# QUARTERLY REPORT
# Q3 2022

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Carr, 300 East 2nd , Austin, Texas

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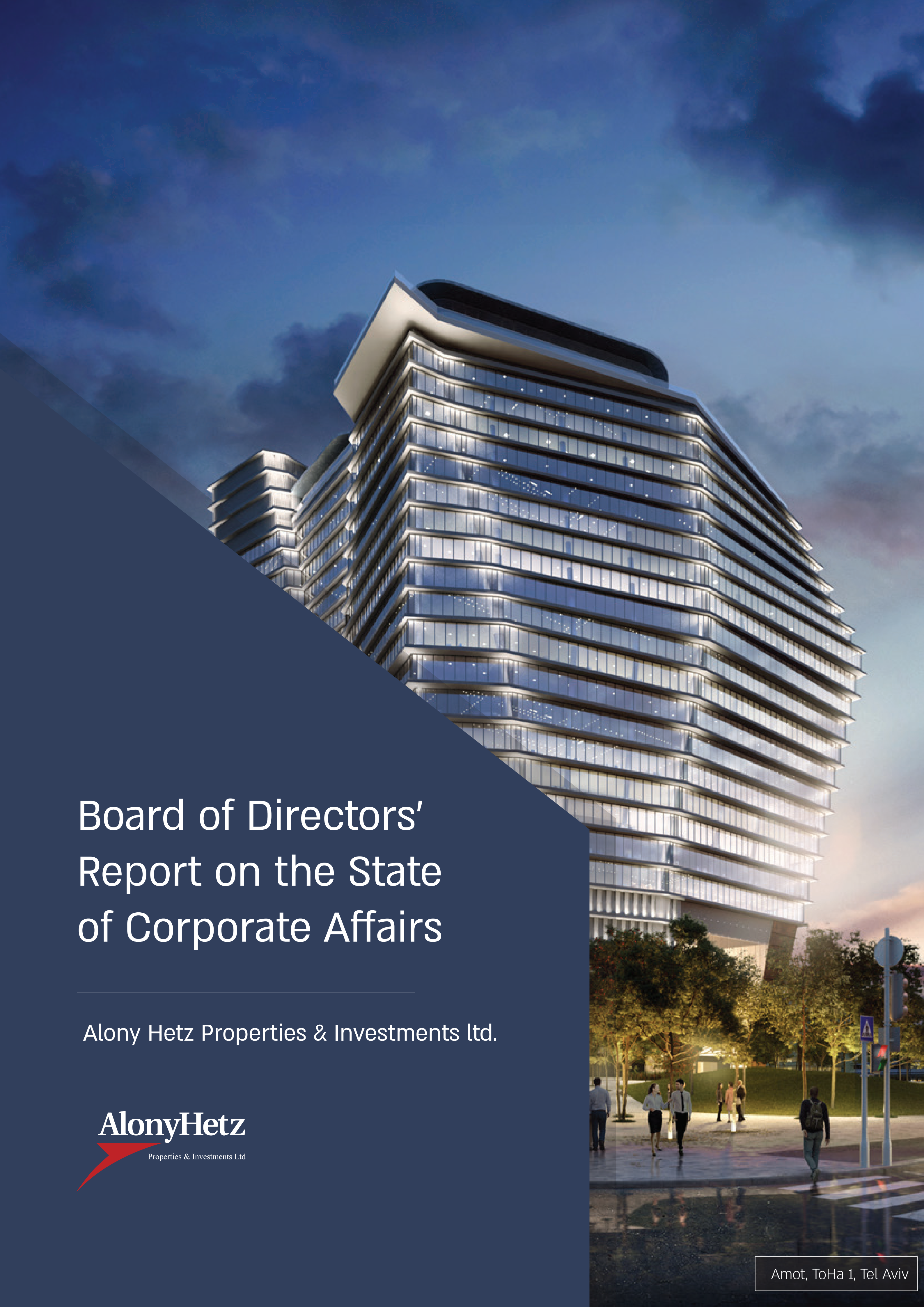


Amot, ToHa 1, Tel Aviv

# Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Ramat Gan, November 22, 2022

# Board of Directors' Report for the Nine-Month Period ended September 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 nine- and three-month periods ended September 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 September 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 further details, 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.

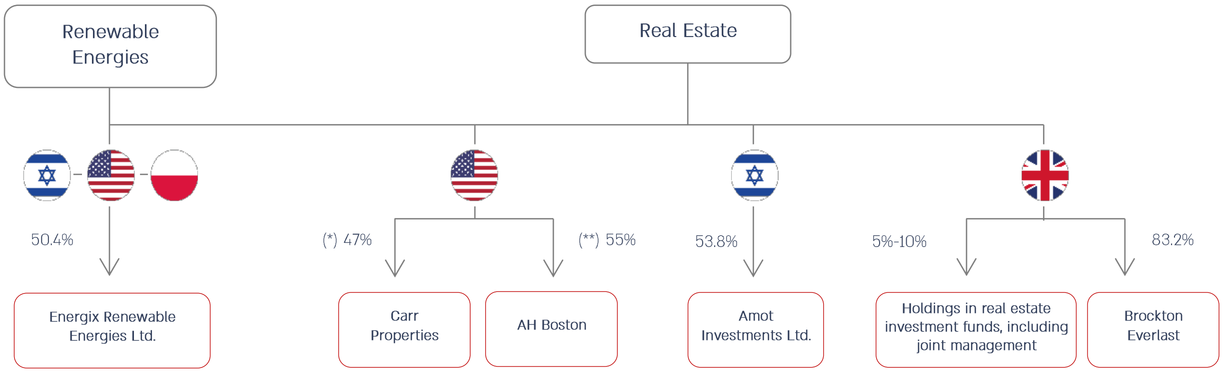
#### Activity in the UK

- Holdings of 82.8% 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 investments in the renewable energy field as of September 30, 2022:

Holdings of 50.4% 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, financing, construction, management and operation of facilities for the generation and storage of green and clean 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.

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




* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.
** Joint holdings with Oxford Properties in three property companies that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

## 1.4 Stock Market Indices

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

## 1.5 Main events from the beginning of 2022 to the date of publication of the report

From the beginning of the year until the date of publication of the report, the Group companies in Israel raised a total of approx. NIS 1.3 billion in equity and approx. NIS 1.7 billion in bonds.

| | |
|---|---|
| אלוני חץ נכסים והשקעות בע"מ<br>The Company Expanded Solo | ▪ Issuance of capital in consideration for a total amount of approx. NIS 276 million.<br>▪ 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.<br>▪ Investment in BE's capital in the amount of GBP 122 million (NIS 486 million) and provision of bridging loans in the total amount of GBP 18 million (NIS 70 million).<br>▪ Investment in Carr's capital in the amount of USD 60 million (NIS 202 million).<br>▪ Investment in Amot's capital as part of Amot's issuance of ordinary shares to the public, in the amount of NIS 159 million.<br>▪ Issuance of bonds for a total gross consideration of NIS 1.3 billion (with a weighted duration of 6 years).<br>▪ Signing of credit agreements in the amount of NIS 300 million. As of the date of publication of the report, the Company has unutilized lines of credit in the amount of NIS 650 million. |
| אמות | ▪ 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 in the project - 77.8%). As of the date of the report, the tower is in the population stage.<br>▪ Capital issuances in the total amount of NIS 611 million (of which the Company has invested an amount of approx. NIS 159 million).<br>▪ 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.<br>▪ 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 weighted effective interest of 1.8%.<br>▪ Negotiations for a lease transaction in the ToHa2 project in Tel Aviv – Amot and the Gav Yam Land Corporation Ltd., joint owners of the rights in the ToHa2 project, signed a letter of intent with a third party according to which the parties will work together to engage in a lease agreement for an area of approx. 55 thousand sq.m. (with an option to increase the leased area by an additional 20 thousand sq.m.) for a period of 10 years that will begin in January 2027 after completion of the project's construction for rental fees in the amount of approx. NIS 105 million per year (of which Amot's share - 50%). |
| CARR PROPERTIES | ▪ 300 East 2nd (previous name: Block 16) – Signing of a 99-year lease agreement for a land reserve 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 767 thousand sq.ft. and a construction budget of USD 570-580 million. With the start of construction (expected in 2024), Carr intends to add a partner at a rate of 49% to the project.<br>▪ 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%[1].

