Ref.: 2022-01-040224).
- For a current rating report by Maalot, the Israeli Securities Rating Company Ltd., see the immediate report dated June 2, 2022 (Ref: 2022-01-069427).

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

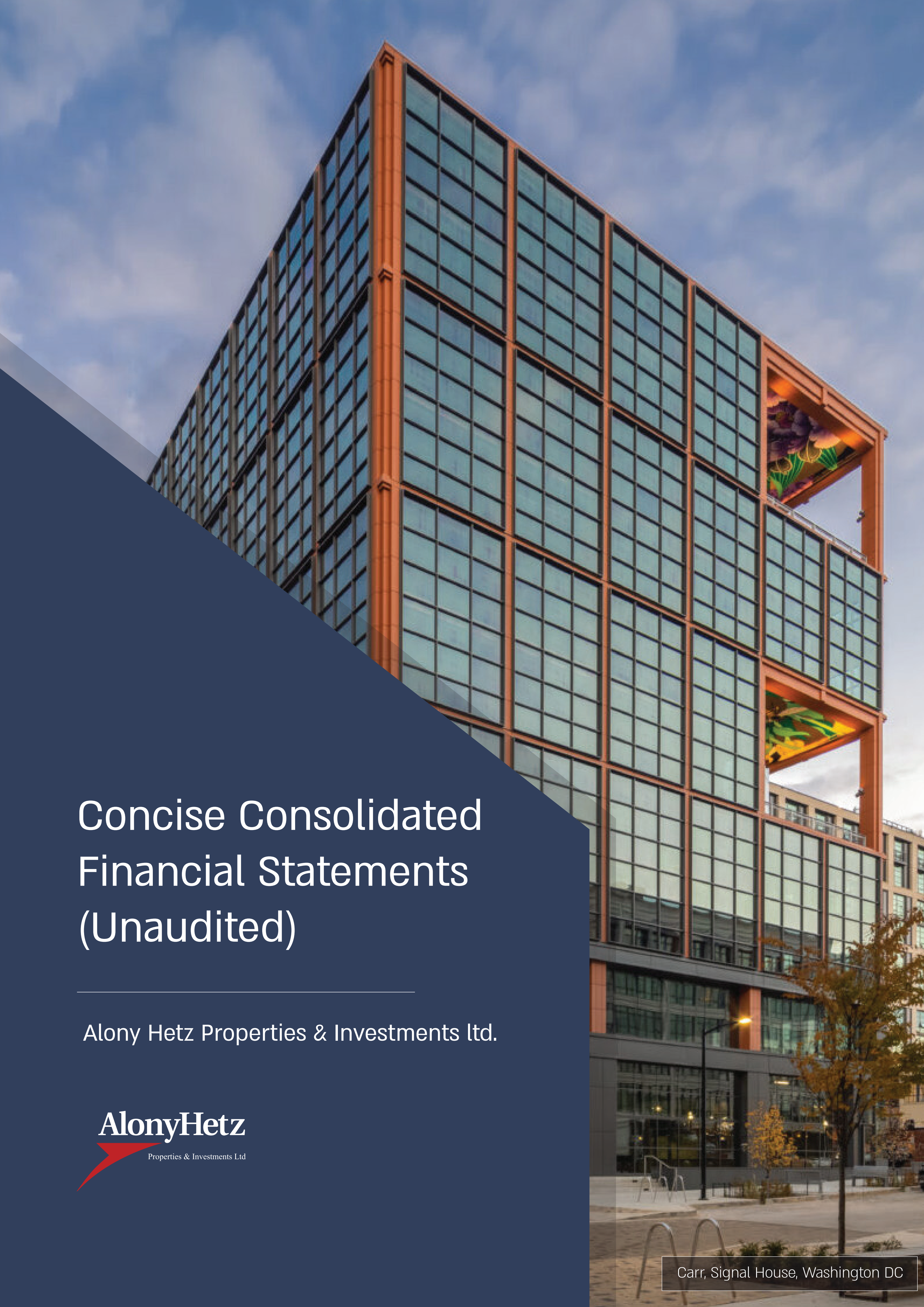
Appendix D – Separate Financial Statement of the Corporation in accordance with Regulation 9C and Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

The Company chose not to attach a separate financial statement in accordance with Regulation 9C and Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) 1970, since, according to its judgement, the separate financial statement does not add material information to the information contained in the annual financial statements and/or the quarterly financial statements of the Corporation that were presented in accordance with Regulation 9 and Regulation 38, as the case may be.

Concise Consolidated Financial Statements (Unaudited)

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd



Carr, Signal House, Washington DC

A Review Report of the Independent Auditor to the shareholders of

Alony Hetz Properties & Investments Ltd.

Introduction

We have reviewed the accompanying financial information of **Alony Hetz Properties & Investments Ltd.** the Company and subsidiaries (hereafter- “the Company”) which includes the condensed consolidated statement of financial position as of June 30, 2022, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 “Interim Financial Reporting” and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 12% of the total consolidated assets as of June 30, 2022, and whose revenues included in consolidation constitute approximately 12% and 12% of the total consolidated revenues for the periods of six and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,724 million NIS as of June 30, 2022, and the share of the results of which for the periods on six and three months ended that date, amounted to a loss of approximately 24 million NIS and loss of 59 million NIS, respectively. The interim condensed financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, August 17, 2022

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396
Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502
Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402
Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

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

		As of June 30		As of December 31
		2022	2021	2021
	Note	NIS thousands	NIS thousands	NIS thousands
Assets		(Unaudited)	(Unaudited)	
Current assets				
Cash and cash equivalents		1,615,636	1,962,185	1,163,289
Deposits, tradable securities and restricted cash		34,037	-	30,433
Trade receivables		100,970	54,636	55,537
Current tax assets, net		40,609	6,763	16,855
Other receivables		234,772	302,169	553,879
Total current assets		2,026,024	2,325,753	1,819,993
Non-Current Assets				
Investment property	3	19,439,435	16,415,852	18,024,793
Investment Property in Development and Land Rights	3	2,771,864	1,298,199	3,351,322
Long-term investments:				
Securities measured at fair value through profit or loss		217,123	165,117	209,719
Investments in associates	6,7	4,927,224	4,516,131	4,401,259
Deferred tax assets		66,308	19,160	46,145
Electricity-generating facilities:				
Connected electricity-generating facilities	5	2,134,752	1,685,405	1,914,928
Right-of-use asset		319,312	245,799	276,831
Electricity-generating facilities in development	5	1,974,310	1,039,281	1,491,890
Restricted deposits		54,518	46,652	51,223
Fixed assets, net		113,777	103,588	113,592
Other assets		337,099	103,090	254,897
Total non-current assets		32,355,722	25,638,274	30,136,599
Total assets		34,381,746	27,964,027	31,956,592

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

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

	Note	As of June 30		As of December 31
		2022	2021	2021
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)	(Unaudited)	
Liabilities and equity				
Current liabilities				
Short term credit and current maturities of long term loans	8	282,288	586,823	75,249
Current maturities of bonds	9	1,304,008	1,010,841	1,098,874
Current maturities of lease liabilities		12,905	8,677	8,949
Current tax liabilities, net		33,532	108,592	365,251
Other payables		917,815	622,731	898,116
Total current liabilities		2,550,548	2,337,664	2,446,439
Non-current liabilities				
Bonds	9	11,836,250	10,553,360	11,423,918
Loans from banking corporations and financial institutions	8	3,638,423	2,141,562	3,515,437
Lease liability		422,996	296,011	374,861
Deferred tax liabilities		1,885,869	1,951,894	1,914,430
Provisions		16,483	16,483	16,483
Other liabilities		625,926	291,129	435,460
Total non-current liabilities		18,425,947	15,250,439	17,680,589
Equity				
Equity attributed to Company shareholders		8,020,710	6,768,141	7,638,174
Non-controlling interests		5,384,541	3,607,783	4,191,390
Total equity		13,405,251	10,375,924	11,829,564
Total liabilities and equity		34,381,746	27,964,027	31,956,592

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

On behalf of the Board of Directors:

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

August 17, 2022

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Profit or Loss

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenues and profits					
Revenues from rental fees and management of investment property	573,553	463,463	293,240	243,957	989,381
Fair value adjustments of investment property	456,863	431,349	333,301	472,903	1,715,469
Group share in the profits (losses) of associates, net	(57.718)	59,831	(100.735)	(14.518)	126,719
Net profits (losses) from investments in securities measured at fair value through profit or loss	5,337	12,434	4,464	(5.057)	43,822
Profit from decrease in rate of holding, from purchase and realization of associates	21,337	17,500	2,972	12,556	17,396
Revenues from sale of electricity and green certificates	201,874	124,169	110,361	66,022	260,836
Other revenues, net	930	3,907	360	3,870	8.264
	1,202,176	1,112,653	643,963	779,733	3,161,887
Costs and Expenses					
Cost of investment property rental and operation	71,550	42,844	38,384	24,321	104,404
Initiation, maintenance and operation costs of electricity-generating facilities	26,810	17,326	12,567	9,044	39,247
Depreciation and amortizations	50,336	40,228	27,920	21,557	84,947
Administrative and general	85,570	75,750	45,923	43,894	172,369
Financing income	(35.781)	(17.827)	(15.266)	(13.346)	(32.815)
Financing expenses	429,573	211,916	245,905	141,006	435,291
	628,058	370,237	355,433	226,476	803,443
Profit before taxes on income	574,118	742,416	288,530	553,257	2,358,444
Income tax expenses (income)	17,402	166,362	(2.225)	134,089	324,952
Net profit for the period	556,716	576,054	290,755	419,168	2,033,492
Company shareholders	278,922	418,765	123,915	312,519	1,557,947
Non-controlling interests	277,794	157,289	166,840	106,649	475,545
	556,716	576,054	290,755	419,168	2,033,492
Net income attributable to Company shareholders (in NIS):					
Basic	1.60	2.42	0.71	1.80	8.98
Fully diluted	1.54	2.41	0.66	1.80	8.91
Weighted average of share capital used in calculation of earnings per share (thousands of shares)					
Basic	174,344	173,193	174,398	173,522	173,455
Fully diluted	174,673	173,425	174,619	173,686	173,660

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

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Net profit for the period	556,716	576,054	290,755	419,168	2,033,492
<u>Other comprehensive income (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	593,856	93,550	556,447	(112.294)	(398.554)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	-	3,088	-	-	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	-	1,532	-	-	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	-	(3.557)	-	-	(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	(328.018)	(41.557)	(297.845)	57,793	205,782
Loss from exchange rate differentials and changes in fair value of instruments used for cash flow hedging, net of tax	(26.706)	(11.290)	(16.633)	(19.510)	(25.841)
Company's share in other comprehensive income of associates, net of tax	11,787	25,297	1,915	18,999	28,969
Other comprehensive income (loss) for the period, net of tax	250,919	67,063	243,884	(55.012)	(188.581)
Total comprehensive income for period	807,635	643,117	534,639	364,156	1,844,911
Attribution of comprehensive income (loss) for period					
Company shareholders	545,115	483,444	352,820	263,830	1,406,070
Non-controlling interests	262,520	159,673	181,819	100,326	438,841
	807,635	643,117	534,639	364,156	1,844,911

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Six-Month Period ended June 30, 2022 (Unaudited) (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributed to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of January 1, 2022	192,112	2,514,378	(746.743)	309,109	(589)	5,369,907	7,638,174	4,191,390	11,829,564
Total comprehensive income for period	-	-	254,406	11,787	-	278,922	545,115	262,520	807,635
Dividend paid to Company shareholders	-	-	-	-	-	(184.825)	(184.825)	-	(184.825)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(209.328)	(209.328)
Exercise of employee options	365	14,921	-	(1.661)	-	-	13,625	-	13,625
Acquisition of shares from non-controlling interests in a consolidated company				(26.571)			(26.571)	(8.707)	(35.278)
Issue of capital in consolidated companies	-	-	-	33,382	-	-	33,382	1,137,334	1,170,716
Allocation of benefit in respect of options to employees and others	-	-	-	1,810	-	-	1,810	11,332	13,142
Balance as of June 30, 2022	192,477	2,529,299	(492.337)	327,856	(589)	5,464,004	8,020,710	5,384,541	13,405,251

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended June 30, 2022 (Unaudited) (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributed to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of April 1, 2022	192,419	2,526,942	(719.327)	320,312	(589)	5,394,160	7,713,917	5,094,350	12,808,267
Total comprehensive income for period	-	-	226,990	1,915	-	123,915	352,820	181,819	534,639
Dividend paid to Company shareholders	-	-	-	-	-	(54.071)	(54.071)	-	(54.071)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(68.640)	(68.640)
Exercise of employee options	58	2,357	-	(260)	-	-	2,155	-	2,155
Issue of capital in consolidated companies	-	-	-	4,929	-	-	4,929	171,555	176,484
Allocation of benefit in respect of options to employees and others	-	-	-	960	-	-	960	5,457	6,417
Balance as of June 30, 2022	192,477	2,529,299	(492.337)	327,856	(589)	5,464,004	8,020,710	5,384,541	13,405,251

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

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

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributed to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of January 1, 2021	190,932	2,472,582	(564.365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830
Total comprehensive income for period	-	-	37,850	26,829	-	418,765	483,444	159,673	643,117
Dividends declared and paid to Company shareholders	-	-	-	-	-	(138.528)	(138.528)	-	(138.528)
Dividends paid to non-controlling interests in consolidated companies							-	(106.736)	(106.736)
Exercise of employee options	822	27,224		(2.872)			25,174		25,174
Transaction with non-controlling interests and exit from consolidation	-	-	-	(5.259)	-	-	(5.259)	(9.349)	(14.608)
Issue of capital in consolidated companies	-	-	-	(248)	-	-	(248)	42,314	42,066
Allocation of benefit in respect of options to employees and others	-	-	-	1,692	-	-	1,692	10,917	12,609
Balance as of June 30, 2021	191,754	2,499,806	(526.515)	265,265	(589)	4,338,420	6,768,141	3,607,783	10,375,924

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

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

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributed to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of April 1, 2021	190,932	2,472,582	(458.827)	249,698	(589)	4,077,999	6,531,795	3,537,030	10,068,825
Total comprehensive income for period	-	-	(67.688)	18,999	-	312,519	263,830	100,326	364,156
Dividend paid to Company shareholders	-	-	-	-	-	(52.098)	(52.098)	-	(52.098)
Dividends paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(53.610)	(53.610)
Exercise of employee options	822	27,224	-	(2.872)	-	-	25,174	-	25,174
Transaction with non-controlling interests and exit from consolidation	-	-	-	(5.259)	-	-	(5.259)	(9.349)	(14.608)
Allocation of benefit in respect of employee options	-	-	-	850	-	-	850	4,607	5,457
Issue of capital in consolidated companies	-	-	-	3,849	-	-	3,849	28,779	32,628
Balance as of June 30, 2021	191,754	2,499,806	(526.515)	265,265	(589)	4,338,420	6,768,141	3,607,783	10,375,924

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Year ended December 31, 2021 (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total Attributed 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)
Dividends 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 Condensed Consolidated Financial Statements.