- The purchase of three modern office buildings with a total rental area of approx. 278 thousand sq.ft. (approx. 26 thousand sq.m.) built on land with an area of 26 dunams at the main entrance to the Cambridge Science Park for a consideration of approx. GBP 180 million (approx. NIS 718 million).

ENERGIX RENEWABLES

- 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 GWp 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 - Completion of the construction and commercial operation of all 6 photovoltaic facilities (with a capacity of 142 MWp).
    - Completion of the acquisition of a photovoltaic construction project with a capacity of 104 MWp in Pennsylvania.
    - Engagement in hedging transactions for the sale of all the electricity generated and the green certificates that will be issued for electricity generation in 5 projects under construction with a capacity of 312 MWp.
- In Israel –
    - PV - Completion of the construction of 17 projects with a capacity of approx. 137 MWp in third and fourth competitive procedures and commercial operation of 15 of the facilities with a total capacity of 114 MWp.
    - Wind farm in the Golan Heights - the ARAN project with a capacity of 104 MW, approval for the project's financial closing and signing of a financing agreement for the construction of the ARAN wind farm in the initial amount of up to NIS 650 million. Energix is in the organization stages for the start of construction work.
- 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 below.
    - Completion of construction, the start of commercial operation and receipt of permanent licenses for 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.
    - Start of construction work on the first PV project in Poland with a capacity of 12 MWp.
- Capital raising in consideration for a total of NIS 676 million (from which the Company invested an amount of NIS 168 million).
- Legislation in Poland to limit electricity prices for the period between December 1, 2022 and December 31, 2023 – see Section 2.3.8(3)(b) below.

[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.

## 1.6 Summary of the main data – the Group

| Main Financial Results – Consolidated Statement | Unit | 1-9/2022 | 1-9/2021 | Q3/2022 | Q3/2021 | 2021 | % Change[2] |
|---|---|---|---|---|---|---|---|
| Revenues from rental fees and management of investment property | NIS thousands | 875,493 | 716,391 | 301,940 | 252,928 | 989,381 | 22.2 |
| Fair value adjustments of investment property | NIS thousands | 506,941 | 349,134 | 50,078 | (82,215) | 1,715,469 | 45.2 |
| Group share in the profits (losses) of associates, net | NIS thousands | (291,511) | 121,429 | (233,793) | 61,598 | 126,719 | (340.1) |
| Net profit for the period | NIS thousands | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 | (17.8) |
| Net profit (loss) for the period attributed to Company shareholders | NIS thousands | 176,944 | 519,602 | (101,978) | 100,837 | 1,557,947 | (65.9) |
| Total comprehensive income (loss) for the period attributed to Company shareholders | NIS thousands | 366,847 | 475,614 | (178,268) | (7,830) | 1,406,070 | (22.9) |
| FFO attributed to Company shareholders[3] | NIS thousands | **422,771** | **353,068** | **151,054** | **129,971** | **488,607** | **19.7** |
| Total balance sheet | NIS thousands | 34,534,208 | 29,529,172 | | | 31,956,592 | 8.1 |
| Equity (including non-controlling interests) | NIS thousands | 13,791,301 | 10,677,450 | | | 11,829,564 | 16.6 |
| Financial debt (bank credit and bonds)[4] | NIS thousands | 17,010,299 | 15,247,569 | | | 15,895,765 | 7.0 |
| Net financial debt[5] | NIS thousands | 15,734,047 | 14,634,528 | | | 14,732,476 | 6.8 |
| Ratio of net financial debt to total balance sheet[6] | % | 47.3 | 50.6 | | | 47.8 | |
| **Main Financial Results – Expanded Solo[7]** | | | | | | | |
| Total balance sheet | NIS thousands | 13,534,707 | 11,332,658 | | | 12,323,090 | 9.8 |
| Equity attributed to Company shareholders | NIS thousands | 8,185,299 | 6,746,666 | | | 7,638,174 | 7.2 |
| Financial debt (bank credit and bonds)[4] | NIS thousands | 4,932,916 | 3,851,188 | | | 3,916,548 | 26.0 |
| Net financial debt[5] | NIS thousands | 4,436,310 | 3,673,758 | | | 3,649,557 | 21.6 |
| Ratio of net financial debt to total balance sheet | % | 34 | 32.9 | | | 30.3 | |
| **Earnings per share data** | | | | | | | |
| Earnings (loss) per share - basic | NIS | 1.01 | 3.00 | (0.58) | 0.58 | 8.98 | (66.3) |
| Comprehensive income (loss) per share – basic | NIS | 2.10 | 2.74 | (1.0) | (0.1) | 8.11 | (23.4) |
| **FFO per share** | **NIS** | **2.42** | **2.04** | **0.86** | **0.75** | **2.82** | **18.6** |
| Current dividend per share[8] | NIS | 0.94 | 0.91 | 0.32 | 0.31 | 1.22 | 3.3 |
| NAV per share | NIS | 45.54 | 38.84 | | | 43.89 | 3.8 |
| NNAV per share[9] | NIS | 51.8 | 46.59 | | | 50.88 | 1.8 |
| Price per share at end of period | NIS | 42.75 | 49.60 | | | 57.93 | (26.2) |

2. Balance sheet data of September 30, 2022 compared to December 31, 2021. Result data of 1-9/2022 compared to 1-9/2021.
.3 The FFO **calculation** did not include exchange rate differences and linkage differences 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 September 30, 2022, September 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 29 million, NIS 158 million and NIS 154 million, respectively.
6. Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of September 30, 2022, September 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 29 million, NIS 158 million and NIS 154 million, respectively.
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 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 | 1-9/2022 | 1-9/2021 | Q3/2022 | Q3/2021 | 2021 | % Change[10] |
|---|---|---|---|---|---|---|---|
| **Investment in Israel – Amot Investments Ltd. (rate of holdings - 53.8%)[11]** | | | | | | | |
| Number of income-generating properties | Unit | 176 | 175 | | | 175 | |
| Value of investment property (without property in self-construction) | NIS thousands | 16,200,779 | 14,546,265 | | | 14,678,447 | 10.4 |
| Weighted capitalization rate deriving from investment property | % | 6.28 | 6.5 | | | 6.08 | |
| Occupancy rate at end of period | % | 94.8 | 97.5 | | | 98.0 | |
| Value of investment property in development | NIS thousands | 2,201,897 | 1,636,119 | | | 2,447,443 | (10.0) |
| Ratio of net financial debt to total balance sheet | % | 43 | 45 | | | 42.9 | |
| NOI[12] | NIS thousands | 687,578 | 566,967 | 239,951 | 197,235 | 779,818 | 21.3 |
| FFO[13] per share | NIS | 1.187 | 1.019 | 0.417 | 0.359 | 1.39 | 16.5 |
| NAV per share | NIS | 17.96 | 16.02 | | | 17.17 | 4.6 |
| Price per share at end of period | NIS | 20.51 | 22.83 | | | 25.28 | (18.9) |
| **Investment in the United States – Carr Properties Corporation (rate of holdings - 47%)[14]** | | | | | | | |
| Number of income-generating properties | Unit | 17 | 14 | | | 16 | |
| Value of investment property (without property in self-construction) | USD thousands | 3,143,985 | 2,597,843 | | | 3,218,384 | (2.3) |
| Occupancy rate at end of period | % | 85.2 | 85 | | | 87.90 | |
| Rental rate at end of period | % | 90.2 | 92.4 | | | 92.80 | |
| Number of properties in development | Unit | 1 | 3 | | | 2 | |
| Value of property in development | USD thousands | 699,107 | 1,223,014 | | | 654,476 | 6.8 |
| Ratio of net financial debt to total balance sheet | % | 46.2 | 42 | | | 43.1 | |
| NOI[15] | USD thousands | 112,475 | 113,066 | 37,967 | 43,263 [16] | 150,015 | (0.5) |
| FFO[17] | USD thousands | 55,842 | 57,715 | 16,917 [16] | 24,105 [16] | 77,511 | (3.2) |
| **Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings - 82.8%)** | | | | | | | |
| Number of income-generating properties | Unit | 14 | 14 | | | 14 | |
| Value of investment property | GBP thousands | 942,575 | 836,300 | | | 938,125 | 0.5 |
| Occupancy rate at end of period | % | 97.5 | 96.9 | | | 97.3 | |
| Value of land for initiation | GBP thousands | 232,750 | 128,750 | | | 232,750 | - |
| Ratio of financial debt to total balance sheet | % | 28.5 | 46.1 | | | 39.7 | |
| NOI | GBP thousands | 25,492 | 22,801 | 8,701 | 8,385 | 31,156 | 11.8 |
| FFO | GBP thousands | 8,916 | 9,376 | 3,236 | 4,428 | 15,577 | (4.9) |
| **Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings - 50.4%)** | | | | | | | |
| Installed capacity from connected photovoltaic systems (MWp) – Energix's share | Unit | 468 | 328.3 | | | 406.1 | 15.2 |
| Installed capacity from connected wind systems (MW) – Energix's share | Unit | 244 | 119.2 | | | 134.2 | 81.8 |
| Balance of connected electricity-generating facilities – according to book value | NIS thousands | 2,665,554 | 1,905,509 | | | 1,914,928 | 39.2 |
| Revenues from sale of electricity and green certificates | NIS thousands | 330,879 | 189,499 | 129,005 | 65,330 | 260,836 | 74.6 |
| FFO from projects[17] – Energix's share | NIS millions | 241.4 | 128 | 95 | 44 | 179 | 88.6 |
| Price per share at end of period | NIS | 13.98 | 14 | | | 13.25 | 5.5 |

10. Balance sheet data as of September 30, 2022 compared to December 31, 2021. Result data of 1-9/2022 compared to 1-9/2021.
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 Including NOI from property management.
16 TheNOI and FFO for the third quarter of 2021 include one-time income in the amount of USD 4.2 million for previous periods from a property whose construction has been completed and has started generating income. The main decrease in FFO between the periods, in addition to the above, is due to an increase in interest expenses in the reporting period following the increase in interest rates in the United States.
.17 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[18]:

**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. The International Monetary Fund updated the growth forecast for the developed economies to 2.4% in 2024 and to 0.4% in 2023. Inflation in these economies will be 8.3% and 2.9% (in 2022 and 2023, respectively) and the average interest rate of the developed economies at the end of 2022 is expected to be approx. 3% and to remain at a similar level until the end of 2023. In the stock and bond 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 CPI increased in the last 12 months (October 2022 compared to October 2021) at a rate of 5.1%. According to the Bank of Israel forecast, the inflation rate in 2022 is expected to be 4.6%, and in 2023 - 2.5%. The Israeli economy grew in the third quarter of 2022 at an annual rate of 2.1%. According to the Bank of Israel forecast, the GDP is expected to grow in 2022 at a rate of approx. 6%, and in 2023 - 3%. The unemployment rate is expected to be 3.1% at the end of 2022 compared to 3.5% at the end of 2023.

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 3.25%.

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.

90% 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.

According to Central Bureau of Statistics publications, the Construction Input Index increased during the first nine months of 2022 by a rate of 5.8%. An increase in the Construction Input Index implies an increase in the cost of the construction budgets of projects in initiation.

Despite inflation and the slowdown in growth, in the reporting period, 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%. Recently, there has been a weakening in demand in Tel Aviv and even a slowdown in the surrounding areas.

## 2. United States (Carr)

As of October 2022, the annual inflation rate in the United States was 7.7%. 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 approx. 8%.

During October 2022, 261 thousand new jobs were added to the American labor market and the unemployment rate in the United States was 3.7%, and it is expected to increase to 4.4% during 2023. Since the beginning of the year, 96 thousand employees were added in Washington D.C., in Austin 43 thousand employees were added and in Boston approx. 125 thousand employees were added.

In response to the inflationary outbreak, the US Central Bank (the "**FED**") raised the interest rate four times consecutively by 75 basis points each time to a level of 3.75%. According to capital market estimates, at the end of 2022, this rate will be 4.5%. Carr has some loans taken at variable interest (SOFR). 73% of Carr's financial debt is hedged for interest rate increases through hedging transactions (CAP type).

In the third quarter of 2022, the GDP increased by 2.6%, after in the second quarter it contracted by 0.6%, 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% compared to a projected growth rate of up to 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.

This, among other things, resulted in a decrease of approx. 40% 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).

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 markets in which Carr operates.

At the end of September 2022, the vacancy rate in Washington D.C. and in Boston's CBD in "TROPHY" type offices was at a rate of 12% and 9%, respectively, compared to a rate of 16% and 10% in "CLASS A" type offices. The vacancy rate of "CLASS A" offices in Austin's CBD was 20%. Since 2019, the supply of offices in Austin's CBD has increased by 25% as a result of new construction that concentrates most of the active demand of tenants who wish to move from buildings built in the 70s and 80s to modern, high-quality offices.

As of September 2022, the total amount of office space offered for sublease by tenants is 3.5 million sq.ft. in Washington D.C., 3.8 million sq.ft. in Boston and 0.9 million sq.ft. in Austin, Texas.

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.

Rental prices for "TROPHY" type and "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 while benefit packages were increased for tenants (a free rental period and modification budgets given to tenants).

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., of which 61% are pre-leased, and is the lowest in the last 15 years. As of October 2022, 2.8 million sq.ft. of office space is under construction in Austin's CBD, of which 34% 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.

Despite the dramatic decrease in the volume of transactions carried out since the beginning of the year in office buildings of the "TROPHY" and "CLASS A" types in the markets in which Carr operates, an increase of up to one percent in the rate of return has begun in Washington, D.C.

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. In view of the increase in construction inputs and the increase in financing costs, Carr has decided to postpone the construction of the 300 E 2nd project in Austin, Texas until mid-2024.

3. **UK (BE)**

As of October 2022, the annual inflation rate in the UK was 11.1% (for 12 months from October 2021 to October 2022). The BOE expects that only in 2024 will inflation return to a target level of less than 3% per year. In early November 2022, the BOE reported that the UK had entered a recession in the second half of 2022 and that the GDP would contract by approx. 0.75%. The BOE predicts that the economy will return to growth only in mid-2024.

Over the past few months, there has been a political upheaval in the UK, which led to a sharp jump in its bond yields and the dismissal of the Prime Minister. The appointment of the former Minister of Finance as the new Prime Minister, who announced an emergency plan to stabilize the economy, halted the jump and stabilized the exchange rate of the GBP against the USD.

The UK labor market continues to show signs of strength, and as of September 2022 the unemployment rate is 3.5% [compared to 4.4% in the corresponding year].

Since the beginning of 2022, the Bank of England (the "BOE") has raised the interest rate to 3%. 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 and SWAP types).

From the beginning of 2022, the volume of transactions for the acquisition of office buildings in central London amounted to GBP 11 billion. The yield rates of "Prime" type offices increased by approx. half a percent in the West End and in the City. Due to investors' fear of an economic recession due to the increase in the price of money, an imbalance in the prices of transactions offered between buyers and sellers was created. This caused a halting of many transactions.