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Cash flows - Operating activities					
Net profit for the period	556,716	576,054	290,755	419,168	2,033,492
Net income (expenses) not entailing cash flows (Appendix A)	(38.556)	(314.461)	48,254	(237.072)	(1,461,695)
	518,160	261,593	339,009	182,096	571,798
Changes in working capital (Appendix B)	(498.025)	47,499	(107.260)	69,782	94,528
Net cash provided by operating activities	20,135	309,092	231,749	251,878	666,326
Cash Flow - Investment Activity					
Proceeds from the realization of long-term securities and securities held for sale, net of tax, including tax refund	20,000	198,277	-	174,432	210,873
Proceeds from the realization of investment in associates	25,353	21,709	-	-	-
Investment in fixed assets and investment property (including investment property in development)	(449.609)	(903.323)	(189.670)	(97.372)	(3,454,930)
Investment in electricity-generating systems	(614.141)	(435.027)	(395.542)	(206.231)	(1,193,824)
Investment in associates	(216.116)	(56.200)	(208.383)	(41.768)	(81.109)
Decrease (increase) in pledged deposit and restricted cash	(3.697)	332	(1.382)	(322)	(35.908)
Acquisition of companies consolidated for the first time (see Appendix E below)	-	-	-	-	(120.828)
Repayment of loans provided to associates, net	111,586	2,712	109,826	1,464	6,981
Repayment (provision) of loans to others	13,730	(95.084)	13,730	(81.837)	(95.084)
Repayment of investment in associate	-	164	-	164	164
Decrease in deposits and tradable securities, net	-	95,054	-	29,371	95,054
Cash provided by forward transactions designated for hedging	71,422	54,703	31,004	31,831	116,763
Proceeds from sale of consolidated partnership (Appendix F below)	-	6,644	-	6,644	6,644
Investment in investment property funds	-	-	-	-	(26.205)
Others	286	-	143	-	95
Net cash used in investment activities	(1,041,186)	(1,110,039)	(640.274)	(183.624)	(4,571,314)
Cash flows – financing activity					
Proceeds from the Group's issue of bonds, net	1,154,941	856,743	396,182	268,123	2,263,146
Repayment of bonds	(701.593)	(458.109)	(4.039)	(2.308)	(881.405)
Receipt of long-term loans, less capital raising expenses paid	367,020	459,241	214,305	449,241	2,137,961
Repayment of long-term loans	(208.785)	(26.207)	(193.710)	(15.862)	(589.484)
Proceeds from the issue of shares and options	23,490	25,174	3,487	25,174	28,577
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	1,168,328	42,952	174,856	33,769	483,767
Acquisition of shares and options from non-controlling interests in consolidated companies, net	(35.278)	(9.833)	-	(9.833)	(9.833)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	93,280	(100.522)	103,389	(316.988)	(91.628)
Dividend paid to Company shareholders	(184.825)	(138.528)	(184.825)	(138.528)	(246.223)
Dividends paid to non-controlling interests in consolidated companies	(209.328)	(106.736)	(81.406)	(62.667)	(224.722)
Others	-	(380)	-	(380)	(380)
Net cash deriving from financing activities	1,467,250	543,795	428,239	229,741	2,869,776
Increase (decrease) in cash and cash equivalents	446,199	(257.152)	19,714	297,995	(1,035,212)
Balance of cash and cash equivalents at the beginning of the period	1,163,289	2,214,781	1,575,990	1,658,123	2,214,781
Effect of changes in exchange rates on foreign currency cash balances	6,148	4,556	19,932	6,067	(16.280)
Balance of cash and cash equivalents at the end of the period	1,615,636	1,962,185	1,615,636	1,962,185	1,163,289

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

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Adjustments Required to Present Cash Flows from Current Activity:					
a. Expenses (income) not entailing cash flows:					
Fair value adjustment of investment property and profit from its sale	(456.863)	(431.349)	(333.301)	(472.903)	(1,715,469)
Net profits from changes in holding rate and realization of investments in investees	(21.337)	(17.500)	(2.972)	(12.556)	(17.396)
Adjustment differences, interest and discount due to long term liabilities and cash balances	273,165	36,706	238,044	103,834	111,573
Loss (profit) from fair value adjustment of financial assets at fair value through profit or loss	(7.012)	(19.929)	(6,139)	(2.438)	(47.319)
Company share in results of associates, less dividends and capital reductions received	84,450	(75.298)	116,945	2,021	(126.820)
Profit from revaluation of tradable securities	-	(5.358)	-	(1.009)	(5.358)
Deferred taxes, net	26,679	146,167	1,343	119,503	230,640
Depreciation and amortizations	50,336	40,228	27,920	21,557	84,947
Allocation of benefit in respect of share-based payment	11,836	11,816	6,113	5,496	22,405
Miscellaneous, net	190	56	301	(577)	1,102
	(38.556)	(314.461)	48,254	(237.072)	(1,461,695)
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in trade receivables and in accounts receivable and debit balances	(70.817)	14,255	(33.236)	20,361	2,216
Decrease (increase) in current tax assets, net	(43.753)	4,868	(10.274)	6,978	(5.332)
Increase (decrease) in other payables	(10.607)	32,240	(43.397)	20,030	83,088
Increase (decrease) in current tax liabilities, net	(367.101)	(3.864)	(20.353)	22,413	47,875
Purchase of CAP options	(5.747)	-	-	-	(33.319)
	(498.025)	47,499	(107.260)	69,782	94,528
c. Non-Cash Activity:					
Exercise of employee options against receivables	2,706	319	2,706	319	15,634
Investment in electricity-generating systems against supplier credit and payables	-	-	-	-	8,369
Dividends not yet received from companies accounted for using the equity method	-	-	-	-	1,750
Increase in right-of-use asset against lease liabilities	47,955	49,272	9,405	3,762	112,925
Investment in real estate and fixed assets against other accounts payable	11,178	76,961	11,178	47,569	57,657

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
d. Additional information					
Interest paid	201,789	179,378	36,743	24,282	343,157
Interest received	3,620	1,815	2,765	876	8,453
Taxes paid (*)	403,564	64,534	41,378	11,069	93,153
Taxes received (**)	22,874	23,964	2,830	23,964	24,398
Dividends and capital reductions received	36,592	18,614	27,516	11,123	48,545

(*) The taxes paid in the six-month period ended June 30, 2021 and in the year 2021 include the payment of taxes in the amount of NIS 20 million

and NIS 29 million, respectively, from the sale of the share of a company, classified as an investing activity.

The taxes paid in 2022 include a payment in the amount of NIS 362 million, which are payments on account of tax arrangements of the Company and a subsidiary (for additional information, see Note 20 to the Company's annual financial statements for 2021).

(**) The taxes received in 2022 include a tax refund received by the Company following the tax arrangements described above, and is classified as an0

investing activity.

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
Investment property	-	-	-	-	45,457
Working capital	-	-	-	-	(273)
	-	-	-	-	47,074
Net cash flow					
Total consideration	-	-	-	-	47,074
Less - deferred consideration	-	-	-	-	(1.364)
Less cash and cash equivalents consolidated	-	-	-	-	(1.890)
	-	-	-	-	43,820
2. Acquisition of NCRE (See Note 8c to the annual financial statements)					
The amounts recognized on the acquisition date in respect of assets and liabilities:					
Working capital (including cash and cash equivalents)	-	-	-	-	2,431
Projects in initiation	-	-	-	-	74,772
Goodwill	-	-	-	-	423
	-	-	-	-	77,626

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)		(Unaudited)		
Net cash flow					
Total acquisition consideration	-	-	-	-	77,626
Less cash and cash equivalents consolidated	-	-	-	-	(618)
	-	-	-	-	77,008
f. Sale of consolidated partnership					
Working capital (including cash and cash equivalents)	-	1,497	-	1,497	1,497
Pledged deposit and restricted cash	-	2,015	-	2,015	2,015
Connected electricity generating systems	-	23,693	-	23,693	23,693
Other payables	-	(220)	-	(220)	(220)
Long-term loans, including current maturities	-	(27.148)	-	(27.148)	(27.148)
Non-controlling interests	-	(4.395)	-	(4.395)	(4.395)
Net assets sold	-	(4.558)	-	(4.558)	(4.558)
Profit from realization of consolidated company	-	12,363	-	12,363	12,363
Total consideration	-	7,805	-	7,805	7,805
Net cash flow					
Total consideration	-	7,805	-	7,805	7,805
Less cash and cash equivalents previously consolidated	-	(1.161)	-	(1.161)	(1.161)
	-	6,644	-	6,644	6,644

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

Note 1 - General

The Group focuses on long-term investments in income-generating property companies in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy, in Israel and around the world. See Note 13.

These Condensed Consolidated Financial Statements (hereinafter – "the **Interim Financial Statements**") have been prepared as of June 30, 2022 and for the three- and six-month periods ended on that date. These statements should be reviewed within the context of the Company's Consolidated Annual Financial Statements as of December 31, 2021 and for the year ended on that date and with their accompanying notes (hereinafter: the "**Annual Financial Statements**").

Note 2 – Significant Accounting Policies

a. Preparation basis for the financial statements:

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

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

In the preparation of these Interim Financial Statements the Group has implemented accounting policies, presentation principles and calculation methods identical to those implemented in the preparation of its financial statements as of December 31, 2021 and for the year ended on that date.

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

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

c. Exchange rates and linkage bases:

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

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

Note 2–Significant Accounting Policies (continued)

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

	As of June 30/ for the Month of June	As of December 31/ for the Month of December	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2022	2021	2022	2021	2022	2021	2021
			%	%	%	%	%
Consumer Price Index							
(2000 base)							
In Israel (Actual Index)	140.740	136.354	3.22	1.60	1.73	0.8	2.80
In Israel (known CPI)	140.210	135.956	3.13	1.40	1.93	1.3	2.40
Exchange Rate against the NIS							
USD	3.500	3.110	12.54	1.40	10.20	(2.22)	(3.27)
Pound sterling	4.235	4.203	0.76	2.87	1.61	(1.50)	(4.30)
CHF	3.651	3.405	7.22	(3.23)	6.32	(0.20)	(6.71)
PLN	0.776	0.765	1.44	0.12	2.24	1.54	(10.49)

d. Seasonal factors:

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, and accordingly on its operating results, whether in the photo-voltaic field and whether in the wind energy field.

Note 3 – Amot (consolidated company):

A. The Company's holdings in Amot:

The rate of the Company's holdings in Amot close to the date of publication of this report was 53.8%.

In January 2022, under a private offer report, Amot issued approx. 11.6 million ordinary Amot shares of NIS 1 PV each, for a net amount of approx. NIS 301 million, to several institutional investors, three of which are interested parties in Amot by virtue of their holdings, prior to the date of the above private allotment.

In May 2022, Amot issued 13.7 million shares and 13.7 million options for shares (Series 11) that expire in December 2022. The net proceeds received for the issuance amounted to approx. NIS 310 million. In the offering, the Company purchased approx. 7 million ordinary shares of Amot together with approx. 7 million options (Series 11) for a total consideration of NIS 162 million (NIS 159 million considering the early commitment fee).

The future consideration that will be received by Amot given the full exercise of the options (Series 11) in circulation for ordinary shares, amounts to a total of approx. NIS 538 million (subject to adjustments) (of which the Company's share is NIS 255 million for 9.9 million options).

Regarding Amot's expansion of bond series (Series F and G) - see Note 9.

Note 3 – Amot (consolidated company) (continued)

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

1. Amot Holon campus:

At the beginning of 2022, the construction was completed on an office building that includes a gross 60 thousand sq.m. above ground for marketing and a 5-story underground parking lot (Amot's share - 77.8%). The tower is in initial population stages. In view of the above, in the first quarter of 2022, Amot reclassified the office building from 'property in development' to 'investment property', in the amount of NIS 470 million. As of the date of the report, contracts have been signed for approx. 14,100 sq.m., which are expected to generate approx. NIS 14.2 million per year (Amot's share - 77.8%).

2. Derech Hashalom 15, Tel Aviv:

In May 2022, Amot submitted a bid in a public tender by the Tel Aviv Municipality for the purchase (AS IS) of the full lease rights (49 years with an option to extend for another 49 years) in an area of approx. 3.2 dunams at 15 Derech Hashalom St. in Tel Aviv, for an amount of approx. NIS 261 million. Subsequent to the date of the report, in August 2022, Amot received official notification of the win.

The complex, with an area of approx. 3.2 dunams, is designated for residential, employment and commercial use and is located on Derech Hashalom St. in Tel Aviv, adjacent to the ToHa project. The master plan is approved for the construction of 15,845 sq.m. of gross above-ground area, including 9,507 sq.m. of gross above-ground area for 94 residential units, 4,754 sq.m. of gross above-ground area for employment, and 1,584 sq.m. gross above-ground area for commerce, as well as underground service areas with the same total area.

3. Beit Shemesh Logistic Center

Further to Note 4b to the annual financial statements, according to which in June 2021 Amot purchased 60% of a 40 dunam plot of land for the establishment of a logistics center in Beit Shemesh, in June 2022 Amot and its partner to the property signed a lease agreement for the property with Logisticar (hereinafter the "**Lessee**") in relation to an area of 24,500 sq.m. for a period of 10 years, with an option for another 5 years. Amot is promoting a city building plan to increase the built-up area on the plot to a total area of approx. 50 thousand sq.m.

C. Management fee agreement with Amot:

Further to Note 6c to the annual financial statements, in June 2022 the Company entered into an agreement with Amot (following the approval of the Company's Audit Committee and Board of Directors, and the approval of Amot's Audit Committee, Board of Directors and General Meeting) to extend the existing management agreement for an additional period of 3 years beginning on January 1, 2022 and until December 31, 2024, with an update to the annual management fees and setting them at a fixed amount of NIS 10.3 million per year (linked to the CPI in lieu of the month of December 2021). The management fee will be paid in four quarterly payments. It should be clarified that the amount of services provided to Amot is according to Amot's changing needs, from time to time, and with no hourly limit (minimum or maximum). In this context, it should be noted that the Company has committed to make available to Amot all the inputs that will be required for the provision of management services, as required by Amot (hereinafter - the "**Extended Management Agreement**"). If during the period of the extended management agreement there will be a substantial reduction in the amount of work invested by the Company's officers, at a rate exceeding 25% cumulatively per year of activity (in relation to the estimated amount of work invested by the aforementioned officers for the provision of management services prior to the approval of the extended management agreement), Amot will have the right to cancel the extended management agreement. In addition, according to the extended management agreement, the Company will be entitled to end it at any time with prior written notice of 120 days. In addition, as was the case until now, each party may end it with a prior written notice of 60 days to the other in the event that the Company ceases to have control over Amot.

D. Fair value adjustments of investment property

In the reporting period, Amot recorded a positive revaluation in its financial statements in the amount of NIS 429 million (NIS 441 million including Amot's share in the revaluation of associates) mainly due to the effect of the increase in the CPI during the period.

Note 4 – Brockton Everlast Inc. ("BE") (consolidated company):

A. Adding an investor to BE:

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**")[1]. If and to the extent that the option is exercised, Menora's holding rate in BE will increase up to 20%.

Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Note 6 to the annual financial statements (Subsections 4 and 5, respectively).

B. The Company's holdings in BE:

During the reporting period, the Company invested the amount of approx. GBP 16.5 million (approx. NIS 72 million) in BE's capital. As of June 30, 2022 and as of the date of publication of the report, the Company indirectly holds approx. 82.7% of the rights in BE.

Note 5 – Energix (consolidated company):

A. Company holdings in Energix:

In January 2022, Energix issued 25.8 million ordinary shares, through a shelf offer report, for a total consideration of approx. NIS 337 million, from which the Company acquired 13 million ordinary shares of Energix for the amount of NIS 168 million. In addition, the Company invested an amount of NIS 36 million in the acquisition of Energix shares.

On August 10, 2022, Energix's Board of Directors approved a private placement to an institutional investor of 26 million of Energix's ordinary shares of NIS 0.01 PV (each), against an investment of approx. NIS 339 million.

After the allocation, the rate of the Company's holdings in Energix (taking into account a private placement to Altschuler that has not yet been cleared) is 50.48% (46.9% fully diluted).

B. The following are transactions carried out by Energix 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, as of the date of publication of the report, amounts to approx. 770 MW in projects in commercial operation, approx. 620MW in projects in development or pre-construction and approx. 720 MW in projects in advanced stages of initiation. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.4 GW and storage projects in initiation with a capacity of approx. 7 GWh.

<u>United States:</u>
Photovoltaic projects in the United States –

1. **Projects whose construction and connection to the grid have been partially completed - Virginia 2 Projects (142 MWp)** - Further to Note 7d to the annual statements, as of the date of approval of the report, construction has been completed on 5 photovoltaic facilities (with a capacity of 116 MWp) of the 6 projects, and they have commenced commercial operation. The last project, the start of which was delayed, is in advanced stages of construction and is expected to be completed in the third quarter of 2022. As of the date of the report, Energix has recognized assets in the amount of approx. NIS 529 million in respect of these projects.
2. **Projects in development and pre-construction – Purchase of a development project with a capacity of approx. 104 MWp in Pennsylvania** - Further to Note 8c to the annual financial statements, regarding the purchase of a photovoltaic project with a capacity of approx. 104 MWp in Pennsylvania, in April 2022 the full conditions for completing the transaction were met, and accordingly, ownership of the project was transferred to Energix for a total payment of approx. USD 3.6 million (half of which was paid upon the transfer of ownership, and half was paid upon commencement of construction).

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[1] BE is included in the list of significant non-financial corporations according to the Law for the Promotion of Competition and Reduction of Centralization, 2013, and therefore Menora will be forbidden to exercise the option as long as it does not receive the approval of the Centralization Committee.

Note 5 – Energix (consolidated company) (continued)

The project has an agreement with the City of Philadelphia for the sale of electricity for a period of 20 years that was amended at the time of completion of the purchase in a manner that significantly improves the expected revenue from the project. The project is also entitled to revenue from the sale of the green certificates (RECs) that will be issued in respect of the generation of electricity. The project has completed most of the planning and development stages and is in the process of obtaining the permits required for the start of construction work, which are expected to be received during 2022.

3. **Projects in development and nearing construction – electricity sales agreements (hedging transactions):** In the reporting period, Energix engaged in 12- and 25-year agreements for 3 projects with a capacity of 73 MWp from the projects in development and nearing construction for the sale of all the electricity and green certificates to be issued for the electricity generation in those projects (on an "as generated" basis) with a final consumer and an electric company. As of the date of approval of the report, Energix is in advanced negotiations with a leading entity in the United States to engage in hedging transactions for the sale of the electricity and green certificates that will be issued for the electricity generation in additional projects in Virginia, which are just prior to construction with a total capacity of approx. 240 MWp.
4. **Engagement with First Solar for the purchase of panels** – Further to Note 8c to the annual financial statements regarding Energix's engagement in January 2022 in an agreement for the purchase of panels with a total capacity of over 2 GWp at total cost of hundreds of millions of USD, in April 2022 Energix made an advance payment of approx. USD 30 million. The balance of the payments will be paid close to the delivery of the panels.

That stated in this Section above regarding projects in development constitutes forward-looking information.

<u>**Poland:**</u>

Wind energy projects in Poland

1. **Update of Energix's electricity sale agreements at its wind farm in Poland** - Further to the Company's reports regarding Energix's engagement with a local broker in agreements for the sale of electricity and fixing transactions as detailed in Note 8 to the annual financial reports, in July 2022, Energix engaged, through dedicated project companies under its ownership, in amendments to the electricity sales agreements and electricity price-fixing transactions for the electricity generated from the five wind farms owned by Energix in Poland, so that upon the entry into effect of the amendments:
   (A) The amount of electricity generation to which Energix committed in the original price-fixing transactions was reduced to approx. 40% of the expected electricity generation in all the wind farms for each of the years 2022-2024 (in stead of approx. 80%).
   (B) The dedicated project company that owns the Banie 1+2 wind farms with a capacity of 106 MW ("**Banie 1+2**") engaged with the broker in new price-fixing transactions for 10 years, for the years 2025-2034, compared to approx. 65% of the expected annual electricity generation in Banie 1+2 (the "**Long-Term Price-Fixing Transactions**").
   (C) The broker was given the option, exercisable until the end of 2023, to increase the amount of the long-term price-fixing transactions in relation to the purchase of electricity in an additional amount of approx. 25% of Energix's expected electricity generation at Banie 1+2 and an additional capacity at a rate of 5% of Energix's total expected electricity generation from Energix's 5 wind farms in Poland, at a price that is significantly higher than the price set for the long-term price-fixing transactions.

   It should be noted that after the amendments to the electricity sales agreements entered into effect, Energix entered into updated price-fixing transactions in relation to most of the expected electricity generation from its wind farms in Poland for the years 2022-2024 as detailed below.

   The following is the fixed price rate (according to the tender price and price-fixing transactions) from Energix's total production volume, as of the date of approval of the report:

Year	Fixed Rate from Wind Farm Production Volume (*)	Average Price (**)
H1/2022	81%	250
H2/2022	68%	765
2023	72%	787
2024	58%	536

(*) Energix's wind farms which, on the date of approval of the report, are in commercial operation and the wind farm whose construction and connection to the grid have been partially completed.
(**) Average price in PLN per 1 MWh, before adjustments to the actual production profile.

Note 5 – Energix (consolidated company) (continued)

2. **Completion of construction and the start of commercial operation at the Banie 3 wind farm (82 MW) and the Sepopol wind farm (44 MW)** – Further to Note 8e to the annual financial statements, in the reporting period, Energix has completed the construction work on the above 2 wind farms and accordingly, all 57 wind turbines in the projects began to generate electricity fed into the Polish electricity grid. As of the date of the report, two farms have been classified under properties in development in the amount of approx. NIS 506 million.

3. **The Banie 4 wind farm with a capacity of 56 MW (projects whose construction and connection to the grid have been partially completed)** – Further to Note 8e to the annual financial statements, until the date of approval of the report, Energix has completed the construction of all 16 turbines at the wind farms and accordingly, all 16 wind turbines in the project have begun to generate electricity fed into the Polish electricity grid.Regarding the project's financing, see Note 8 below.
   For details regarding the electricity price-fixing transaction prior to the change in the agreement, see Note 7e and Note 8e to the annual financial statements.

   As of the date of the report, Energix has recognized properties in development in the amount of approx. NIS 214 million in respect of the Banie Stage 4 project.

Photovoltaic projects in Poland -
Project with a capacity of 12 MWp - In the reporting period, Energix began the construction work on the first photovoltaic project in Poland, with a capacity of 12 MWp. As of the date of the report, Energix has entered into an agreement for the purchase of the main equipment for the project. As of the date of the report, Energix has recognized a property in development in the amount of approx. NIS 9.4 million in respect of this project.

<u>Israel:</u>

Photovoltaic projects in Israel -

1. **Projects in commercial operation - Sale of Energix's share in the Granot project (Energix's share - 1.7 MWp)** – In February 2022, Energix completed a transaction for the sale of its full rights in the Granot Energix Solar Projects Limited Partnership to Meshek Energy Holdings Ltd. (hereinafter: "Meshek Energy"). Accordingly, Energix recognized a profit of approx. NIS 18 million in its financial statements, which was recorded to the 'capital gain from the sale of an investee partnership' item in respect of which tax expenses in the amount of approx. NIS 4 million were recognized.
2. **Projects whose construction and connection to the grid have been partially completed - The winning projects in the third and fourth competitive procedures (up to 137 MWp)**: Further to Note 8 to the annual financial statements, as of the date of approval of the report, the construction of all 17 projects under these quotas has been completed and commercial operation has commenced at 11 of the facilities (77 MWp).
3. **Julis Extra-High Voltage Project with a capacity of 90 MWp (in advanced initiation)**: Further to Note 8a to the annual financial statements, in connection with the promotion of the plan for the project's establishment in the National Infrastructure Committee (the "**NIC**"), during the reporting period, the plan was approved by the NIC for the establishment of the project, and it received final approval by the Israeli government, as required by law. As of the date of approval of the report, the project is in the licensing process for the issuance of a building permit in the Committee for National Infrastructures, and Energix is working to complete the approvals and engagements required for the start of the project's construction work.
4. **The winning projects in Competitive Procedure 2 for the establishment of photovoltaic facilities combined with a storage capacity of approx. 180 MWp and 320 MWh (in advanced initiation)** - As of the date of approval of the report, Energix continues to work to promote and develop projects that will be established under this procedure, combined with storage. As part of its preparations for the construction of the facilities, Energix entered into an agreement with a subsidiary of the Tadiran Group Ltd. for the purchase of energy storage systems in the amount of up to USD 85 million.

   As of the date of the report, Energix has recognized properties in the amount of NIS 430 million in respect of these projects, which were recorded under the 'connected electricity generation systems' and 'systems in development and initiation' items.

   Regarding withdrawals made as part of the financing framework for these projects, see Note 8 below.

Note 5 – Energix (consolidated company) (continued)

Wind energy projects in Israel

ARAN Project:
Further to Note 8b to the annual financial statements, after the building permit was granted for the project in February 2022, during the reporting period, construction work began on the project. As part of the project's construction work, in July 2022, Energix entered into an agreement with a third party for the performance of electrical and civil work in the project for a total consideration of NIS 84-87 million.
Energix is conducting a legal proceeding regarding the land interest aspects of several turbines that are part of the ARAN project. In this proceeding, in April 2022, a request for a temporary restraining order submitted in order to prevent the start of the project's construction work, in relation to the turbines that are the subject of the legal proceeding, was rejected. For additional information, see Note 8b to the annual financial statements.

For information regarding the financing transaction for the project, see Note 8 below.

As of the date of the report, Energix has recognized the property in the amount of NIS 225 million, which is presented under the 'systems in development and initiation' item, including an amount of approx. NIS 12 million against contingent liabilities.

Note 6 – Carr Properties (hereinafter: "Carr") (an associate):

A. The Company's Holdings in Carr:

As of June 30, 2022 and as of the date of publication of the report, the Group's holdings in Carr Properties Holdings LP is 52.3%. The Group's effective holdings in Carr as of June 30, 2022 and as of the date of publication of the financial statements is 47%.

The balance of the investment in Carr in the financial statements as of June 30, 2022, is USD 1 billion (NIS 3.56 billion).

In May 2022, some of the non-controlling interests in Carr exercised their redemption right in relation to the redeemable shares which they hold. The redemption cost for the above shares amounted to approx. USD 60 million. Following the aforementioned, in June 2022, the Company invested the amount of approx. USD 60 million (NIS 201.5 million) in Carr's capital, which was used for the financing of the acquisition of the above redemption shares. After the investment in Carr's capital the Company holds 47% in Carr.

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

Block 16

In February 2022, 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 in the coming months for the construction of an office tower with a total area of 738 thousand sq.ft. and a construction budget of USD 520-530 million. Carr predicts that the construction of the tower will begin in the second quarter of 2023, subject to an examination regarding the effect of the increase in construction inputs and the increase in financing costs accompanying the construction. The duration of the tower's construction is expected to be three years.

Carr expects that 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%).

That stated in this Section constitutes forward-looking information.

One Congress Project – Boston, Massachusetts

Carr holds 75% of the rights in a joint venture through which an office tower is currently being built in Boston whose designated name is "One Congress" with 1 million sq.ft. with a partner.

Note 6 – Carr Properties (hereinafter: "Carr") (an associate) (continued):

In April 2022, the joint venture signed an agreement to lease the remaining rental space in the tower, which is in advanced stages of construction, to a single tenant with an area of 409 thousand sq.ft. (approx. 38 thousand sq.m.), so that after the agreement, the One Congress building is fully leased.

C. Financial debt

Cap transaction for fixing interest

To hedge the risk of a rise in interest rates in the United States, in May 2022, Carr purchased a CAP transaction for a period of 3 years, at an annual SOFR interest rate of 2.5% amounting to USD 400 million. After the aforementioned CAP transaction, 75% of Carr's total credit is at a fixed interest rate. The cost of the hedge transaction amounted to USD 11.5 million.

D. Fair value adjustments of investment property

In the reporting period, Carr recorded a net negative revaluation in the amount of USD 60 million in its financial statements, consisting of positive revaluations of USD 49 million in respect of projects in development, which were partially offset by negative revaluations of USD 109 million in respect of income-generating properties, mainly in respect of the increase in the discount rate by a rate of 0.25% (the Group's share in the negative revaluation before tax is approx. USD 27 million, (NIS 90 million)).

E. The following is concise information regarding Carr:

	As of June 30		As of December 31
	2022	2021	2021
		USD thousands	
Investment property	2,495,255	2,515,480	2,403,873
Property in development and land for development	5,936	364,458	169,254
Investment in investees	743,902	585,099	705,632
Other non-current assets	179,714	121,680	147,411
Other current assets	55,183	49,966	53,940
Total assets	3,479,990	3,636,683	3,480,110
Current liabilities	124,877	200,532	200,620
Non-current liabilities	1,265,955	1,430,454	1,241,623
Total liabilities	1,390,832	1,630,986	1,442,243
Equity attributed to shareholders	1,943,666	1,861,504	1,893,706
Non-controlling interests	145,492	144,193	144,161
Equity (including non-controlling interests)	2,089,158	2,005,697	2,037,867
Total liabilities and equity	3,479,990	3,636,683	3,480,110
Company share in net assets - in USD thousands	1,017,127	944,999	961,347
Book value of investment – in NIS thousands	3,559,948	3,080,698	2,989,789

Note 6 – Carr Properties (hereinafter – "Carr") (an associate) (continued)

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	USD thousands				
Revenues (not including real estate valuations)	98,894	109,348	50,065	51,585	215,045
Fair value adjustments of investment property (*)	(60.221)	(3.031)	(62.234)	(7.331)	(4.133)
Net profit (loss) from continuing activity	(20.815)	3,962	(38.780)	(14.620)	35,266
Other comprehensive income	11,686	21,749	1,879	16,114	25,622
Total comprehensive income (loss) (including minority share in profit (loss))	(9.129)	25,711	(36.901)	1,494	60,888
Company share in Carr's net profit (loss) in USD thousands	(10.108)	1,083	(18.551)	(7.575)	16,409
Company share in Carr's comprehensive income (loss) in USD thousands	(5.524)	11,051	(17.920)	92	28,025
Company share in Carr's net profit (loss) in NIS thousands	(35.179)	3,589	(62.172)	(24.713)	53,723
Company share in Carr's comprehensive income (loss) in NIS thousands	(20.426)	36,126	(60.057)	299	91,478

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

Note 7 – The Company's Holdings in Boston (associated companies):

The Company's holdings in Boston:

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through fully owned corporations) in three companies that (each) hold an office building in the Boston CBD and in East Cambridge (hereinafter, collectively: the"**Boston Partnerships**"). The Company's partner in the Boston Partnerships is the Oxford Properties Group (hereinafter: "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

During the reporting period, the Company invested the amount of approx. USD 4.6 million (NIS 14.6 million) in two of the Boston partnerships. The balance of the investment in the three Boston Partnerships in the financial statements as of June 30, 2022 is USD 251 million (approx. NIS 880 million).

Further to Note 6i.1 to the annual financial statements, during the second quarter, approvals were received and work began on the conversion of the 745 Atlantic building from an office building to laboratories. In order to pay off an existing loan on the property and finance the construction costs, in June 2022, one of the Boston partnerships, through a company that owns the building (hereinafter, in this subsection - the "**Property Company**"), entered into an agreement for the receipt of a loan in a total amount of up to approx. USD 180 million (approx. NIS 630 million) from an international investment fund (the "**Loan**"), of which, by the date of this report, the property company has withdrawn a total of approx. USD 93 million (approx. NIS 325 million). The loan is non-recourse (except for cases specified in the loan agreement, for which the Company and its partner Oxford are guarantors) and secured by a lien on the property. The loan bears interest at an annual rate of SOFR interest plus an annual margin of 3.4% which will be paid on a monthly basis. The loan repayment date is July 9, 2025, subject to the right of the property company to extend the loan repayment date (subject to certain conditions) by another two years. The property company purchased a CAP hedging transaction in case the SOFR interest rate rises above 2.5%.

In the reporting period, negative revaluations were recorded in the amount of USD 29 million in respect of the three properties in Boston, which is mainly due to the increase in the discount rate by 0.25% for two of the properties (the Group's share in the aforementioned negative revaluation before tax is approx. USD 16 million (NIS 54 million)).

In the reporting period, the Group received dividends and returns of capital from the Boston Partnerships in the total amount of USD 10.3 million (approx. NIS 34.8 million).

Note 8 – Loans from Banking Corporations and Financial Institutions:

The Company –

1. As detailed in Note 12b(1) to the annual financial statements, a facility agreement was signed between the Company and an Israeli bank (hereinafter, in this subsection: the "**Bank**") in January 2022 for the provision of a credit facility in the amount of NIS 150 million with a utilization period of one year from date of signing the agreement (hereinafter, in this subsection: "the **Utilization Period**") to be repaid by the end of two years from the end of the utilization period (hereinafter, in this subsection: the "**New Facility Agreement**").

2. As of June 30, 2022 and as of the date of publication of the report, the Company has a credit facility in the total amount of NIS 650 million, of which NIS 100 million is a short-term credit facility. The total utilized facilities as of June 30, 2022 and as of the date of publication of the report totals NIS 285 million.

Energix (consolidated company) –

3. **Financing for construction of the projects with a capacity of up to 137 MWp (the third and fourth competitive procedures)** - Further to Note 12.d.9 to the annual statements regarding a project financing agreement in the amount of up to NIS 380 million, as of the date of approval of the report, Energix, through the joint venture - Israel, made a withdrawal under the financing facility in the amount of approx. NIS 268 million in respect of projects that met the conditions for the withdrawal.

4. **Financing for the construction of the wind farm in Poland - Banie 3 (82 MW) and Sepopol (44 MW)** - Further to Note 12d.(11) to the annual financial statements regarding a project financing agreement in the amount of up to PLN 550 million (approx. NIS 440 million). As of the date of approval of the report, Energix has taken loans under the financing facility in the amount of approx. NIS 364 million.

5. **Financing for the construction of the Banie Stage 4 wind farm in Poland with a capacity of 56 MW** – In March 2022, a Polish dedicated corporation wholly owned by Energix, that owns the wind farm, entered into a financing agreement for the project's construction in the total amount of up to PLN 290 million (approx. NIS 215 million). As of the date of approval of the report, after Energix fully met the conditions for withdrawal, Energix took loans under the financing facility in the amount of approx. NIS 8 million. For more details, see Note 12d(12) to the annual financial statements.

6. **Financing for the construction of the wind farm in the northern Golan Heights (ARAN project) with a capacity of 104 MW** - In June 2022, the project company signed an agreement with Israel Discount Bank Ltd. for the receipt of financing for the project's construction in an initial total amount of up to NIS 650 million. The financing transaction is at accepted terms for Project Finance transactions and is guaranteed with the full rights in the project and a lien on all the borrower's assets and rights therein, subject to the provisions of the conditional license and the law. The loan is a NIS loan linked to the Electricity Price Index for 20 years, and it will be provided on a non-recourse basis, except in relation to several commitments which Energix undertook for the benefit of the lenders for the financing of cost overruns, etc. In addition, subject to the provisions of the financing agreement, Energix will provide a guarantee up to the full amount of the financing in respect of (i) violations during the project's construction period and until the end of a two-year inspection period and (ii) real estate events that affect the land interest required for the construction and operation of the project, for the entire financing period. The financing amount will be provided over the construction period, subject to compliance with the conditions for withdrawal as is customary in transactions of this type, including the provision of initial equity for the project at a rate of at least 15% of the total construction costs during the construction period and compliance with financial ratios of 1:1.4. Coverage ratios (DSCR and LLCR) for violation and distribution - below 1.05 and 1.15, respectively. Energix has the right to increase leverage in the amount of up to NIS 50 million subject to the terms of the financing agreement.