Since the beginning of the year, office spaces in the West End and the City have been leased in a cumulative amount of 6 million sq.ft., which is a 19% increase compared to 2021.

As of the end of September 2022, the vacancy rate in the office sector in central London is 8%, and it has remained stable compared to the beginning of the year. The total scope of the projects whose construction is expected to be completed in the years 2023-2025 is 14 million sq.ft., of which 25% are pre-leased. This total is the same as the annual average of construction completions in the last decade, which was 5 million sq.ft. The total amount of London office space offered for sublease by tenants is 5.7 million sq.ft.

Since the beginning of the year, rental prices for new office buildings in central London have increased by up to 3%. In Cambridge and Oxford there was the same 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. BE is examining the appropriate date for the start of construction of a backlog of projects and as a result, it has decided to postpone the construction of the Dovetail project (see Section 3.2.7.2 below) to the first half of 2024.

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

Based on the opinions and assessments of external appraisers and internal appraisals, 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 in the United States. Accordingly, the EU has decided to adopt an annual ceiling for the electricity prices that electricity producers in the EU countries, including Poland, will receive. For further details, see Section 2.3.8.2 below.

All of the projects financed in Israel are CPI-linked. 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 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):**

10% of the Company's bonds is CPI-linked and 29% of the Company's bonds bear variable interest. An increase of one percent to the interest rate means an increase in the Company's interest expenses by approx. NIS 14 million.

**E. The Group's assessments[18]:**

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 quality of their properties, with emphasis on "Flight to Quality", the mix of tenants and their rating, the long average duration of the lease agreements, the fixing of electricity prices and interest-hedging transactions will enable them to face the challenges of rising interest rates, inflation and an economic recession, to the extent it worsens.

The Company estimates that the status of the Group's liquidity, cash balance and credit facilities, the average duration of its debts, the high rate of fixed interest, including through hedging transactions) 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.

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[18] Sources:

1. Bank of Israel – Research Division Macroeconomic Forecast, October 2022
2. Bank of England – Monetary Policy Report – November 2022
3. Federal Reserve Commercial Estate Lending – October 2022
4. U.S. Bureau of Labor Statistics – October 2022
5. JLL – Central Office London Market Review Q3 2022
6. JLL – Metro Washington D.C. Office Market Review Q3 2022
7. JLL – Boston Office Market Review Q3 2022
8. JLL – Austin Office Market Review Q3 2022
9. C&W – Washington D.C. Office Market Q4
10. Green Street Advisor – October 2022

## 2.2 Statement of Financial Position

| Statement of Financial Position Item | September 30, 2022 NIS millions | December 31, 2021 NIS millions | Notes and Explanations |
|---|---|---|---|
| Cash and cash equivalents | 1,276 | 1,163 | For Statement of Cash Flows – see Section 2.6 below. |
| Investment property, investment property in development and land rights | 22,365 | 21,376 | The increase is mainly due to the acquisition of new properties and investment in projects in development in the amount of NIS 766 million from fair value adjustments of the property in the reporting period in the amount of NIS 506 million (mainly due to the increase in the CPI), and on the other hand, a decrease in the amount of NIS 280 million in respect of the effect of exchange rates. |
| Investments in associates<br>Securities measured at fair value through profit and loss | 4,987 | 4,611 | The following are the main changes:<br>• An increase in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 520 million.<br>• An increase in respect of investments in investees in the amount of NIS 247 million (of which, NIS 202 million is an investment in Carr.<br>• A decrease in investments in respect of the Group's share in the losses of associates in the amount of NIS 292 million.<br>• A decrease in investments in respect of the realization of investments and the repayment of loans in the amount of NIS 132 million.<br>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 | 4,721 | 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 | 1,185 | 1,042 | |
| Total assets | 34,534 | 31,957 | |
| Loans and bonds | 16,723 | 16,113 | The following are the main changes:<br>• Raising of bonds and receipt of loans in the amount of NIS 1.9 billion.<br>• Repayment of bonds and loans in the amount of NIS 1.5 billion.<br>• The increase in debt, following the CPI and changes in exchange rates, NIS 0.2 billion.<br>For details regarding the main changes in the Group's financial debt – see Section 2.4.4 below. |
| Other liabilities | 4,020 | 4,014 | |
| Total liabilities | 20,743 | 20,127 | |
| Equity attributed to shareholders | 8,185 | 7,638 | During the period, the Company issued capital in the amount of NIS 276 million. For details regarding the main changes in capital attributed to shareholders – see Section 2.7.2 below. |
| Non-controlling interests | 5,606 | 4,192 | During the reporting period, the balance of the non-controlling interests increased by approx. NIS 1.4 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 | 13,791 | 11,830 | |
| Total liabilities and equity | 34,534 | 31,957 | |

## 2.3 Investments

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

| | Currency | Number of Shares | Balance in the Company's Books (expanded solo) | Value (*) | Value Measurement Basis |
|---|---|---|---|---|---|
| | | | NIS thousands | NIS thousands | |
| Amot | NIS | 252,718,672 [19] | 4,510,049 | 5,184,307 | Stock market value - tradable |
| Energix | USD/PLN/NIS | 276,060,936 | 1,073,284 | 3,859,332 | Stock market value - tradable |
| Carr | USD | - | 3,443,293 | 3,443,293 | Equity method |
| AH Boston | USD | - | 843,410 | 843,410 | Equity method |
| Brockton Everlast | GBP | - | 2,856,256 | 2,856,256 | Equity method |
| Brockton Funds | GBP | - | 155,266 | 155,266 | Equity method |
| Other (mainly cash and bridging loans to BE) | | | 483,547 | 483,547 | |
| Total | | | 13,365,105 | 16,825,411 | |

(*) As of the date of approval of the statements, the value of the investment is NIS 16.9 billion.

### 2.3.2 The Company's investments (expanded solo) in the reporting period and subsequent to the balance sheet date

During the reporting period and subsequent to the balance sheet date, the Company (expanded solo) **invested** in its investees, as follows:

| | 1-9.2022 | Subsequent to the Balance Sheet Date | Total |
|---|---|---|---|
| | In NIS millions | In NIS millions | In NIS millions |
| Energix | 204 | - | 204 |
| Carr | 202 | - | 202 |
| Amot | 159 | - | 159 |
| Brockton Everlast | 153 | 333 | 486 |
| Brockton Everlast - provision of bridging loan (net of repayment) | (129) | 42 | (87) |
| AH Boston | 41 | 12 | 53 |
| Brockton Funds | 4 | - | 4 |
| | 634 | 387 | 1,021 |

19 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 is a summary of profits (losses) from investment property revaluations made by the Group in the reporting period:

| Geographical Region | Currency | 100% at the Investee Level In millions | | | | Company's Share In NIS millions |
|---|---|---|---|---|---|---|
| | | Revaluation of Income-Generating Properties | Revaluation of Properties in Initiation, Development and Construction | Amortization of acquisition costs | Total | Total |
| Israel (Amot) (*) | NIS | 560 | - | (18) | 542 | 292 |
| UK (BE) (**) | GBP | 7 | (12) | - | (5) | (15) |
| USA (Carr and AH Boston) (***) | USD | (279) | 26 | - | (253) | (417) |
| **Company's share before the tax effect** | | | | | | **(140)** |
| Tax effect | | | | | | 29 |
| **Company's share after tax** | | | | | | **(111)** |

(*) 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 in the period.

(**) UK (BE) - The loss is mainly due to a revaluation of a project that is in advanced planning stages in view of expected increases in construction costs and bank financing.

(***) USA (Carr and AH Boston) - The negative revaluations of the properties in the reporting period were mainly due to the increase in the discount rate of the projected cash flows of the properties (Argus Model Discount Cash flow Rate and Exit Rate (Terminal)).

The following is a sensitivity table of the effect of an increase in the weighted Cap rate by 0.25% on the value of the properties:

| Geographical Region | The Properties to which the Sensitivity Analysis Refers | Currency | Profit (Loss) 100% at the Investee Level In millions | Company's Share In NIS millions |
|---|---|---|---|---|
| Israel (Amot) | Income-generating properties, not including projects in initiation | NIS | (621) | (334) |
| USA (Carr and AH Boston) | Income-generating properties, not including projects in initiation | USD | (160) | (266) |
| UK (BE) | Income-generating properties, not including land for initiatives | GBP | (76) | (258) |
| **Company's share before the tax effect** | | | | **(858)** |
| Tax effect | | | | 138 |
| **Company's share after tax** | | | | **(720)** |

## 2.3.4 Investment in property in Israel – through Amot

As of September 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 214 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 September 30, 2022 is 94.8%.

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 immediate 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 159 million.

### 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, 308 new contracts were signed, including the exercise of options and contract renewals amounting to an area of 112 thousand sq.m. at annual rental fees of NIS 116 million. The rate of increase in NIS per sq.m. between the new contracts and the previous contracts is approx. 12%.

#### 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 in the project - 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. 14,800 sq.m., which are expected to generate revenue of approx. NIS 15.1 million per year (of which 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 August 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 is designated for residential, employment and commercial use and is located 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 345 million, with Amot's share being NIS 205 million. As of the date of the report, the project is in the midst of skeleton work.

## ToHa2 project in Tel Aviv – negotiations for a lease transaction

In November 2022, the partners in the above-mentioned project engaged in a detailed letter of intent with an unrelated third party (the "**Letter of Intent**"), according to which the parties will act jointly during the coming months and in good faith in order to enter into a long-term and binding lease agreement, according to the principles established in the letter of intent, which will be subject to the approval of the authorized bodies of all parties.

The binding lease agreement, insofar as it is signed, will be for the lease of an area of approx. 55 thousand sq.m. with the addition of several hundred parking spaces (with an option to increase the leased area by an additional 20 thousand sq.m.), for a period of 10 years, which will begin in January 2027, after completion of the project, for rental fees, at an envelope level, in the amount of approx. NIS 105 million per year (of which Amot's share - 50%).

It should be clarified that Amot's estimates regarding the signing of the aforementioned binding lease agreement and the timelines for the construction of the project are forward-looking information, as defined in the Securities Law, 1968. The information described above is based on information in Amot's possession as of this date regarding the main terms of the lease agreement, insofar as it is signed, and the project status. However, there is no certainty that the letter of intent will develop into a binding rental agreement nor is there certainty regarding the timing of completion of the project's construction. Amot's aforementioned estimates and forecasts depend on and are subject to the existence of actions and circumstances beyond its control as well as future forecasts and estimates whose realization is not certain and which are not under Amot's control and therefore, they may not materialize, in whole or in part, or may exist in a different way than it had estimated (including substantially), and they may be affected by factors that cannot be estimated in advance, including due to changes in the economic environment in which Amot operates, or due to the realization of some of the risk factors included in the Description of the Corporation's Business chapter in the Company's periodic report for 2021.

## 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** |
|---|---|---|---|---|
| **Item** | **1-9.2022** | **2022** | **2022** | **2021** |
| NOI (in NIS millions) | 688 | approx. 930 | 860-890 | **780** |
| Real FFO (in NIS millions) | 548 | approx. 740 | 675-695 | **583** |
| FFO per share (in NIS) | 118.7 | approx. 159 | 149-153 | **138.9** |

(*) After a renewed examination, Amot decided to update its annual forecasts upwards, due, among other things, to the following factors: rentals brought forward for vacant spaces, rentals at rental prices higher than the Company's estimates and an increase in parking lot profits that are higher than the Company's estimate.

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 June 2022, the Company invested the amount of USD 60 million (NIS 202 million) in the Carr's capital. After the investment in Carr's capital, the Company holds approx. 47% of the equity rights 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:

##### 300 East 2nd (previous name: Block 16)

In February 2022, Carr signed a 99-year lease agreement for a land division 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 767 thousand sq.ft. and a construction budget of USD 570-580 million.

Due to the increase in construction costs and the increase in interest rates, Carr decided to postpone the construction of the tower to mid-2024 and therefore, its construction will be completed in mid-2027.

Carr expects that the projected NOI cash flow in the first year in a state of stabilization, will amount to approx. USD 40-45 million (after deducting the lease fee).

With the start of construction, 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 being built in Boston under the name "One Congress" with 1 million sq.ft. of rental areas together with a partner (the "**Joint Venture**" and the "**Tower**", as the case may be). The tower is in advanced construction stages and it is expected to be completed in April 2023.

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

##### Cap interest transaction

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, 73% of Carr's total credit is at a fixed interest rate.

Carr's total financial debt due by the end of 2023 is USD 134 million.

A one percent increase in the LIBOR interest rate means an increase in Carr's financing costs by approx. USD 4 million (after discounting financing costs for properties in development, the expected effect is USD 2 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 12 million (NIS 41 million) in two of the Boston partnerships and subsequent to the date of the report, the Company invested an additional amount of USD 3.3 million (approx. NIS 12 million) in those partnerships. The balance of the investment in the three Boston Partnerships in the financial statements as of September 30, 2022 is USD 238 million (approx. NIS 843 million).

Further to Note 6.i.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, which is expected to be completed at the end of the third quarter of 2023. 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 638 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 96.7 million (approx. NIS 342.5 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**"):

During and subsequent to the reporting period, the Company invested approx. GBP 122 million (approx. NIS 486 million) in BE's capital. As of September 30, 2022, the Company indirectly held 82.8% of the rights in BE. As of the date of the report, the Company holds approx. 83.2% of the rights in 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:

**Cambridge Science Park**

In September 2022, BE entered into an agreement for the purchase of three modern buildings with a rental area of approx. 278 thousand sq.ft. (approx. 26 thousand sq.m.), at the main entrance to the Cambridge Science Park, built on land with an area of 26 dunams[20] for a consideration of approx. GBP 180 million (approx. NIS 718 million) (the "**Complex**"). The three buildings (the construction of one was completed in 2018 and the construction of two buildings was completed in 2021) meet the BREEAM EXCELLENT ESG standard, and are fully leased long-term to technology companies (an average rental duration of 9.7 years). The complex generates an annual NOI (after the deduction of lease fees) in the amount of GBP 9 million. Subsequent to the balance sheet date, in October 2022, the transaction was completed.

For information regarding a loan that was converted by the sellers to BE and information regarding a bridging loan that was provided to BE by its shareholders, see Note 8 (Sections 9-11) to the financial statements.

**Dovetail project (Previously: Devonshire Quarter):**

Further to Section 2.3.7 of the Company's Board of Directors' Report for 2021 regarding the Dovetail project, which is in advanced planning stages, due to uncertainty in the markets, BE decided to postpone the construction of the project to the first half of 2024 and therefore, its construction is expected to be completed during the first half of 2028.

BE estimates that the construction budget (including the cost of the land) will amount to a total of GBP 650-700 million (of which approx. GBP 120 million have been invested as of the date of the report) and that the projected NOI cash flow in the first year in a state of stabilization will be approx. GBP 40-45 million.

That said in this section regarding the expected construction budget, the expected construction start and end dates and the expected NOI upon population is forward-looking information as defined in section 32A of the Securities Law since it is influenced by factors independent of BE.

**Completion of the arbitration procedure for the updating of rental fees at Waterside House:**

Further to that stated in Chapter D, Section 9 of the Description of the Corporation's Business in the periodic report for 2021:

Subsequent to the balance sheet date, in October 2022, an arbitration procedure came to an end for updating rental fees (in accordance with the Rent Review mechanism) that began in June 2018, in one of BE's properties in central London (Waterside house).

The new rental fees are in the amount of GBP 13 million (an increase of approx. 15%). In addition, in the fourth quarter of this year, BE will recognize revenue in the amount of GBP 6.4 million in respect of the period from the beginning of the procedure until the date of its conclusion (Back Rent).