7. **Credit facilities** - Energix has credit facilities from financial institutions that it uses to provide guarantees and short-term loans. As of the date of the report, Energix has credit facilities in the amount of approx. NIS 370 million, of which a total of USD 26 million (approx. NIS 90 million) is from a banking corporation in the United States. From all the facilities, a total of approx. NIS 193 million is utilized.

BE (consolidated company) –

8. **Early repayment of a loan** - In June 2022, BE initiated the early repayment of a total of GBP 40 million (approx. NIS 170 million) from a loan of approx. GBP 64 million. BE intends to repay the balance of the loan during the coming months.

Note 9 – Bond Raising:

The Company –

(1) Further to Note 11 to the annual consolidated financial statements, in January 2022, the Company issued, through a shelf offer report, NIS 221.4 million PV of bonds (Series I) by way of a series expansion, for a consideration of NIS 244.2 million (gross) and at an effective interest rate of 1.53% and NIS 84.23 million PV of bonds (Series J) by way of a series expansion, for a consideration of NIS 88 million (gross) and at an effective interest rate of 1.45% and NIS 436.99 million PV of bonds (Series L) by way of a series expansion, for a consideration of NIS 448.8 million (gross) and at an effective interest rate of 2.45%.

(2) As of June 30, 2022, the Company's bonds amount to approx. NIS 4,304,468 thousand, of which NIS 558,587 thousand are classified as current liabilities in the condensed consolidated statements of financial position.

Amot (consolidated company) –

Further to Note 11 to the annual consolidated financial statements, in May 2022, under a shelf offering report, Amot issued NIS 294 million PV of bonds (Series F) by way of a series expansion for a net consideration of NIS 298 million, at a CPI-linked effective interest rate of 1.65% and an average duration of 5.6 years, and NIS 115 million PV of bonds (Series G) by way of a series expansion for a net consideration of NIS 102 million, at an effective NIS interest rate of 4.35% and an average duration of 7.3 years.
Following the issue of the bonds (Series G), Amot carried out a hedge transaction with a financial institution in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 0.2%, with a principal amount of NIS 110 million.

Regarding Amot's issuance of shares and options (Series 11), see Note 3a.

Note 10 – Transactions with Related Parties

Further to note 18d to the annual financial statements, in July 2022, the Company purchased a directors and officers insurance policy (which covers directors and officers of the Company, Amot and Energix, including subsidiaries of those companies and related companies (regarding related companies - only in relation to officers appointed by the Company)) for one year from July 15, 2022 to July 14, 2023 with a liability limit of USD 65 million per case and per period in addition to coverage for legal expenses according to Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 349 thousand (replacing the insurance coverage in the amount of USD 75 million at a cost of USD 414 thousand for the year that ended on July 14, 2022).

Note 11 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position

A. Dividend distributed and dividend declared

The Company – In March 2022, the Company's Board of Directors made a decision regarding the dividend distribution policy for 2022, according to which the Company will distribute a total dividend of NIS 1.26 per share in 2022, which will be paid in 4 quarterly payments as follows: at the end of Q1 and Q2 - NIS 0.31 per share, and at the end of Q3 and Q4 - 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, 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.

In accordance with the above, in March 2022, the Company announced a dividend for Q1/2022 in the amount of NIS 0.75 per share (NIS 131 million) to be paid in April 2022.

In May 2022, the Company announced a dividend distribution for Q2/2022 in the amount of NIS 0.31 per share (NIS 54 million), which was paid in June 2022.

In August 2022, the Company announced a dividend distribution for Q3/2022 in the amount of NIS 0.32 per share (NIS 56 million), which will be paid in September 2022.

Amot (consolidated company) – In March 2022, Amot's Board of Directors stated that in 2022, Amot intends to distribute an annual dividend of NIS 1.06 per share, paid in 4 quarterly payments, as follows: In Q1 and Q2, NIS 0.26 per share will be announced, and in Q3 and Q4, NIS 0.27 per share will be announced, subject to a specific decision by Amot's Board of Directors at the end of each quarter.

Following this Amot policy, in March and May 2022, Amot announced that it would be distributing a dividend for Q1 and Q2/2022 in the amount of NIS 0.26 per share, for each quarter. In addition, in March 2022, Amot announced an additional dividend in respect of 2021 in the amount of NIS 0.34 per share. The total dividend paid by Amot in the reporting period amounted to approx. NIS 395 million (the Company's share – approx. NIS 213 million).

Note 11 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position (continued)

In August 2022, Amot announced a dividend distribution for Q3/2022 in the amount of NIS 0.27 per share (the Company's share – approx. NIS 68 million) which will be paid in August 2022.

Energix (consolidated company) – In March 2022, the Energix Board of Directors stated that in 2022 it intends to distribute an annual dividend in the amount of NIS 0.20 per share, which will be paid in 4 equal quarterly payments, subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law.

According to this policy, in March and in May 2022, Energix announced that it would distribute a dividend for Q1 and Q2/2022 in the amount of NIS 5 per share for each quarter. The total dividend paid by Energix in the reporting period amounted to approx. NIS 52 million (the Company's share – approx. NIS 28 million).
In August 2022, Energix announced a dividend distribution for Q3/2022 in the amount of NIS 5 per share (approx. NIS 26 million, the Company's share - approx. NIS 14 million), which will be paid in September 2022.

BE (consolidated company) –In February 2022, BE announced an annual dividend in the amount of GBP 16 million (approx. NIS 70 million, the Company's share - approx. NIS 67 million), which was distributed to its shareholders in a single payment in that month.

B. Remuneration of employees and officers

In March 2022, the Company's Board of Directors decided to grant an annual ration of 272,879 non-tradable option warrants to three Company officers, 5 directors (including a director who is the daughter of the Company CEO), the Chairman of the Company's Board of Directors and to 6 employees. The total economic value of the above granted options amounts to approx. NIS 3.6 million. For additional information, see Note 16e. to the Yearly Financial Statements.

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

Share price (in NIS)	56.08
Exercise price (in NIS)	58.32
Weighted expected volatility	34.598%
Life span of option warrants (in years)	3
Risk-free interest rate	1.43%

C. Effect of changes in exchange rates subsequent to the date of the statement of financial position

In the period from July 1, 2022 until the date of publication of the financial statements, there was an appreciation of the NIS against the main currencies in which the Group operates (mainly against the USD and against the GBP at a rate of 6.5% and 7.1% respectively). This appreciation resulted in a decrease in equity attributed to the Company's shareholders in the amount of approx. NIS 0.3 billion.

Note 12 – Financial Instruments

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

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

	As of June 30, 2022		As of June 30, 2021		As of December 31, 2021	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Financial liabilities						
Long-term loans (including maturities)	2,145,724	2,036,215	975,605	1,057,873	1,806,730	1,887,071
Bonds (including maturities)	13,320,596	13,313,813	11,635,918	12,466,753	12,654,709	13,721,308
	15,466,320	15,350,028	12,611,523	13,524,626	14,461,439	15,608,379

- The balance of long-term loans includes variable-interest loans that were converted into fixed-interest loans through SWAP transactions on the interest. The balance also includes loans at variable interest for which the Group entered into a CAP transaction to hedge the exposure to the interest, as long as the CAP transaction is "in the money" as of the date of the report (i.e. the interest rate in the CAP transaction is lower than the loan interest rate as of the cut-off date).

- The fair value of long-term loans is determined according to discounted cash flows. Interest rates used for discounting are based on a quote obtained from a financial institution for a loan under similar conditions. Calculation of the fair value of long-term fixed-interest loans is according to Level 2. The fair value of the Group's variable interest loans is approximately equal to their book value, and therefore these loans are not presented in the above note.

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

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

Note 12 – Financial Instruments (continued):

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

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

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	12,581	-	12,581
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	54,877	-	54,877
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	47,716	-	47,716
Financial derivatives (CAP options for hedging the exposure to variable interest) designated for hedging	-	130,903	-	130,903
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	17,598	-	17,598
Financial assets measured at fair value through profit or loss:				
Tradable securities	74	-	-	74
Real estate investment funds (1)	-	-	217,049	217,049
	74	263,675	217,049	480,798
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(180.338)	-	(180.338)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(189.023)	(189.023)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(32.764)	-	(32.764)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(234.496)	-	(234.496)
	-	(447.598)	(189.023)	(636.621)

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

	For the Six-Month Period ended June 30, 2022
	NIS thousands
Balance as of January 1, 2022	143,802
Amounts recorded to profit or loss in the period	7,082
Amounts recorded to other comprehensive income in the period	(122.858)
Balance as of June 30, 2022	28,026

Note 12 – Financial Instruments (continued) :

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

	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest) designated for hedging	-	17,737	-	17,737
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	4,042	-	4,042
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	10,172	-	10,172
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	98,206	-	98,206
Financial derivatives (CAP options for hedging interest)	-	1,136	-	1,136
Financial assets measured at fair value through profit or loss:				
Tradable securities	360	-	-	360
Real estate investment funds (1)	-	-	164,757	164,757
	360	131,293	164,757	296,410
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(71.716)	-	(71.716)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2.066)	-	(2.066)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(21.900)	(21.900)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(3.997)	-	(3.997)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	-	-	-
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(35.965)	-	(35.965)
Financial liabilities measured at fair value through profit or loss	-	-	(1,422)	(1,422)
	-	(113.744)	(23.322)	(137.066)

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

	For the Six-Month Period ended June 30, 2021
	NIS thousands
Balance as of January 1, 2021	156,856
Amounts recorded to profit or loss in the period	3,138
Amounts recorded to other comprehensive income in the period	(18.559)
Balance as of June 30, 2021	141,435

Note 12 – Financial Instruments (continued):

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

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	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 (1)	-	-	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 whose value was measured according to Level 3:

	For the Year ended December 31, 2021
	NIS thousands
Balance as of January 1, 2021	156,856
Investments	26,205
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 12 – Financial Instruments (continued):

C. Changes in investments in associates

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

	For the Six-Month Period ended June 30		For the Three-Month Period ended June 30		For the Year ended December 31
	2022	2021	2022	2021	2021
	In NIS millions				
Investment in PSP	-	(200)	-	(176)	(200)
Investment in Carr	570	76	467	(70)	(15)
Investment in Boston	51	82	23	(7)	50

- Investment in Carr – The increase in the balance of the investment in the six-month period ended June 30, 2022 was due mainly to an increase in the USD exchange rate (an increase of approx. NIS 386 million) and as a result of an investment in the amount of NIS 202 million. On the other hand, there was a decrease due to the Group's share in Carr's comprehensive loss (a decrease of approx. NIS 20 million).

- Investment in Boston – The increase in the investment balance in the six-month period ended June 30, 2022 was resulted mainly from an increase in the USD exchange rate (an increase of approx. NIS 103 million) due to an investment in the amount of approx. NIS 15 million. On the other hand, there was a decrease due to the receipt of a dividend and/or a return of capital in the amount of approx. NIS 35 million and due to accumulated equity losses in the amount of NIS 32 million.

Note 13 – Operating Segments

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

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

Note 13 – Operating Segments (continued):

Segment revenues and results

	For the Six-Month Period ended June 30, 2022							
	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Group's share of profits (losses) of investees, net	269,280	(35.179)	60,282	(31.806)	44,018	-	(364.313)	(57.718)
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	2,576	-	(72)	2,833	5,337
Profit from decrease in rate of holding, from purchase and realization of associates	-	3,240	-	-	-	-	18,097	21,337
Other revenues, net (*)	5,281	-	-	394	3,529	-	1,224,016	1,233,220
	274,561	(31.939)	60,282	(28.836)	47,547	(72)	880,633	1,202,176
Administrative and general	-	-	-	-	-	16,285	69,285	85,570
Financing expenses, net	-	-	-	-	-	62,023	331,769	393,792
Other expenses, net (*)	-	-	-	-	-	-	148,696	148,696
	-	-	-	-	-	78,308	549,750	628,058
Profit (Loss) before tax	274,561	(31.939)	60,282	(28.836)	47,547	(78.380)	330,883	574,118
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	922,765	121,755	110,865		202,500			
Revaluation profits (losses) (in the investee's books), before tax (**)	428,573	(202.130)	30,104		-			
Net profit (loss) (in the investee's books)	500,111	(72.531)	70,843		82,243			
Company share in net profits (loss)	269,280	(35.179)	60,282		44,018			

For additional information regarding Carr's concise financial information, see Note 6e above.

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

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

Note 13 – Operating Segments (continued):

Segment revenues and results

	For the Three-Month Period ended June 30, 2022							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group's share of profits (losses) of investees, net	163,885	(62.173)	42,455	(43.265)	20,646	-	(222.283)	(100.735)
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	2,997	-	(54)	1,521	4,464
Revenues from decrease in holdings in investees	-	2,972	-	-	-	-	-	2,972
Other revenues, net (*)	2,684	-	-	-	1,936	-	732,642	737,262
	166,569	(59.201)	42,455	(40.268)	22,582	(54)	511,880	643,963
Administrative and general	-	-	-	-	-	9,406	36,517	45,923
Financing expenses, net	-	-	-	-	-	32,227	198,412	230,639
Other expenses, net (*)	-	-	-	-	-	-	78,871	78,871
	-	-	-	-	-	41,633	313,800	355,433
Profit (Loss) before tax	166,569	(59.201)	42,455	(40.268)	22,582	(41.687)	198,080	288,530
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	553,040	(40.782)	75,304		110,658			
Revaluation profits (losses) (in the investee's books), before tax (**)	300,333	(208.565)	34,413		-			
Net profit (loss) (in the investee's books)	305,147	(129.970)	51,315		38,767			
Company share in net profits (loss)	163,885	(62.173)	42,455		20,646			

For additional information regarding Carr's concise financial information, see Note 6e above.

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

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

Note 13 – Operating Segments (continued) :

Segment assets and liabilities:

	As of June 30, 2022							
	Income-Generating Property Segment				Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,473,008	3,559,948	2,929,830	879,567	966,137	15,555	(7,896,821)	4,927,224
Investment in securities measured at fair value through profit or loss	-	-	-	161,446	-	74	55,603	217,123
Other assets	-	-	-	-	-	118,426	29,118,973	29,237,399
	4,473,008	3,559,948	2,929,830	1,041,013	966,137	134,055	21,277,755	34,381,746
Liabilities	-	-	-	-	-	5,083,281	15,893,214	20,976,495

Note 13 – Operating Segments (continued) :

Segment revenues and results

	For the Six-Month Period ended June 30, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	168,485	3,589	302,501	67,945	22,285	(18)	(504.956)	59,831
Net profits (losses) from investments in securities measured at fair value through profit or loss	-	-	-	14,007	-	(125)	(1.448)	12,434
Profit from decrease in rate of holding, from purchase and realization of associates	-	230	-	4,907	-	-	12,363	17,500
Other revenues, net (*)	4,529	-	-	4,278	2,731	-	1,011,350	1,022,888
	173,014	3,819	302,501	91,137	25,016	(143)	517,309	1,112,653
Administrative and general	-	-	-	-	-	21,914	53,836	75,750
Financing expenses, net	-	-	-	-	-	45,567	148,522	194,089
Other expenses, net (*)	-	-	-	-	-	-	100,398	100,398
	-	-	-	-	-	67,481	302,756	370,237
Profit before tax	173,014	3,819	302,501	91,137	25,016	(67.624)	214,553	742,416
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	520,618	347,276	377,194		124,336			
Revaluation profits (losses) (in the investee's books), before tax (**)	127,375	(9.863)	304,807		-			
Net profit (in the investee's books)	298,028	13,043	311,943		41,781			
Company share in net profits	168,485	3,589	302,501		22,285			

For additional information regarding Carr's concise financial information, see Note 6e above.

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

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

Note 13 – Operating Segments (continued) :

Segment revenues and results

	For the Three-Month Period ended June 30, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group's share of profits (losses) of investees, net	110,631	(24.713)	335,649	18,016	12,930	-	(467.031)	(14.518)
Net losses from investments in securities measured at fair value through profit or loss	-	-	-	(3.509)	-	(100)	(1.448)	(5.057)
Profit from decrease in rate of holding, from purchase and realization of associates	-	193	-	-	-	-	12,363	12,556
Other revenues, net (*)	2,279	-	-	4,278	1,411	-	778,784	786,752
	112,910	(24.520)	335,649	18,785	14,341	(100)	322,668	779,733
Administrative and general	-	-	-	-	-	13,648	30,246	43,894
Financing expenses, net	-	-	-	-	-	27,783	99,877	127,660
Other expenses, net (*)	-	-	-	-	-	-	54,922	54,922
	-	-	-	-	-	41,431	185,045	226,476
Profit before tax	112,910	(24.520)	335,649	18,785	14,341	(41.531)	137,623	553,257
Additional information on segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	334,125	144,392	384,696		66,131			
Revaluation profits (losses) (in the investee's books), before tax (**)	127,375	(23.920)	346,361		-			
Net profit (loss) (in the investee's books)	196,286	(44.396)	346,358		24,212			
Company share in net profits (loss)	110,631	(24.713)	335,649		12,930			

For additional information regarding Carr's concise financial information, see Note 6e above.