**In June 2023, a new procedure for rental fee updates in accordance with the Rent Review - Upwards Only mechanism is expected to begin in that property.**

[20] The land is leased for a period of 200 years.

#### 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**")[21]. 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).

### 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. 855 MW in commercially operated projects, approx. 620 MW in projects in development or pre-construction and approx. 680 MW in projects in advanced stages of initiation. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.5 GW and storage projects in initiation with a capacity of approx. 7 GWh.

In the reporting period, Energix raised capital in the amount of NIS 676 million, of which the Company invested NIS 168 million. The Company also acquired additional shares in the amount of NIS 36 million.

#### 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.

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

**Updated forecasts for the results of operations for 2022-2023:**

Following the amendment of the electricity sales agreements at Energix's 5 wind farms in Poland in July 2022 (see Section 3(a) below), following the increase in electricity prices in the United States and Poland, and following the change in legislation in Poland described in Section 3(b) below, Energix has updated its forecast revenues from the sale of electricity for the years 2022-2023 compared to the forecast published in the periodic report, as follows:

| Item | Updated Forecast NIS millions | Original Forecast NIS millions |
|---|---|---|
| Revenues in 2022 (in NIS millions) | 535-565 | 400-430 |
| Revenues in 2023 (in NIS millions) | 740-780 | 510-550 |

**It should be clarified and emphasized that the above forecast update is based on the high electricity prices in the relevant period and electricity price-fixing transactions carried out by Energix. Energix's actual revenues 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 and there is no certainty that electricity prices will remain at the price level that was used as a basis for the forecast calculation.**

[21] 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.

## (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 work after it was issued a building permit in February 2022. In October 2022, the project was given approval from the Electricity Authority regarding the financial closure, so that the project has a guaranteed rate of NIS 0.29116 per 1 KWh, for 20 years, linked to the June 2022 CPI. With the receipt of the tariff approval, Energix completed all the conditions for a withdrawal under the project financing transaction in the amount of up to NIS 650 million and is preparing for the first withdrawal thereunder. 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 in advanced stages for obtaining 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 with a capacity of approx. 180 MWp (including 320 MWh of storage) as part of Competitive Procedure 2. In this context, Energix entered into a framework agreement with a wholly owned subsidiary of Tadrian Group Ltd. for the supply of energy storage systems at a total cost of up to USD 85 million. For additional information, see Note 5 to the financial statements.

## (2) United States

a.) **Continued construction of projects in the United States:** Energix is in the midst of construction work on projects with a capacity of approx. 238 MWp and is preparing to commence construction on additional projects with a total capacity of approx. 74 MWp in Virginia and approx. 104 MWp in Pennsylvania.

b.) **Signing of electricity sales agreements while maximizing electricity prices:** During the reporting period, Energix took advantage of the high electricity prices and signed electricity sales agreements for all projects in development and pre-construction, with a capacity of approx. 312 MWp, on an "As Generated" basis for periods of 12, 15 and 25 years.

c.) **Adoption of a law to promote renewable energies:** In August 2022, the Inflation Act of 2022 entered into effect, which regulates, among other things, the provision of long-term economic incentives for the promotion of climate and energy programs. The program includes, 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 to a permanent rate of 30% for the entire period, instead of the current 26%, with a significant reduction over the years;

(3) 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;

(4) 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;

(5) An additional tax benefit of up to 10% of the total construction cost for projects to be constructed in areas 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, economically failing areas, etc.

Approval of the aforementioned legislative plan, provides prospects for investment in renewable energies in the United States, with a tax benefit of at least 30%, for another 10 years.

In view of the new legislation, Energix is working to adjust the series of agreements for the purchase of the panels it signed with First Solar in order to ensure that they meet the local production requirement. Accordingly, Energix estimates that it will be entitled to an additional tax benefit at a rate of 10% of the construction costs for projects in development or expected to begin construction during 2023, and for some of them, an additional 10% for an investment in areas designated for economic development.

d.) **Negotiations for financing transactions in the amount of over USD 630 million from leading financial institutions in the United States:** As of the date of approval of the report, Energix is in negotiations: (1) for the receipt of a Back Leverage financing package in the amount of up to USD 75 million for the Virginia 1 and Virginia 2 projects, which will be used to repay the equity that Energix has provided; and (2) for Tax Equity financing in the amount of up to USD 320 million and Back Leverage in the amount of up to USD 240 million for the financing of projects in development and pre-construction with a capacity of 416 MWp.

## (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.) **Legislation in Poland for the temporary limiting of electricity prices**: In view of the gas crisis and the high electricity prices in Europe, as well as the EU's decision to adopt a ceiling for the electricity prices that certain electricity producers in the EU countries will receive, legislation was adopted in Poland, according to which, in relation to the period between December 1, 2022 and December 31, 2023, the sale of electricity (which is not by way of a financial transaction or is subject to the conditions of a tariff tender arrangement or is not the sale of green certificates) is subject to a price ceiling of: (1) PLN 295 per 1 MWh of electricity generated from wind energy and (2) PLN 355 per 1 MWh of electricity generated from photovoltaic facilities. Energix is still studying the legislation and its implications.
In accordance with the legislative provisions and the series of agreements for the sale of Energix's electricity in Poland, Energix estimates that the setting of the ceiling can result in a reduction of up to NIS 200 million in Energix's revenue forecast for 2023. In view of and in accordance with the legislation, Energix is working to amend the series of agreements that are relevant to the sale of electricity in Poland, which it estimates will develop into binding agreements to its satisfaction, and will reduce the extent of the expected damage to its revenues for 2023 to a total of NIS 30-70 million.

c.) **Completion of construction and commercial operation of 3 wind farms with an aggregate capacity of 182 MW** - In the reporting period, the construction work was completed and commercial operation began at the Banie 3 project and the Sepopol project, with a total capacity of 126 MW. In addition, during the third quarter of 2022, construction was completed and the flow of electricity began from the Banie 4 wind farm (56 MW). The 3 projects have a guaranteed rate, index-linked, for 15 years, which will start no later than the end of 5 years from the date of commercial operation of the wind farm, as long as Energix chooses to enter the tender process. For additional information, see Note 5 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 is working to complete the construction work on its first photovoltaic project in Poland with a capacity of approx. 12 MWp by the end of 2022.

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 Company and/or 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 Company or 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 | 281 | 350 |
| BE | 67 | 67 |
| Energix | 41 | 55 |
| AH Boston | 42 | 51 |
| Total dividend and cash flow returns of capital | 431 | 523 |
| [22]Carr – Dividend Reinvestment Plan | 98 | 98 |
| Total dividend and returns of capital | 529 | 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.

## 2.4 Liquidity and financing sources

### 2.4.1 Cash and credit facilities

As of September 30, 2022, the Group has cash balances of NIS 1.3 billion (of which the Company's expanded solo balance – NIS 0.5 billion) and unutilized lines of credit in the amount of approx. NIS 1.8 billion (of which the Company's expanded solo lines of credit – NIS 650 million, and Amot's lines of unutilized credit – approx. NIS 1 billion).

### 2.4.2 Unpledged assets

As of September 30, 2022, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash) as of September 30, 2022 is NIS 12.9 billion (a market value of NIS 16.4 billion). As of September 30, 2022, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 18 billion.

### 2.4.3. Raising Capital

In September 2022, the Company issued 5,318,800 ordinary shares of NIS 1 PV in consideration for the total gross amount of approx. NIS 276 million, through a shelf offer report.

### 2.4.4 Financial Debt

As of September 30, 2022, the Group's net financial debt amounted to NIS 15.7 billion, constituting 47.3% of the Group's total assets, compared to a net financial debt of NIS 14.7 billion, which constituted 47.8% of the Group's assets as of December 31, 2021.

[22] 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.