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

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

Note 13 – Operating Segments (continued) :

Segment assets and liabilities:

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

Note 13 – Operating Segments (continued) :

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 profit 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 (in the investee's books)	932,186	115,586	994,332		79,204			
Company share in net profits	519,319	53,723	965,535		42,178			

For additional information regarding Carr's concise financial information, see Note 6e above.

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

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

Note 13 – Operating Segments (continued) :

Segment assets and liabilities:

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 13 – Operating Segments (continued) :

Geographic information:

	For the Six-Month Period ended June 30, 2022							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	United States	The UK	Israel	Poland	United States	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	492,793	-	80,760	-	-	-	-	573,553
Fair value adjustments of investment property	426,758	-	30,105	-	-	-	-	456,863
Group share in profits (losses) of associates, net	11,457	(66.984)	(2.191)	-	-	-	-	(57.718)
Revenues from sale of electricity and green certificates	-	-	-	63,449	117,064	21,361	-	201,874
Other	(89)	3,240	5,802	18,693	29	-	(71)	27,604
	930,919	(63.744)	114,476	82,142	117,093	21,361	(71)	1,202,176
Costs and Expenses								
Cost of investment property rental and operation	62,162	-	9,388	-	-	-	-	71,550
Initiation, maintenance and operation costs of electricity-generating facilities	-	-	-	10,783	12,313	3,714	-	26,810
Depreciation and amortizations	1,551	-	1,034	22,899	11,327	11,728	1,797	50,336
	63,713	-	10,422	33,682	23,640	15,442	1,797	148,696
Administrative and general expenses							85,570	85,570
Profit (loss) before financing	867,206	(63.744)	104,054	48,460	93,453	5,919	(87.438)	967,910

Note 13 – Operating Segments (continued) :

Geographic information:

	For the Three-Month Period ended June 30, 2022								
	Income-Generating Property	Income-Generating Property	Income-Generating Property		Energy	Energy	Energy		
	Israel	United States	The UK		Israel	Poland	United States	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	252,350	-	40,890		-	-	-	-	293,240
Fair value adjustments of investment property	298,887	-	34,414		-	-	-	-	333,301
Group share in profits (losses) of associates, net	5,851	(105.446)	(1.140)		-	-	-	-	(100.735)
Revenues from sale of electricity and green certificates	-	-	-		39,461	57,112	13,788	-	110,361
Other	64	2,972	4,517		296	-	-	(53)	7,796
	557,152	(102.474)	78,681	-	39,757	57,112	13,788	(53)	643,963
Costs and Expenses									
Cost of investment property rental and operation	32,840	-	5,544		-	-	-	-	38,384
Initiation, maintenance and operation costs of electricity-generating facilities	-	-	-		6,131	4,383	2,053	-	12,567
Depreciation and amortizations	806	-	512		14,040	4,986	6,565	1,011	27,920
	33,646	-	6,056		20,171	9,369	8,618	1,011	78,871
Administrative and general expenses								45,923	45,923
Profit (loss) before financing	523,506	(102.474)	72,625		19,586	47,743	5,170	(46.987)	519,169

Note 13 – Operating Segments (continued):

Geographic information:

	As of June 30, 2022							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	USA (*)	The UK	Israel	Poland	United States	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including investment property in development and land rights)	17,190,836	-	5,020,463	-	-	-		22,211,299
Investments in associates	394,068	4,439,515	78,302	-	-	-	15,339	4,927,224
Connected electricity-generating facilities	-	-	-	854,944	498,981	780,827	-	2,134,752
Electricity-generating facilities in development	-	-	-	612,405	725,872	636,033	-	1,974,310
Right-of-use asset	-	-	-	146,550	107,640	65,122	-	319,312
Securities measured at fair value through profit or loss (**)	-	-	217,049	-	-	-	74	217,123
	17,584,904	4,439,515	5,315,814	1,613,899	1,332,493	1,481,982	15,413	31,784,020

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,559,948 thousand and for an investment in Boston in the amount of NIS 879,567 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 13 – Operating Segments (continued):

Geographic information:

	For the Six-Month Period ended June 30, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	United States	The UK	Israel	Poland	United States	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	391,076	-	72,387	-	-	-	-	463,463
Fair value adjustments of investment property	126,542	-	304,807	-	-	-	-	431,349
Group share in profits (losses) of associates, net	5,950	71,534	(18.167)	514	-	-	-	59,831
Revenues from sale of electricity and green certificates	-	-	-	57,329	57,978	8,862	-	124,169
Other	(2.347)	230	(1.805)	12,530	-	-	25,233	33,841
	521,221	71,764	357,222	70,373	57,978	8,862	25,233	1,112,653
Costs and Expenses								
Cost of investment property rental and operation	35,840	-	7,004	-	-	-	-	42,844
Initiation, maintenance and operation costs of electricity-generating facilities	-	-	-	7,262	8,651	1,413	-	17,326
Depreciation and amortizations	1,261	-	685	19,335	12,681	4,796	1,470	40,228
	37,101	-	7,689	26,597	21,332	6,209	1,470	100,398
Administrative and general expenses							75,750	75,750
Profit before financing	484,120	71,764	349,533	43,776	36,646	2,653	(51.987)	936,505

Note 13 – Operating Segments (continued):

Geographic information:

	For the Three-Month Period ended June 30, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	United States	The UK	Israel	Poland	United States	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	205,621	-	38,336	-	-	-	-	243,957
Fair value adjustments of investment property	126,542	-	346,361	-	-	-	-	472,903
Group share in profits (losses) of associates, net	2,928	(6.696)	(11.152)	402	-	-	-	(14.518)
Revenues from sale of electricity and green certificates	-	-	-	34,448	25,474	6,100	-	66,022
Other	(518)	193	(1.997)	12,473	-	-	1,218	11,369
	334,573	(6.503)	371,548	47,323	25,474	6,100	1,218	779,733
Costs and Expenses								
Cost of investment property rental and operation	20,112	-	4,209	-	-	-	-	24,321
Initiation, maintenance and operation costs of electricity-generating facilities	-	-	-	4,203	4,214	627	-	9,044
Depreciation and amortizations	681	-	561	11,309	5,623	2,638	745	21,557
	20,793	-	4,770	15,512	9,837	3,265	745	54,922
Administrative and general expenses							43,894	43,894
Profit (loss) before financing	313,780	(6.503)	366,778	31,811	15,637	2.835	(43.421)	680,917

Note 13 – Operating Segments (continued):

Geographic information:

	As of June 30, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	USA (*)	The UK	Israel	Poland	United States	Others and Unassigned Expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including investment property in development and land rights)	13,682,625	-	4,031,426	-	-	-		17,714,051
Investments in associates	483,077	3,940,843	69,871	9,579	-	-	12,761	4,516,131
Connected electricity-generating facilities	-	-	-	669,866	574,494	441,045	-	1,685,405
Electricity-generating facilities in development	-	-	-	427,982	217,738	393,561	-	1,039,281
Right-of-use asset	-	-	-	125,454	72,504	47,841	-	245,799
Securities measured at fair value through profit or loss (**)	-	-	164,757	-	-	-	360	165,117
	14,165,702	3,940,843	4,266,054	1,232,881	864,736	882,447	13,121	25,365,784

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,080,700 thousand and for an investment in Boston in the amount of NIS 860,143 thousand.

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

Note 13 – 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	United States	The UK	Israel	Poland	United States	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 adjustments 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
Initiation, 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

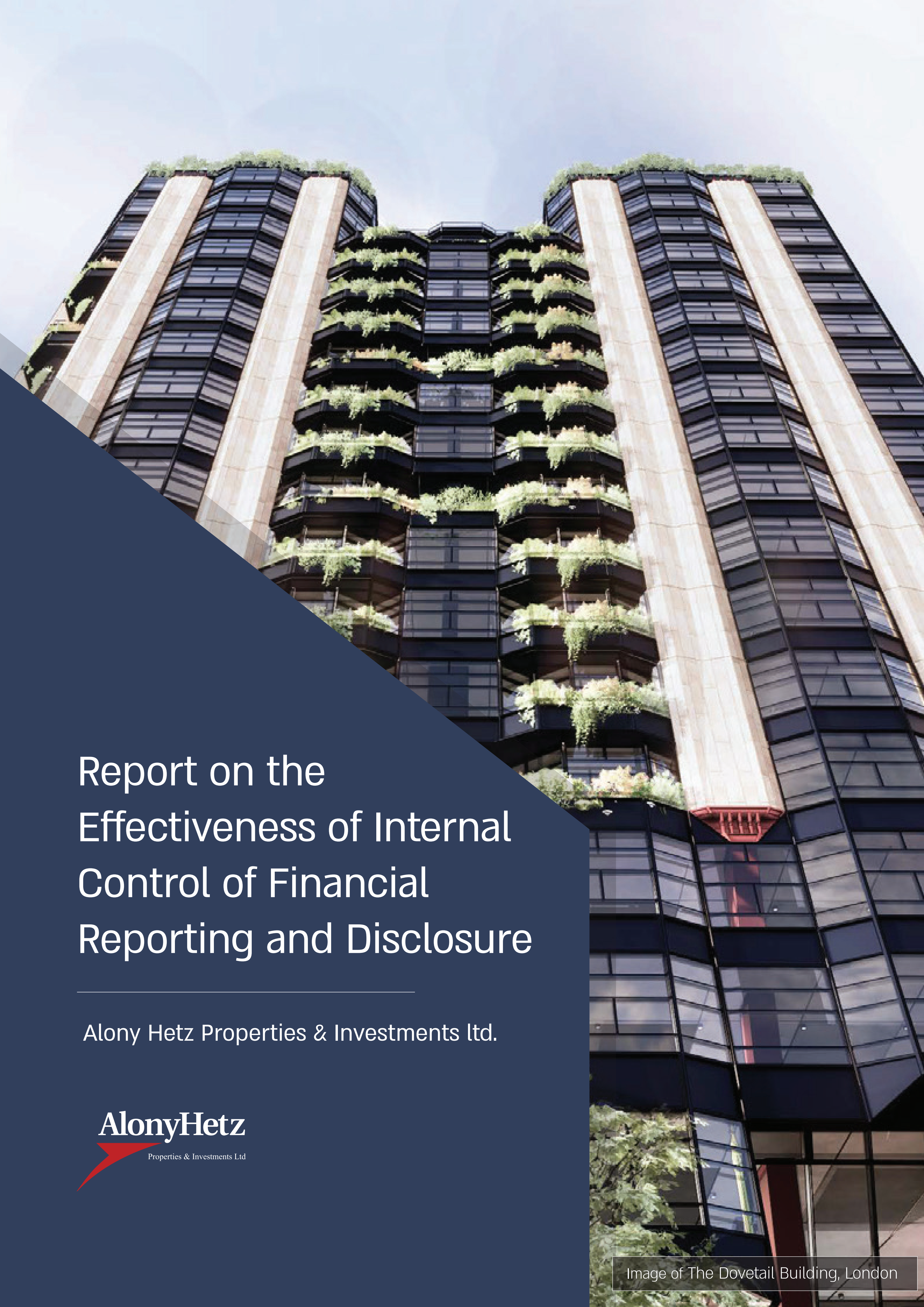
Note 13 – Operating Segments (continued):

Geographic information:

	As of December 31, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	The 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 investment property in development and land rights)	16,451,528	-	4,924,587	-	-	-		21,376,115
Investments in associates	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
	16,938,094	3,818,138	5,206,698	1,381,029	1,091,138	1,221,911	13,734	29,670,742

(*) 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.



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 Building, London

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

For the Second Quarter of 2022

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

In this regard, the members of management are:

1. Nathan Hetz, CEO;

2. Moti Barzilay, VP of Business Development;

3. Oren Frenkel, Chief Financial Officer;

4. Hanan Feldmus, Legal Counsel;

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

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

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

In the Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the Quarterly Report for the period ended March 31, 2022 (hereinafter: "**the Last Quarterly Report on Internal Controls**"), the internal control over financial reporting and disclosure was found to be effective.

As at the date of the report, the Board of Directors and management have not been made aware of any event or issue changing the evaluation of the effectiveness of internal controls, as presented pursuant to the las annual report on internal controls.

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

Executive statements:

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for the second quarter of 2022 (hereinafter: "**the Reports**");

2. In my opinion, the Reports do not contain any untrue statement of a material fact nor omit to state a material fact necessary so that the exhibits included therein, in light of the circumstances under which such exhibits were made, will not be misleading with respect to the reporting period;

3. To the best of my knowledge, the financial statements and the other financial information included in the Reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Board of Directors' Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

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

   b. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

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

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

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

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

____________	__________
August 17, 2022	Signature Nathan Hetz, CEO

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

Executive Statement | Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the interim financial statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Corporation**") for the second quarter of 2022 (hereinafter: "**the Reports**" or "**the Interim Reports**");

2. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports do not include any misrepresentation of a material fact, nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;

3. To the best of my knowledge, the interim financial statements and the other financial information included in the interim reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;

4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Board of Directors' Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

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

   b. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

5. I, by myself or with others in the Corporation:

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

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

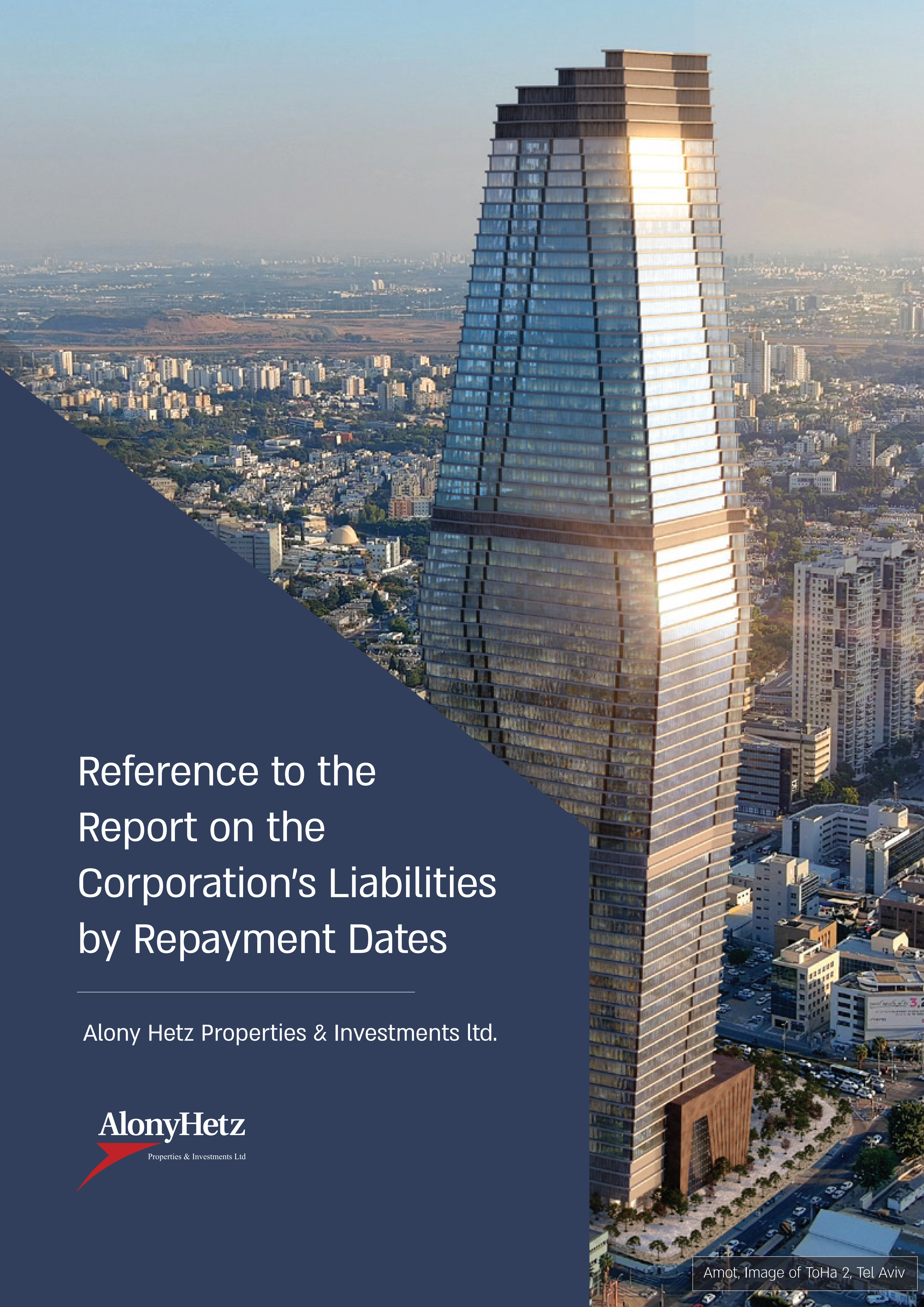
No event or issue has come to my attention which has occurred during the period between the last report date (quarterly or periodic, as the case may be) and the date of this report that refers to the interim financial statements and any other financial information included in the interim financial statements,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