As of September 30, 2022, the Company's (expanded solo) net financial debt amounted to NIS 4.4 billion, or 34% of the Group's total assets (expanded solo), compared to a net financial debt of NIS 3.6 billion, or 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 28.5%.

The following are data regarding the Company's financial debt (expanded solo) as of September 30, 2022:

| Investee | Financial Debt Ratio at Fixed Interest (*) | Average Duration of Debt at Fixed Interest (in years) |
|---|---|---|
| The Company (expanded solo) | 71% | 4.6 |
| Amot | 100% | 5.4 |
| Energix | 97% | 6.4 |
| BE | 100% | 2.1 |
| Carr | 73% | 3.5 |
| AH Boston | 100% | 2.8 |

(*) Including CPI-linked loans with fixed interest

## During the reporting period, the Company (expanded solo) carried out the following:

- 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 signed an amendment to the framework agreement with the Bank of Israel (hereinafter, in this subsection – the "**Bank**") to extend the credit facility in the amount of NIS 150 million by another year (that is, for utilization until September 29, 2023 and for final repayment by September 29, 2025). As part of the amendment, additional clauses were amended in an immaterial way.

- During the reporting period, the Company raised bonds in the amount of approx. NIS 1.3 billion, as follows:
  1. 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.
  2. During the reporting period, the Company raised debt through an initial issuance of Series M and Series O bonds in a total amount of approx. NIS 538,718 thousand PV in consideration for their par value and at a weighted effective interest rate of 3.84%. For additional information, see Note 9 to the financial statements.

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

For disclosure specific to bondholders, see Section 5 below.

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

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

Amot:

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

Energix:

For information regarding negotiations for the receipt of a financing package from an American bank in the amount of approx. USD 560 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 the reporting period, BE initiated the early repayment of a loan in the amount of approx. GBP 64 million (approx. NIS 256 million) whose original repayment date was in January 2023.
- BE's total financial debt to financial institutions, due by the end of 2023, is GBP 64 million.
- For details regarding BE's financing transactions in the reporting period, see Note 8 to the financial statements.

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.

### 2.4.5 Working Capital Deficit

The working capital deficit as of September 30, 2022 amounted to a total of NIS 844 million in the consolidated statements (NIS 195 million in the Company's expanded solo statements). As of September 30, 2022, the Group has unutilized lines of credit in the amount of approx. NIS 1.8 billion (NIS 650 million in the expanded solo), and a high balance of unencumbered assets (see Sections 2.4.1 and 2.4.2 above). In this light, the Company's Board of Directors believes that the existence of a working capital deficit stemming from the Group's policy of holding unutilized long-term credit facilities, instead of cash and deposits, does not indicate a liquidity problem.

## 2.5 Operating results

In the reporting period, the Group recorded a net profit of NIS 569 million. The share of Company shareholders in the profit amounted to NIS 177 million, compared to a profit of NIS 520 million attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of NIS 683 million. The share of Company shareholders in the income amounted to NIS 367 million, compared to a profit of NIS 476 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 accepted index in the United States and in Europe for providing additional information regarding the operating results of real estate companies, which provides an adequate basis for comparison between income-generating real estate companies. The FFO reflects net profit, with the neutralization of profits (or losses) from the sale of properties and/or from property revaluations, depreciation and amortization and deferred taxes. This index presents the Company's cash production capability from regular and ongoing activities in the reporting period.

In the FFO calculation, exchange rate differences and linkage difference expenses in respect of bonds and CPI-linked loans were not included because the Company's management is of the opinion that those expenses do not reflect cash flow from continuing current 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 the reported net profit for evaluating the results of the Group's operations.

The FFO calculation is as follows (in NIS thousands):

| | 1-9/2022 | 1-9/2021 | 2021 |
|---|---|---|---|
| | NIS thousands | NIS thousands | NIS thousands |
| **Share of Company shareholders in net profit for the period** | **176,944** | **519,602** | **1,557,947** |
| Adjustments to profit and loss: | | | |
| Fair value adjustment of investment property | (506,941) | (349,134) | (1,715,469) |
| Company share in property revaluations and other non-FFO items in investees | 416,336 | 7,634 | 42,687 |
| Profit from decrease in rate of holdings, from acquisition and realization of investees | (20,877) | (17,437) | (17,396) |
| Profit from securities | (5,270) | (53,176) | (48,101) |
| Others (mainly depreciation and amortizations) | 77,737 | 67,173 | 119,566 |
| Accumulated linkage differences and exchange rate differences | 283,940 | 100,902 | 116,158 |
| Deferred taxes and current taxes from the realization of securities and real estate, net | (46,431) | 133,231 | 275,841 |
| Share of non-controlling interests in the above adjustments to FFO | 47,333 | (55,727) | 157,374 |
| FFO | **422,771** | **353,068** | **488,607** |
| | | | |
| The sources of the FFO are as follows: | | | |
| Revenues | | | |
| Investment property NOI | 767,022 | 644,939 | 884,439 |
| NOI from the sale of electricity less development costs | 274,834 | 153,964 | 211,132 |
| Carr's share in FFO without real estate revaluations | 84,190 | 82,975 | 110,546 |
| AH Boston's share in FFO without real estate revaluations | 23,074 | 29,275 | 35,441 |
| Energix, Brockton Everlast and Amot associates' share in FFO | 17,561 | 14,246 | 20,850 |
| PSP's share in FFO without real estate revaluations | - | 2,568 | 2,569 |
| Other revenues | 1,454 | - | 5,789 |
| Total revenues | **1,168,135** | **927,967** | **1,270,766** |
| Expenses | | | |
| Real financing, net | (245,880) | (212,351) | (286,318) |
| Administrative and general | (120,277) | (93,590) | (128,559) |
| Current taxes | (34,745) | (41,055) | (49,111) |
| Share of non-controlling interests attributed to current operations | (344,462) | (227,903) | (318,171) |
| Total expenses | **(745,364)** | **(574,899)** | **(782,159)** |
| FFO | **422,771** | **353,068** | **488,607** |
| FFO per share (NIS) | **2.42** | **2.04** | **2.82** |

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

| | 1-9/2022 | 1-9/2021 | Q3/2022 | Q3/2021 | 2021 |
|---|---|---|---|---|---|
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Revenues and profits | | | | | |
| Revenues from rental fees and management of investment property | 875,493 | 716,391 | 301,940 | 252,928 | 989,381 |
| Fair value adjustment of investment property | 506,941 | 349,134 | 50,078 | (82,215) | 1,715,469 |
| Group share in the profits (losses) of associates, net | (291,511) | 121,429 | (233,793) | 61,598 | 126,719 |
| Net profits (losses) from investments in securities measured at fair value through profit and loss | 5,270 | 48,898 | (67) | 36,464 | 43,822 |
| Profit (loss) from decrease in rate of holding, from purchase and realization of associates | 20,877 | 17,437 | (460) | (63) | 17,396 |
| Revenues from sale of electricity and green certificates | 330,879 | 189,499 | 129,005 | 65,330 | 260,836 |
| Other revenues (expenses), net | 1,305 | 3,289 | 375 | (618) | 8,264 |
| | 1,449,254 | 1,446,077 | 247,078 | 333,424 | 3,161,887 |
| Costs and expenses | | | | | |
| Cost of investment property rental and operation | 107,879 | 71,049 | 36,329 | 28,205 | 104,404 |
| Development, maintenance and operation costs of electricity-generating facilities | 43,533 | 27,965 | 16,723 | 10,639 | 39,247 |
| Depreciation and amortizations | 81,268 | 62,983 | 30,932 | 22,755 | 84,947 |
| Administrative and general | 129,701 | 104,763 | 44,131 | 29,013 | 172,369 |
| Financing expenses, net | 529,820 | 313,253 | 136,028 | 119,164 | 402,476 |
| | 892,201 | 580,013 | 264,143 | 209,776 | 803,443 |
| Profit before taxes on income | 557,053 | 866,064 | (17,065) | 123,648 | 2,358,444 |
| Income tax expenses (income) | (11,686) | 174,286 | (29,088) | 7,924 | 324,952 |
| Net profit for the period | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| Allocation of net profit (loss) for the period: | | | | | |
| Share of Company shareholders | 176,944 | 519,602 | (101,978) | 100,837 | 1,557,947 |
| Share of non-controlling interests | 391,795 | 172,176 | 114,001 | 14,887 | 475,545 |
| | 568,739 | 691,778 | 12,023 | 115,724 | 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 875 million in the reporting period, compared to NIS 716 million in the corresponding period last year, a 22% increase. The increase is mainly due to a change in Amot's revenues (approx. NIS 154 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 507 million, of which NIS 525 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 4.4%.