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

________________ ________________

August 17, 2022 Signature

Oren Frenkel, Chief Financial Officer



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

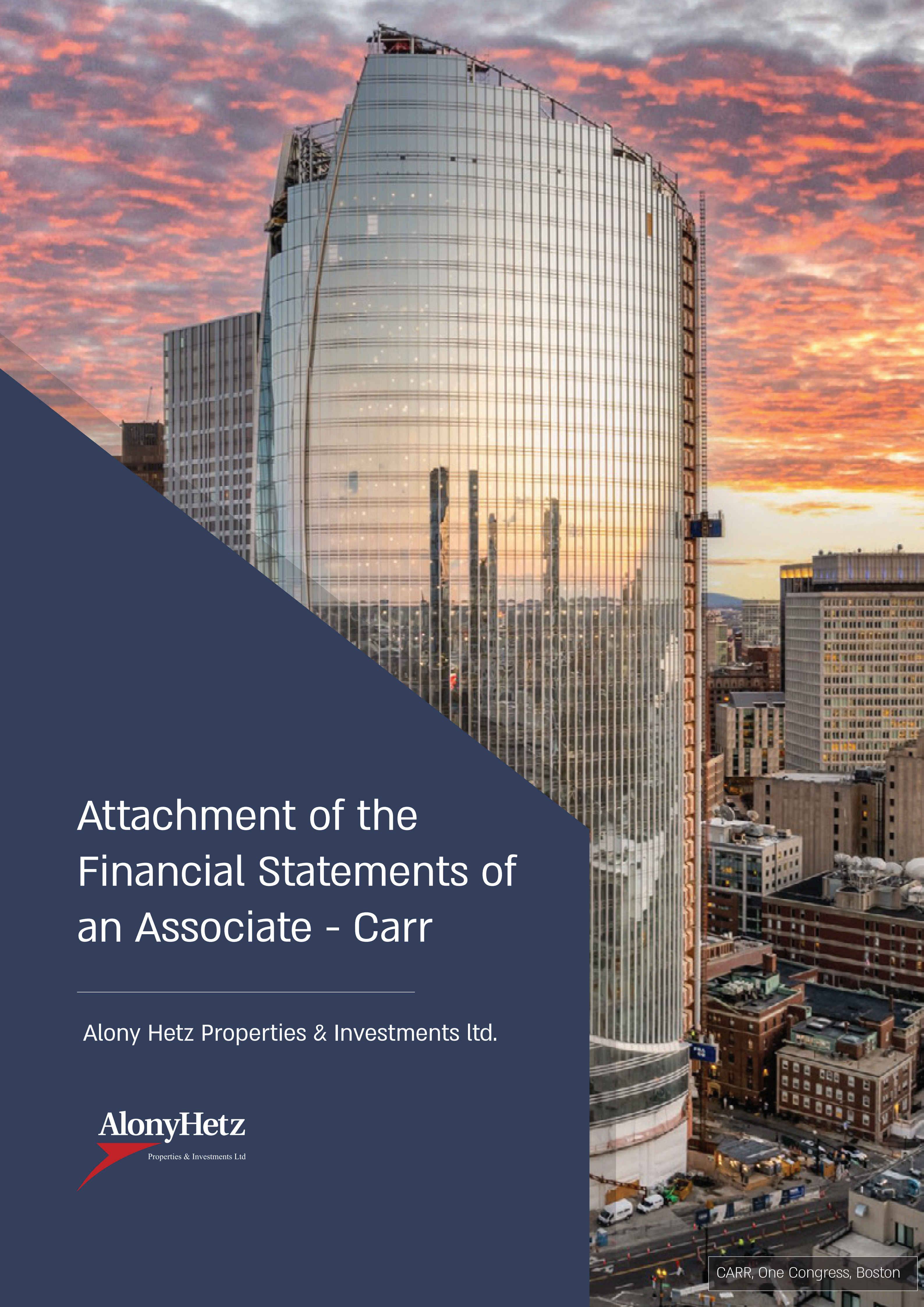
Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Amot, Image of ToHa 2, Tel Aviv

Report on the Status of Liabilities by Repayment Dates, as of June 30, 2022

Regarding the Report on the Status of Liabilities by Repayment Dates, as of June 30, 2022, see the immediate report dated August 18, 2022.



Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

CARR, One Congress, Boston

CARR PROPERTIES HOLDINGS LP

Condensed Consolidated Financial Statements as of June 30, 2022
(Unaudited)

CARR PROPERTIES HOLDINGS LP

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Report of Independent Auditors

To the Management of Carr Properties Holdings LP

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings LP and its subsidiaries (the "Company"), which comprise the condensed consolidated balance sheet as of June 30, 2022, and the related condensed consolidated statements of operations and comprehensive income (loss) and of cash flows for the three-month and six-month periods ended June 30, 2022 and 2021 and the condensed consolidated statement of changes in equity for the six-month periods ended June 30, 2022 and 2021, including the related notes (collectively referred to as the "condensed consolidated interim financial information").

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in accordance with IAS 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Condensed Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting,* 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 the condensed consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Carr Properties Holdings LP and its subsidiaries as of December 31, 2021, and the related consolidated statements of operations and comprehensive income (loss), of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated March 2, 2022, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2021, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Washington, DC
August 16, 2022

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

	Notes	June 30, 2022	December 31, 2021
ASSETS		**(Unaudited)**	
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,592,620 and $2,415,564)	4,11	$ 2,495,255	$ 2,403,873
Properties in development (cost of $5,936 and $160,848)	4,11	5,936	169,254
Investments in associates	5	743,902	705,632
Goodwill	8	9,326	9,326
Derivative asset	11	24,267	3,601
Straight line rent receivable		106,763	95,701
Deferred leasing costs and other, net		39,358	38,783
		3,424,807	3,426,170
Current assets			
Trade receivables, net		6,057	6,133
Prepaid expense and other assets		12,543	14,124
Restricted cash	10	5,427	5,310
Cash and cash equivalents	2,10	31,156	28,373
		55,183	53,940
Total assets		$ 3,479,990	$ 3,480,110
EQUITY			
Equity attributable to common shareholders	17	$ 1,666,533	$ 1,606,196
Equity reserve from increase in CPP		10,013	9,829
Equity reserve for cash flow hedges	11	(6,154)	(15,173)
Retained earnings		273,274	292,854
Equity attributable to non-redeemable non-controlling interests	17	145,492	144,161
Total equity		2,089,158	2,037,867
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 596,558	$ 567,981
Notes payable, net of current portion and deferred financing fees	9,10	507,617	508,870
Lease liabilities, net of current portion	7,15	145,131	143,170
Redeemable non-controlling interests, net of current portion	17	—	2,233
Derivative liabilities, net of current portion	11	—	2,550
Security deposits		4,255	3,956
Other liabilities		12,394	12,863
		1,265,955	1,241,623
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	2,614	2,578
Current portion of lease liabilities	7,15	335	524
Redeemable non-controlling interests, current	17	91,673	152,448
Rent received in advance		5,261	9,296
Trade and other payables	2	24,994	35,774
		124,877	200,620
Total liabilities		1,390,832	1,442,243
Total equity and liabilities		$ 3,479,990	$ 3,480,110

Oliver T. Carr	Oliver T. Carr	Member of the Board and Chief Executive Officer
Eric Tracy	Eric Tracy	Chief Financial Officer
Financial Statements Approval Date	August 16, 2022	

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

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

	Notes	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenues					
Rental revenue		$ 42,114	$ 41,070	$ 83,647	$ 86,199
Recoveries from tenants		4,257	7,580	8,379	18,082
Parking income		2,520	1,923	4,459	3,354
Property management fees and other	14	1,174	1,012	2,409	1,713
Total revenues		50,065	51,585	98,894	109,348
Operating expenses					
Property operating expenses					
Direct payroll and benefits		2,542	2,325	4,724	4,769
Repairs and maintenance		2,656	2,775	4,859	5,544
Cleaning		1,351	1,243	2,697	2,406
Utilities		1,734	1,799	4,284	3,693
Real estate and other taxes		8,794	10,304	17,508	21,313
Other expenses	13	4,313	4,219	8,611	8,676
Property operating expenses		21,390	22,665	42,683	46,401
Non-property general and administrative expenses	12	4,417	5,722	10,870	11,206
Total operating expenses		25,807	28,387	53,553	57,607
Other operating loss					
Net loss from fair value adjustment of investment properties	4	(79,102)	(9,541)	(94,167)	(10,615)
Realized loss on sale of investment properties	4	—	(22,452)	—	(22,452)
Income from investments in associates	5	22,252	4,939	44,875	10,286
Total other operating loss and expense		(56,850)	(27,054)	(49,292)	(22,781)
Operating (loss) income		(32,592)	(3,856)	(3,951)	28,960
Other income					
Other income		44	112	501	234
Revaluation of redeemable non-controlling interests		4,703	(19)	3,800	(1,885)
Interest expense	9	(10,787)	(10,653)	(20,602)	(23,077)
Pre-tax income		(38,632)	(14,416)	(20,252)	4,232
Income and franchise tax expense		148	204	563	270
Net (loss) income		$ (38,780)	$ (14,620)	$ (20,815)	$ 3,962
Attribution of net (loss) income					
Common shareholders		$ (36,213)	$ (14,912)	$ (19,580)	$ 2,142
Non-redeemable non-controlling interests		(2,567)	292	(1,235)	1,820
		$ (38,780)	$ (14,620)	$ (20,815)	$ 3,962
Other comprehensive income					
Items that may be subsequently reclassified to income or loss:					
Unrealized gain (loss) on cash flow hedges	11	$ 1,879	$ (404)	$ 11,686	$ 4,247
Less: Reclassification adjustments for losses included in net income	9	—	241	—	1,225
Less: Reclassification adjustments for disposition losses included in net income		—	16,277	—	16,277
Other comprehensive income		1,879	16,114	11,686	21,749
Total comprehensive (loss) income		$ (36,901)	$ 1,494	$ (9,129)	$ 25,711
Attribution of comprehensive (loss) income					
Common shareholders		$ (34,979)	$ 500	$ (10,561)	$ 21,777
Non-redeemable non-controlling interests		(1,922)	994	1,432	3,934
		$ (36,901)	$ 1,494	$ (9,129)	$ 25,711

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

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

	Notes	Common Units Issued and Outstanding		Equity Reserve from Increase in CPP	Equity Reserve for Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity	Non-Redeemable Non-Controlling Interests	Total Equity
		Units	Amount						
Balance as of December 31, 2020		1,393,348	$ 1,606,196	$ 9,756	$ (38,054)	$ 262,864	$ 1,840,762	$ 143,031	$ 1,983,793
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	119	119
Non-controlling interest partner distribution to 2025 Clarendon	5	—	—	—	—	—	—	(2,639)	(2,639)
Change in equity reserve from increase in CPP		—	—	139	—	—	139	(139)	—
Net Income		—	—	—	—	2,134	2,134	1,828	3,962
Unrealized gain on cash flow hedges	11	—	—	—	3,233	—	3,233	1,014	4,247
Amortization of terminated cash flow hedge		—	—	—	1,148	—	1,148	77	1,225
Write off of previously terminated cash flow hedges		—	—	—	15,254	—	15,254	1,023	16,277
Distributions	17	—	—	—	—	(1,166)	(1,166)	(121)	(1,287)
Balance as of June 30, 2021		1,393,348	$ 1,606,196	$ 9,895	$ (18,419)	$ 263,832	$ 1,861,504	$ 144,193	$ 2,005,697

	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, 2021		1,393,348	$ 1,606,196	$ 9,829	$ (15,173)	$ 292,854	$ 1,893,706	$ 144,161	$ 2,037,867
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	154	154
Issuance of common shares, net of offering costs		45,755	60,337	—	—	—	60,337	—	60,337
Change in equity reserve from increase in CPP		—	—	184	—	—	184	1,689	1,873
Net loss		—	—	—	—	(19,580)	(19,580)	(1,235)	(20,815)
Unrealized gain on cash flow hedges	11	—	—	—	9,019	—	9,019	2,667	11,686
Distributions	17	—	—	—	—	—	—	(1,944)	(1,944)
Balance as of June 30, 2022		1,439,103	$ 1,666,533	$ 10,013	$ (6,154)	$ 273,274	$ 1,943,666	$ 145,492	$ 2,089,158

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

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

	Notes	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities					
Net (loss) income		**$ (38,780)**	**$ (14,620)**	**$ (20,815)**	**$ 3,962**
Adjustments to reconcile net income to net cash provided by operating activities					
Net loss from fair value adjustment of investment properties	4	79,102	9,541	94,167	10,615
Write off of previously terminated cash flow hedge		—	16,277	—	16,277
Income from investments in associates	5	(22,252)	(4,939)	(44,875)	(10,286)
Income and franchise tax expense		148	204	563	270
Interest expense, net excluding amortization of deferred financing fees		10,409	9,966	19,848	21,993
Amortization of deferred financing fees		411	721	821	1,152
Amortization of equipment leases		66	43	133	143
Amortization of Equipment & Software		75	224	122	467
Amortization of deferred leasing costs and lease incentives		1,287	887	2,637	2,118
Amortization of note payable premium		(33)	(34)	(67)	(68)
Provision for bad debt expense		276	112	449	46
LTIP Compensation		149	1,851	1,806	3,252
Revaluation of redeemable non-controlling interests		(4,703)	19	(3,800)	1,885
Changes in assets and liabilities					
Trade receivables		(2,412)	(3,861)	(373)	7,910
Straight line rent receivable		(5,571)	(1,423)	(11,062)	(2,776)
Purchase of interest rate cap	11	(11,530)	—	(11,530)	—
Prepaid expense and other assets		398	2,644	1,581	1,555
Trade and other payables		4,298	7,266	(7,039)	(2,530)
Rent received in advance		(511)	(5,574)	(4,035)	(8,150)
Cash generated by operations		**$ 10,827**	**19,304**	**18,531**	**47,835**
Cash paid for interest		(9,615)	(9,056)	(18,099)	(20,344)
Net cash provided by operating activities		**1,212**	**10,248**	**432**	**27,491**
Cash flows from investing activities					
Proceeds from sale of investment property held for sale		—	—	—	18,496
Proceeds from sale of income generating property	4	—	219,756	—	219,756
Acquisition of income generating property, including prepaid acquisition costs	5	—	(195,674)	—	(195,674)
Contributions to investment in associates	5	27	16	(86)	(24,564)
Return of investments in associates	5	4,195	—	6,691	—
Acquisition of development property land	4	2,821	—	(2,208)	—
Additions to deferred leasing costs		(2,507)	(1,792)	(7,349)	(3,598)
Additions to tenant improvements		(2,888)	(546)	(7,202)	(2,637)
Additions to construction in progress, including capitalized interest		(736)	(21,814)	(2,430)	(46,937)
Other capital improvements on income generating properties		(7,416)	(8,026)	(12,034)	(13,349)
Decrease (increase) in restricted cash		170	6,791	(269)	7,126
Net cash provided by (used in) investing activities		**(6,334)**	**(1,289)**	**(24,887)**	**(41,381)**
Cash flows from financing activities					
Redemption of redeemable non-controlling interest	17	(60,994)	(221)	(60,994)	(221)
Distribution to joint venture non-controlling interest partner	4	—	—	—	(2,639)
Principal portion of lease payments	7	(370)	(106)	(509)	(246)
Issuance of common shares, net of offering costs	17	60,337	—	60,337	—
Borrowings under credit facility	9	75,000	195,000	88,000	226,000
Repayments under credit facility	9	(60,000)	(250,000)	(60,000)	(269,000)
Borrowings on notes payable	9	—	39,022	—	60,341

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

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

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	**2022**	**2021**	**2022**	**2021**
Repayments of notes payable	9	(669)	(652)	(1,333)	(1,299)
Payment of deferred financing fees		(104)	(202)	(139)	(202)
Issuance of redeemable non-controlling interests	17	—	—	1,785	—
Distributions to common shareholders and non-redeemable non-controlling interests	17	(51)	(657)	(63)	(1,279)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		(6)	(22)	154	119
Net cash provided by (used in) financing activities		**13,143**	**(17,838)**	**27,238**	**11,574**
Net (decrease) increase in cash and cash equivalents		**8,021**	**(8,879)**	**2,783**	**(2,316)**
Cash and cash equivalents, beginning of the period		**23,135**	**40,691**	**28,373**	**34,128**
Cash and cash equivalents, end of the period		**$ 31,156**	**$ 31,812**	**$ 31,156**	**$ 31,812**
Supplemental disclosures of cash flow information:					
Capitalized interest		$ 356	$ 1,339	$ 619	$ 3,719
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		(369)	(5,638)	556	4,603
Lease liabilities arising from obtaining/revaluing right-of-use assets	7	(3,425)	—	1,063	13
Non-cash interest expense	9	638	241	1,216	1,225
Debt and other liabilities assumed in acquisition of 100 Congress	5	—	120,625	—	120,625
Debt and other liabilities deconsolidated due to disposition of Midtown Center	5	—	(525,000)	—	(525,000)
Issuance of redeemable non-controlling interests	17	—	864	1,775	864

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

1. Organization and Description of Business

Carr Properties Holdings LP (collectively, the "Partnership", "Holdings", "our", or “CPH”) was formed as a Delaware limited partnership. The Partnership’s corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. The Partnership owns a 100% interest in Carr Properties Corporation (“CPC”), which has a consolidated subsidiary, Carr Properties Partnership (“CPP”). Through CPP, the Partnership engages in owning, operating and developing commercial office real estate properties in primarily the Greater Washington, D.C. area (defined as the District of Columbia, northern Virginia, and suburban Maryland), Boston, Massachusetts, and Austin, Texas. Currently, the Partnership has 13 operating properties, four properties owned through joint ventures, and two development properties owned through individual joint ventures.

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.

On January 2, 2018, Clal ENP RH, LP, a Delaware limited partnership, Clal CW Mishtatef RH, LP, a Delaware limited partnership, Clal CW Mishtatef US, LP, a Delaware limited partnership and Clal CW Hishtalmut US, LP, a Delaware limited collectively ("Clal Insurance Enterprise Holdings Ltd" or "Clal") acquired convertible notes. Clal converted these notes to common shares on August 16, 2018.

The ownership interests of Alony-Hetz, CET, and Clal Insurance Enterprise Holdings Ltd., a company who began investing in 2018 in Holdings as of June 30, 2022, were 52.33%, 38.88%, and 8.76%, 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and as such, do not include all the disclosures that would be included in annual condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Partnership’s condensed consolidated financial statements and notes thereto contained in the Partnership’s audited annual condensed consolidated financial statements for the year ended December 31, 2021. Any changes to accounting policies and methods of computation during the three and six months ended June 30, 2022, are specifically disclosed. Management believes the disclosures are adequate to ensure the information presented is not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair statement of the condensed consolidated financial statements for the interim periods, have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

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

Investments in Associates

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

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

Joint Arrangements

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

Non-Controlling Interests

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

(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.

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

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

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

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

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

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

(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").

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 that do not meet the definition of a business. 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 and liabilities are not amortized while they are classified as held for sale. The assets and liabilities of an investment held for sale are presented separately from the other assets and liabilities in the Condensed Consolidated Balance Sheet.

(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 as an investment property.

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

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 Condensed Consolidated Statements of Operations and Comprehensive Income.

(g) Goodwill

Goodwill arises on the acquisition of a business and represents the excess of consideration transferred over the fair value of the net identifiable assets acquired and the liabilities assumed. Each quarter, the Partnership evaluates the values assigned to its goodwill and other intangible assets to determine whether any indicators of impairment are present. The Partnership also performs an annual impairment test or more frequently when there is an indicator of an impairment on the goodwill balance, which has an indefinite life. No such losses have been identified and reflected in the accompanying condensed consolidated financial statements.

(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 three and six months ended June 30, 2022.

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

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

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

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.

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

Future cash revenues under non-cancelable leases as of June 30, 2022, are as follows:

Years Ending December 31,	Amount
Remainder of 2022	71,420
2023	150,099
2024	137,801
2025	123,354
2026	113,555
Thereafter	493,875
	$ 1,090,104

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) Trade and Other Payables

Trade payables are expected to be settled within the next 30 days, with a year being the maximum duration for the Partnership to settle any outstanding short term payables.

3. Standards Issued, and Standards Issued But Not Yet Effective

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary relief which enables hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The 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 provisions that provide relief, 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.

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.

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

4. Investment Properties

Income Generating Properties

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

Balance, December 31 2021	**$**	**2,403,873**
Capital expenditures additions and other		16,295
Net loss from fair value adjustment of income generating properties		(94,167)
Reclassification of The Elm from properties in development		91,376
Reclassification of Signal House from properties in development		77,878
Balance, June 30 2022	**$**	**2,495,255**

2022 Acquisitions

There were no acquisitions completed for the three and six months ended June 30, 2022.

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 415,217 square foot mixed use building that is 94% leased as of June 30, 2022. 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. The company subsequently sold a 49% interest in the entity. See below "2021 Dispositions" for additional information.

2022 Dispositions

There were no dispositions completed for the three and six months ended June 30, 2022.

2021 Dispositions

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

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

On September 24, 2021, the 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.

Joint Arrangements

On March 12, 2020, the Partnership acquired an undivided 50% ownership interest in a two tower mixed use office and retail complex at 75-101 Federal Street in Boston. The property is a 853,773 square foot mixed use building that is 85% leased as of June 30, 2022.

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

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 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 fair value of the Partnership's proportionate interest in the investment property was $262.0 million as of June 30, 2022 and the carrying value of the assumed debt was $142.5 million.

Properties in Development

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

Balance, December 31, 2021	**$**	**169,254**
Capital expenditures additions and other		3,728
Acquisition of Block 16 (land and building improvement)		2,208
Reclassification of The Elm to income generating properties		(91,376)
Reclassification of Signal House to income generating properties		(77,878)
Balance, June 30, 2022	**$**	**5,936**

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 occupied as of June 30, 2022. 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 $5.6 million and $9.8 million of capital expenditures for The Wilson for the six months ended June 30, 2022 and 2021, respectively. The 2022 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 74% leased as of June 30, 2022. The Elm was fully placed in service in June 2022 upon which capitalization of interest expense, real estate taxes and other operating expenses ceased. The Partnership incurred $1.4 million and $18.9 million of capital expenditures for The Elm for the six months ended June 30, 2022 and 2021, respectively. The 2022 capital expenditures are reflected in the income generating roll forward above.

The Partnership substantially completed Signal House, a 225,000 rentable square feet office building, on June 30, 2021. The Partnership incurred $1.7 million and $9.4 million of capital expenditures for the six months ended June 30, 2022 and 2021, respectively. The Partnership has signed four leases totaling 158,800 square feet bringing the project to approximately 68% leased at June 30, 2022. Signal House was fully placed in service in June 2022 upon which capitalization of interest expense, real estate taxes and other operating expenses ceased. Initial occupancy and revenue recognition is expected to commence in the third quarter of 2022.

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.

On February 15, 2022, the Partnership executed a ground lease for the land associated with Block 16, a 0.811 acre site of buildable land in the Austin, Texas central business district. The company paid $2.2 million in reimbursement of pre-development costs, and incurred capitalized transaction costs of $0.1 million.

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

Consolidated, Non-Wholly Owned Properties and Capital Contributions

The Partnership is a joint venture partner in the ownership of 2311 Wilson, an approximately 178,000 square foot office building completed in February 2018 and placed it into service during the first quarter of 2019. As of June 30, 2022, the building was 98% leased. For the six months ended June 30, 2022 and 2021, there were no capital contributions to 2311 Wilson or distributions to JV Entity (Otter Wilson Boulevard LLC).

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

		As of June 30, 2022					For the six months ended June 30, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	5,995	123,150	830	80,534	47,781	4,579	107
		$ 5,995	$123,150	$ 830	$ 80,534	$ 47,781	$ 4,579	$ 107
Less interest held by non-controlling interests						(19,112)		(43)
Equity attributable to Partnership						$ 28,669		$ 64

		As of December 31, 2021					For the six months ended June 30, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ —	$ —	$ —	$ —	$ —	$ —	$ (34)
2311 Wilson	60.00 %	3,528	120,310	812	80,506	42,519	4,323	3,857
		$ 3,528	$120,310	$ 812	$ 80,506	$ 42,519	$ 4,323	$ 3,823
Less interest held by non-controlling interests						(17,006)		(1,623)
Equity attributable to Partnership						$ 25,513		$ 2,200

5. Investments in Associates

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

Balance, December 31 2021	**$ 705,632**
Contributions	86
Distributions	(6,691)
Share of unrealized gain on valuation of underlying properties	33,946
Share of net income (excluding unrealized gain on valuation)	10,929
Balance, June 30 2022	**$ 743,902**

Midtown Center

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

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 414,251 square foot mixed use building that is 94% leased as of June 30, 2022. 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 $1.3 million.

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

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 4 - "Investment Properties" for additional details.

One Congress

On September 24, 2018, the Partnership entered into a 50-50 joint venture with National Real Estate Advisors, LLC in the One Congress office development project in downtown Boston, Massachusetts (One Congress). One Congress is planned as a 43-story, one-million square foot office tower. Construction of the base building is expected to be complete in early 2023.

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 100% leased as of June 30, 2022. See note 18 - "Credit and Other Risks" for additional details regarding construction impacts.

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

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact the joint venture’s returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the six months ended June 30, 2022 and 2021, the Partnership contributed $0.0 million and $24.6 million to the venture, respectively. The Partnership has contributed a total of $270.7 million to the venture as of June 30, 2022.

In June and July 2022,, two separate fires occurred at the One Congress project. At this time, the Partnership cannot reasonably estimate or quantify with certainty the extent and amount of damage without further information; however, the Partnership believes it is virtually certain that any damages will be recovered through insurance proceeds and anticipates delivery of the project on time.

Construction Loan

On December 10, 2019, the joint venture entered into a $570.0 million facility on the One Congress project. The loan is interest only and will bear an interest rate of LIBOR plus 2.00% which can be reduced over time as certain milestones are met. The loan has a 5-year term, and matures in 2024 and can be extended one year by the joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million. As of June 30, 2022, the Partnership incurred $91.9 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 June 30, 2022					For the six months ended June 30, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 10,770	$ 946,464	$ 11,750	$ 532,630	$ 412,854	$ 37,594	$ (628)
100 Congress	51.00 %	11,441	346,922	8,311	140,619	209,433	15,164	9,422
One Congress	75.00 %	11,533	947,003	47,796	339,978	570,762	—	53,865
		$ 33,744	$ 2,240,389	$ 67,857	$ 1,013,227	$1,193,049	$ 52,758	$ 62,659
Less: interest held by third-parties						(449,147)		(17,784)
Amounts per financial statements						$ 743,902		$ 44,875

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

	As of December 31, 2021						For the six months ended June 30, 2021	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Midtown Center	51.00 %	$ 8,640	$ 962,402	$ 11,768	$ 532,771	$ 426,503	$ 13,855	$ 3,699
100 Congress	51.00 %	8,312	342,731	10,213	140,820	200,010	—	—
One Congress	75.00 %	374	748,935	33,958	198,446	516,905	—	11,331
		$ 17,326	$2,054,068	$ 55,939	$ 872,037	$1,143,418	$ 13,855	$ 15,030
Less: interest held by third-parties						(437,786)		(4,744)
Amounts per financial statements						$ 705,632		$ 10,286

6. Assets Held for Sale

There were no assets classified as Held for Sale for the three and six months ended June 30, 2022 and 2021, respectively.

7. Leases

The Partnership has material ground leases under its Columbia Center and 1701 Duke Street properties. In addition, the Partnership leases air rights at its 2001 Penn property. The Partnership also enters into various equipment and copier leases in a normal course of operations.

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

	June 30, 2022	December 31, 2021
Non-current assets		
Income generating properties, net of ROUA	$ 2,344,855	$ 2,257,773
ROUA, at fair value	150,400	146,100
Income generating properties	2,495,255	2,403,873
Properties in development, net of ROUA	5,252	169,254
ROUA, at amortized cost	684	—
Total investment properties, at fair value	2,501,191	2,573,127
Current assets - CPH		
Prepaid expense and other assets	11,571	13,022
ROUA, net of accumulated depreciation and non-current portion	972	1,102
Prepaid expense and other assets	**$ 12,543**	**$ 14,124**

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

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

ROUA	Ground Lease and Air Rights, at amortized cost	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance as of December 31, 2021	**$—**	**$146,100**	**$1,102**	**$147,202**
Fair value adjustment, valuation	—	4,300	—	4,300
ROUA Additions, net	1,063	—	3	1,066
Accumulated Depreciation	(379)	—	(133)	(512)
Balance as of June 30, 2022	**$684**	**$150,400**	**$972**	**$152,056**

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:

	Discount		Carrying Value	
Property	**Rate**	**Maturity**	**June 30, 2022**	**December 31, 2021**
Columbia Center[(1)]	4.93%	2120	131,669	130,530
1701 Duke Street[(2)]	5.20%	2107	7,795	7,729
2001 Penn	4.94%	2087	4,385	4,372
Block 16[(3)]	5.54%	2127	717	—
Other equipment leases	Various	Various	900	1,063
Total lease liabilities			145,466	143,694
Less current portion			335	524
Lease liabilities, net of current portion			$ **145,131**	$ **143,170**

(1) The Partnership executed a modified ground lease with a new land owner for 99 years on December 1, 2021. 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.
(3) The Company executed a ground lease on February 15, 2022 for the ground under Block 16 in Austin Texas. The Company has the right to terminate the lease until April 1, 2024. See above "2022 Acquisitions" 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 Condensed Consolidated Balance Sheets as the maturities shown include interest payments on lease liabilities.

Future Lease Maturities	**June 30, 2022**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 4,815
One to five years	19,293
More than five years	1,258,271

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

Total undiscounted lease liabilities as of June 30, 2022	$	1,282,379

Lease liabilities		**June 30, 2022**
Current lease liabilities	$	335
Non-current lease liabilities		145,131
Total lease liabilities	$	145,466

Lease expense costs were as follows:

Lease Expense	**Six Months Ended June 30,**	
	2022	**2021**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 2,221	2,522
Equipment lease depreciation	133	143
Total lease expense	**$ 2,354**	**$ 2,665**

Interest expense recognized on leases totaled $2.2 million and $2.5 million for the six months ended June 30, 2022 and 2021, respectively.

Cash Flows	**Six Months Ended June 30,**	
	2022	**2021**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 509	$ 246
Interest expense on lease liabilities	2,221	2,522
Total cash outflows related to leases	**$ 2,730**	**$ 2,768**

8. Goodwill

The carrying value of goodwill was $9.3 million as of June 30, 2022 and December 31, 2021. There were no indicators of impairment noted during either comparative period. No impairment losses were recognized in the three and six months ended June 30, 2022 and 2021, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of	
Borrower/Facility	**Contractual Rate**	**Maturity**	**June 30, 2022**	**December 31, 2021**
Credit facility [1]:				
Revolver	LIBOR +1.25% to 2.00%	7/1/25	$ 301,500 [7,8]	$ 273,500 [7]
Term Loan	LIBOR +1.20% to 1.90%	7/1/26	300,000 [7,8,9]	300,000 [7]
75-101 Federal	LIBOR +1.50%	3/12/25	143,094 [5,6]	143,094 [5,6]
1700 New York Avenue	LIBOR +1.50%	4/25/24	62,970 [2,5]	63,540 [2,5]
2001 Pennsylvania	4.10%	8/1/24	65,000 [2]	65,000 [2]
Clarendon Square	4.66%	1/5/27	30,837 [2,3]	31,668 [2,3]
1615 L Street	4.61%	9/1/23	134,250 [2]	134,250 [2]
2311 Wilson	LIBOR +1.35%	3/27/27	75,000 [2,5]	75,000 [2,5]
Total Debt			1,112,651	1,086,052

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

			Principal Balance as of	
Borrower/Facility	**Contractual Rate**	**Maturity**	**June 30, 2022**	**December 31, 2021**
Less unamortized deferred financing fees			5,862	6,623
Total Debt, net of unamortized deferred financing fees			1,106,789	1,079,429
Less current portion, net of unamortized deferred financing fees [4]			2,614	2,578
Debt obligations, net of current portion			**$ 1,104,175**	**$ 1,076,851**

(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 August 21, 2020, there is a LIBOR floor of 0.25%. As of June 30, 2022, the premium was 1.60% for the Revolver and 1.50% for the Term loan. As of December 31, 2021, the premium was 1.45% for the Revolver and 1.40% for the Term loan. As of June 30, 2022, and December 31, 2021, the one-month LIBOR was 1.80% and 0.10%, respectively.
(2) The fair value of the collateral pledged to these notes was $588.7 million and $620.8 million as of June 30, 2022, and December 31, 2021, respectively.
(3) The carrying value of the Clarendon Square note payable as of June 30, 2022, and December 31, 2021, included a premium of $0.6 million, and $0.7 million, respectively.
(4) The current portion of unamortized deferred financing fees was $0.1 million and $0.1 million, as of June 30, 2022, and December 31, 2021, respectively.
(5) 1700 New York Avenue, 75-101 Federal, and 2311 Wilson loans are hedged against an anticipated rise in interest rates through interest swaps. See Note 11 - "Fair Value Measurements" for additional information.
(6) Represents the Partnership's proportionate share of the $286.2 million note encumbering 75-101 Federal.
(7) 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.
(8) On May 3, 2022, the Partnership entered into an interest rate cap with a notional value of $400.0 million. See Note 11 - "Fair Value Measurements" for additional information.
(9) On May 3, 2022, Carr purchased a three-year 2.50% SOFR cap for $11.5 million to hedge the risk of rising interest rates on $400M of its corporate credit facility. See Note 11 - "Fair Value Measurements" for additional information.

All borrowings other than those made under the credit facility are collateralized by the land and buildings of the underlying properties.

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). 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 4 - "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.

The Partnership anticipates 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.

The Partnership 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022, the Partnership had capacity to borrow an additional $198.5 million under the Credit Facility. Subsequent to June 30, 2022, the Partnership has not borrowed from the revolver through August 16, 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. The facility was paid off and closed on September 3, 2021.

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.

On September 3, 2021 the Partnership fully repaid The Wilson and the Elm construction loan, totaling $251.9 million, utilizing funds from a draw on the Revolver. The Company wrote-off $3.1 million in unamortized deferred financing costs as a result of extinguishing this 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
Description	**2022**	**2021**	**2022**	**2021**
Credit facility	$ 3,735	$ 1,856	$ 6,324	$ 3,933
Notes payable	4,396	8,092	8,662	19,092
Distributions to redeemable non-controlling interests	849	51	1,975	96
Lease liabilities	1,751	1,273	3,439	2,522
Amortization of deferred financing fees	450	1,033	899	2,062
Gross interest expense	$ 11,181	$ 12,305	$ 21,299	$ 27,705
Capitalized interest expense				
Capitalized deferred financing fees	$ (38)	$ (313)	$ (78)	$ (909)
Capitalized interest	(356)	(1,339)	(619)	(3,719)
Total capitalized interest expense	(394)	(1,652)	(697)	(4,628)
Net interest expense	$ 10,787	$ 10,653	$ 20,602	$ 23,077

Future Maturities of Debt

For periods subsequent to June 30, 2022, scheduled annual maturities of debt outstanding as of June 30, 2022 are as follows:

Years Ending December 31,	Amount [(1)]
Remainder of 2022	$ 1,351
2023	137,008
2024	127,955
2025	446,369
2026	301,860
Thereafter	97,495
	$ 1,112,038

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.6 million.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the six months ended June 30, 2022:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2021	$ (1,079,429)	$ (143,694)	$ (1,223,123)	$ 28,373	$ (1,194,750)
Cash flows	(26,528)	510	(26,018)	2,783	(23,235)
New leases	—	(346)	(346)	—	(346)
Valuation of Block 16 right-of-use assets	—	(717)	(717)	—	(717)
Other changes	(832)	(1,219)	(2,051)	—	(2,051)
Net Debt, June 30 2022	$ (1,106,789)	$ (145,466)	$ (1,252,255)	$ 31,156	$ (1,221,099)

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

10. Financial Instruments

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

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of June 30, 2022, in the accompanying condensed consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 31,156	$ 31,156	Level 1
Restricted cash[1]	5,427	5,427	Level 1
Trade receivables, net	6,057	6,057	Level 3
Liabilities, including current portion			
Credit facility[2]	$ 601,500	$ 599,109	Level 3
Notes payable[2]	510,539	497,108	Level 3
Redeemable non-controlling interests[3]	91,673	91,673	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $5.2 million, and $0.2 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 not carried at fair value but for which the fair value is disclosed as of December 31, 2021, in the accompanying condensed consolidated financial statements are set forth in the table below:

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

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

Due to their short-term maturities, the carrying values of financial instruments including cash and equivalents, restricted cash and trade receivables approximate their fair values.

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

11. Fair Value Measurements

The following table summarizes the Partnership's interest rate swap and interest rate cap agreements as of June 30, 2022:

	Cash Flow Hedges	
	Interest Rate Cap[(2)]	Interest Rate Swaps[(3)]
Notional balance	$ 400,000	$ 277,970
Weighted average interest rate [(1)]	2.5 %	1.37 %
Earliest maturity date	July 1, 2025	April 1, 2024
Latest maturity date	July 1, 2025	March 27, 2027

(1) Represents the weighted average interest rate that was fixed on the hedged debt.
(2) This cap is fixed using SOFR. This cap is not effective until July 1, 2022.
(3) These swaps are fixed using LIBOR.

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

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance[(1)]	$ 278,540
Weighted average interest rate [(2)]	1.38 %
Earliest maturity date	April 1, 2024
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.

On May 3, 2022, the Partnership entered into an interest rate cap with a notional value of $400.0 million in an effort to limit its exposure to increases in future interest rates on its credit facility. The hedged instrument will cap any increases in interest rate exposure above SOFR of 2.5%. The cap is effective from the period July 1, 2022, through July 1, 2025.

The interest rate caps and 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 Condensed Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $1.9 million and $11.7 million for the three and six months ended June 30, 2022, respectively, and $(0.4) million and $4.2 million for the three and six months ended June 30, 2021, respectively. There was no material hedge ineffectiveness recognized during the six months ended June 30, 2022 and 2021. During the three and six months ended June 30, 2022, the Partnership reclassified $(0.1) million and $(0.8) million, respectively, and ($0.8) million for both the three and six months ended June 30, 2021 of (losses) gains on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.”

As of June 30, 2022, the Partnership anticipates the reclassification of $4.3 million of hedging gains from "Equity reserve for cash flow hedges" into earnings within the next 12 months to offset the variability of cash flows of the hedged items during this period.

As of June 30, 2022, 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.

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

The following assets and liabilities, measured at fair value as of June 30, 2022, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,495,255
Investments in properties in development	—	—	5,936
Derivative assets	—	24,267	—
Total Assets	$ —	$ 24,267	$ 2,501,191
Liabilities:			
Derivative liabilities, net of current portion	—	—	—
Total Liabilities	$ —	$ —	$ —

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	$ —

A summary of the changes in the Partnership's assets measured at fair value using significant unobservable inputs (Level 3) are set forth in Note 4 - "Investment Properties"

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership regularly evaluates factors that may adversely impact the fair value assessments. In consideration of the COVID-19 impacts and the significant disruption to our business and economy (as further disclosed in Note 18 - "Credit and Other Risks") we considered the potentially broad effects on the fair value measurement of our properties at June 30, 2022. 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 material changes to both capitalization as discount rates as of June 30, 2022.

The following table sets forth quantitative information about the Level 3 fair value measurements as of June 30, 2022:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,495,255	Discounted cash flow - Income capitalization Market transaction Net present value - Lease liabilities	Discount Rate Exit Capitalization Rate	6.00% - 7.25% (6.45%) 4.50% - 6.00% (5.44%)
Investments in properties in development	5,936	Discounted cash flow - Income capitalization	Discount Rate Exit Capitalization Rate	6.25% - 6.25% (6.25%) 4.75% - 4.75% (4.75%)
Total	$ 2,501,191			

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

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2021:

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			

12. Non-Property General and Administrative Expenses

The Partnership incurs personnel and compensation costs, professional fees, information technology costs and other corporate related costs that are collectively classified as non-property general and administrative expenses.

The following summarizes the various expenses comprising this activity for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
Description	2022	2021	2022	2021
Personnel and compensation	$ 2,554	$ 4,203	$ 6,939	$ 8,086
Professional fees	820	755	1,950	1,777
Information technology	303	205	633	386
Other corporate	740	559	1,348	957
Total non-property general and administrative	$ 4,417	$ 5,722	$ 10,870	$ 11,206

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $4.3 million and $8.6 million for the three and six months ended June 30, 2022, respectively, and $4.2 million and $8.7 million for the three and six months ended June 30, 2021, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Partnership is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

14. Related Party Transactions

The Partnership manages properties owned by associates and other unconsolidated related parties for which it receives fees for asset management, property management, construction management and development. All fees charged to wholly owned properties are fully eliminated in consolidation. The Partnership's portion of the fees earned from Investment in associates is appropriately eliminated during the consolidation process. Property management fees totaled $1.1 million and $2.3 million for the three and six months ended June 30, 2022, respectively, and $0.9 million and $1.6 million for the three and six months ended June 30, 2021, respectively. Construction management fees totaled $0.1 million for both the three and six months ended June 30, 2022, respectively, and $0.1 million for both the three and six months ended June 30, 2021, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $1.3 million for both June 30, 2022 and December 31, 2021, respectively. The Partnership leases the ground under 1701 Duke property from related parties. See Note 7 - "Leases" for additional information.

15. Commitments and Contingencies

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

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure its performance under its development projects. These bonds provide a guarantee to the counterparty that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of June 30, 2022, the Partnership had $1.9 million in performance bonds outstanding with commitment terms expiring through June 24, 2023.

Repayment Guarantees

The Partnership and its subsidiaries have guaranteed certain construction work to be performed at the Partnership's investment properties, payment of construction loans related to property development, ground lease payments and repayment of mortgage liabilities. Because the Partnership controls the investment properties and the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of June 30, 2022 and 2021, 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. In March 2022, the Partnership granted an additional 9.0 million units.

Award Class	No. of units granted (in millions)	Grant Date	Vest Date 1		Vest Date 2 (1)		Outstanding Units (in millions) (2)
2018 service units	1.5	Dec 2017	Mar 2021		Mar 2022		—
2018 performance units	1.5	Dec 2017	Mar 2021		Mar 2022	(3)	—
2019 service units	1.5	Dec 2018	Mar 2022		Mar 2023		0.7
2019 performance units	3.1	Dec 2018	Mar 2022	(3)	Mar 2023		1.4
2020 special service units	9.1	Dec 2019	Dec 2023		Dec 2024, Dec 2025		9.1
2020 service units	1.8	Dec 2019	Jun 2020		Sep 2020		1.8
2020 performance units	2.4	Dec 2019	Mar 2023		—		3.6
2021 service units	1.9	Apr 2021	Mar 2024		—		1.9
2021 performance units	3.8	Apr 2021	Mar 2024		—		4.1
2022 special service units	1.8	Mar 2022	Mar 2025		—		1.8
2022 service units	4.5	Mar 2022	Mar 2025		—		2.7
2022 performance units	2.7	Mar 2022	Mar 2025		—		2.7
Total outstanding units							**29.8**

(1) Awards granted after 2020 service units are issued with one vesting date.
(2) Vesting is based on continued employment services through the vesting dates. Compensation expense will be recognized over the respective vesting periods.
(3) These units did not meet performance threshold and expired without vesting.

Vesting of all performance units is dependent upon the Partnership achieving certain return thresholds based on NAV over a three-year performance period. Below a 6.0% cumulative per annum return, no performance units will be earned. Between a 6.0% and 9.0% cumulative per annum return, the earning begins at 75% and grows to 125% at the high end of the performance units that may be earned based on linear interpolation within that range.

A summary of the Partnership's LTIP activity during the period ended June 30, 2022 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2021	**25,237**
LTIP units granted during the period	7,259
LTIP units converted	(1,308)
LTIP units forfeited/other	(1,351)
LTIP units outstanding, June 30, 2022	**29,837**

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

During the three and six months ended June 30, 2022, the Partnership recognized $0.0 million and $1.7 million of LTIP-related expense, of which $0.0 million and $0.2 million was capitalized, respectively, and $2.0 million and $3.6 million of LTIP-related expense for the three and six months ended June 30, 2021, of which $0.2 million and $0.4 million was capitalized.

16. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.8 million and $1.5 million for the three and six months ended June 30, 2022, respectively, and $0.5 million and $1.0 million for the three and six months ended June 30, 2021, respectively. Employee benefit expense for these officers was $0.1 million for the three and six months ended June 30, 2022 and 2021. For the three and six months ended June 30, 2022, LTIP expense was $0,1 million and $1.2 million, respectively, and $1.1 million and $2.0 million for the three and six months ended June 30, 2021, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in

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

"Non-property general and administrative expenses" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

17. Equity

2022 Redemption and Capital Raise

On May 5, 2022, one of the holders of the Redeemable Non-controlling Interest in the Partnership exercised its contractual redemption right, and the Partnership executed a redemption of ownership interest in CPP totaling $60.3 million. The Partnership redeemed the interest using cash from its revolver. The Partnership subsequently raised additional funds through the sale of shares of common units of CPH for $60.3 million to Alony-Hetz and other additional investors. 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 to repay outstanding borrowings on the revolver. As of December 31, 2021 and 2020, CPH owned 100% of CPC.

Ownership of Carr Properties Partnership LP after equity raise:

Partner / Investor	Additional Investment	Ownership Percent
Carr Properties Corporation	$ 60,337	93.90 %
Clal	—	6.10 %
	$ 60,337	**100.00 %**

Ownership of Carr Properties Holdings LP after equity raise:

Partner/Investor	Additional Investment	Ownership Percent
AH Carr Properties Holdings LP	$ 60,330	52.33 %
CET Acquisition Company Inc.	—	38.88 %
Clal	—	8.76 %
Other Investors	7	0.03 %
	$ 60,337	100.00 %

Non-Controlling Interests

Certain of the non-controlling interests have redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of June 30, 2022, the value of these redeemable non-controlling interests were $91.7 million and $0.0 million, respectively. As of December 31, 2021, the value of these redeemable non-controlling interests were $152.4 million and $2.2 million, respectively.

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within “Equity” on the Condensed Consolidated Balance Sheets. As of June 30, 2022 and December 31, 2021, the total value of these non-redeemable non-controlling interests was $145.5 million and $144.2 million, respectively.

The changes in the Partnership's redeemable non-controlling interests are set forth below:

	Shares	Value
Balance, December 31, 2021	**113,617**	**$ 154,681**
LTIP Issuances	1,308	1,775
DRIP Issuances	8	10
Redemptions	(46,235)	(61,001)
Revaluation/Other	—	(3,800)
Balance, June 30 2022	**68,698**	**$ 91,665**

The Partnership also maintained seven additional subsidiary REITs as of June 30, 2022 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. On May 11, 2022, the Partnership declared its first quarter distribution of $1.3 million from CPP, all of which was attributable to redeemable non-controlling interests. These distributions were paid as of June 30, 2022. As of June 30, 2022, the Partnership has not declared any unpaid distributions.

18. Credit and Other Risks

In early spring 2020, the outbreak of a novel strain of coronavirus (COVID-19) had adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The COVID-19 pandemic and government responses created disruption in global supply chains and adversely impacted and continues to impact many industries. The outbreak has a continued material adverse impact on economic and market conditions and triggered a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19.

Since first being declared a pandemic by the World Health Organization in March 2020, the coronavirus, or COVID-19, has spread throughout the United States. However, in winter of 2020, announcements were made by two pharmaceutical companies that vaccines would soon become available. As the COVID-19 vaccine roll-out gained momentum in early 2021, there was an increase in positive outlooks for many industries. As of the date of the release of these financial statements, and while there has been many public return-to-office announcements by major US companies, there is still hesitancy and uncertainty as to if office demand will return to pre-COVID-19 levels in the near term. This outbreak has resulted in governmental actions in the Partnership's operating jurisdictions to impose measures intended to control infection, including restrictions on movement and business operations.

Conditions have stabilized, 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 99% of contractual rent from its customers during the three and six months ended June 30, 2022, respectively. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the three and six months ended June 30, 2022, the Partnership provided short-term rent relief to certain tenants on a case by case basis. However, these changes did not have a material impact on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) or require further assessment through the date of issuance.

Market Leasing Risk

The Partnership faces competition from developers, owners, and operators in the commercial office real estate space. Such competition and the increase in remote working, may effect the Partnership's ability to attract or retain tenants. It may also impact the rents we are able to charge.

Credit Risk

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

19. Subsequent Events

The Partnership evaluated subsequent events through August 16, 2022, the date the condensed consolidated financial statements were available to be issued. The Partnership concluded that no additional subsequent events have occurred that would require additional recognition or disclosure in the condensed consolidated financial statements other than those disclosed in the respective footnotes and herein.

Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Energix, Poland

Deloitte.

Date: August 17, 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 a way of reference) of our review reports detailed below in connection with the May 2021 shelf prospectus.

(1) Review Report dated August 17, 2022, regarding the Consolidated Financial Statements of the company as of June 30, 2022, and for the six and three months periods ended June 30, 2022.

Respectfully,

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

Tel Aviv - Main Office
1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | info@deloitte.co.il

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa
5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Eilat
The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

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

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

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

1) Review Report of Independent Auditors dated August 16, 2022 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of June 30, 2022 and for the three-month and six-month periods ended June 30, 2022 and 2021.

PricewaterhouseCoopers LLP

Washington, DC
August 16, 2022

PricewaterhouseCoopers LLP, 655 New York Avenue NW, Washington, DC 20001
T: (202) 414 1000, www.pwc.com/us