In the corresponding period last year, positive property revaluations were recorded in the amount of NIS 329 million, in respect of Brockton Everlast's properties and positive property revaluations in the amount of NIS 20 million in respect of Amot's properties.

**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 211 million was recorded in the reporting period, compared to a profit of NIS 73 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 184 million (the Company's share in the loss before tax - NIS 290 million) mainly due to the increase in the discount rate of the properties.
  In the corresponding period last year, Carr's results included a loss in the amount of USD 16 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 96 million was recorded in the reporting period, compared to a profit of NIS 59 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 69 million (the Company's share in the loss before tax - NIS 127 million) mainly due to the increase in the discount rate of the properties.
  AH Boston's profits in the corresponding period last year included positive revaluations recorded in respect of the Boston properties mainly in respect of the increase in value of the 745 Atlantic building due to a plan for a change in the designation of the property from an office building to a laboratory building (see more information in Section 2.3.6 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 and loss (including Brockton funds).

The profit in the corresponding period last year amounted to approx. NIS 49 million and stems mainly from the fair value adjustment of the Brockton Funds in the amount of approx. NIS 36 million, and from the revaluation of the balance of the investment in PSP in the financial statements to the stock exchange value due to a change in accounting classification from "investment in an associate" to "investment in a security measured at fair value through profit and loss" at the end of the first quarter of 2021 (approx. NIS 16 million).

**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 331 million compared to NIS 189 million in the corresponding period last year, an increase of NIS 142 million (approx. 75%). The increase in revenues stems from newly connected facilities in Poland, the United States and in Israel (approx. 102 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 40 million).

**Financing expenses** – There was a NIS 217 million increase in financing expenses in the reporting period compared to the reporting period last year. Most of the change (approx. NIS 230 million) stems from the effect of the CPI, which rose by a rate of 4.4%, compared to an increase of only 2.2% in the corresponding period last year.

**Tax expenses** – There was a decrease of NIS 186 million 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):

| | 1-9/2022 | 1-9/2021 | Q3/2022 | Q3/2021 | 2021 |
|---|---|---|---|---|---|
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Net profit for the period: | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| Profit (loss) from investment in Carr (1) (2) | 208,383 | 29,607 | 30,695 | (15,683) | (10,686) |
| Loss from investment in PSP | - | (2,147) | - | - | (2,147) |
| Profit (loss) from investment in AH Boston properties (1) | 42,436 | (1,476) | 664 | (4,871) | (14,240) |
| Loss from investment in BE (1) (3) | (62,260) | (27,836) | (79,673) | (42,711) | (61,018) |
| Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax) | - | (1,628) | - | - | (1,628) |
| Profit (loss) from other investments (4) | (61,458) | (71,559) | (57,783) | (75,539) | (74,571) |
| Tax effects | (12,698) | (3,199) | (30,420) | (6,497) | (24,291) |
| Other comprehensive income (loss) for the period | 114,402 | (78,238) | (136,517) | (145,301) | (188,581) |
| Total comprehensive income (loss) for the period | 683,141 | 613,540 | (124,494) | (29,577) | 1,844,911 |
| Allocation of comprehensive income (loss) for the period: | | | | | |
| Share of Company shareholder | 366,847 | 475,614 | (178,268) | (7,830) | 1,406,070 |
| Share of non-controlling interests | 316,294 | 137,926 | 53,774 | (21,747) | 438,841 |
| | 683,141 | 613,540 | (124,494) | (29,577) | 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 (or an appreciation) of the NIS by a rate of 14% and (5.7)% against the USD and the GDP, respectively. In the corresponding period last year, there was a devaluation (or an appreciation) of the NIS by a rate of 0.44% and (1.18%) 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 37 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 and 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 approx. NIS 49 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 6 million).

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

## 2.6 Cash flows

| | 1-9/2022 | 1-9/2021 | 2021 |
|---|---|---|---|
| | NIS millions | NIS millions | NIS millions |
| Total cash provided by operating activities | 269 | 481 | 666 |
| **Cash flows used in investing activities** | | | |
| Investment in investment property and fixed assets | (1,017) | (3,293) | (3,455) |
| Investment in electricity-generating systems | (857) | (760) | (1,194) |
| Investment in Carr | (202) | - | - |
| Investment in Boston properties | (40) | (36) | (39) |
| Proceeds from the realization of PSP (net of tax), including tax refund | 20 | 187 | 187 |
| Proceeds from repaid hedging transactions | 112 | 89 | 117 |
| Proceeds from the realization of tradable securities | - | 119 | 119 |
| Acquisition of consolidated companies | - | (133) | (121) |
| Investment in Brockton Funds | (4) | (16) | (26) |
| Repayment (provision) of loans | 126 | (91) | (88) |
| Other | 19 | (36) | (41) |
| Total cash used in investing activities | (1,843) | (3,970) | (4,541) |
| **Cash flows provided by financing activities** | | | |
| Receipt of loans (long-term loans and utilization of short-term bank credit) | 238 | 1,824 | 2,138 |
| Proceeds from the issuance of bonds and bond options | 1,688 | 857 | 2,263 |
| Repayment of liabilities (long-term loans, bonds and repayment of short-term credit) | (1,513) | (923) | (1,563) |
| Capital raised by the Company | 295 | 26 | 29 |
| Capital raised by Amot (net of the Company's investment in the issue) | 487 | 469 | 47 |
| Capital raised by Energix (net of the Company's investment in the issue) | 534 | 5 | 437 |
| Capital raised by BE (net of the Company's investment in the issue) | 517 | - | - |
| Acquisition of Amot and Energix shares from non-controlling interests | (37) | (10) | (10) |
| Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies | (523) | (356) | (471) |
| Total cash provided by financing activities | 1,686 | 1,892 | 2,870 |
| Total increase in cash balances in the period | 111 | (1,597) | (1,005) |
| Other influences | 6 | (5) | (17) |
| Cash and cash equivalents and designated deposit at end of period | 1,310 | 613 | 1,193 |
| Less - designated deposit | (34) | - | (30) |
| Cash and cash equivalents at end of period | 1,276 | 613 | 1,163 |

## 2.7 Equity

### 2.7.1 Equity per share

| | As of September 30 2022 | As of December 31 2021 |
|---|---|---|
| | NIS millions | NIS millions |
| Equity | 13,791 | 11,830 |
| Less non-controlling interests | (5,606) | (4,192) |
| Equity attributed to Company shareholders | 8,185 | 7,638 |
| Equity per share (share per NAV) | 45.54 | 43.89 |
| Equity per share without tax reserves (share per NNAV) | 51.81 | 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 547 million. The main changes are as follows:

- Net profit attributed to the Company shareholders in the amount of NIS 177 million – see additional details in Section 2.5.2 above.
- Other comprehensive income attributed to the Company shareholders in the amount of NIS 190 million – see additional details in Section 2.5.3 above.
- An increase due to capital raising in the amount of NIS 285 million.
- A reduction in capital following dividends declared in the amount of NIS 241 million.
- An increase in capital reserves due to the profit created in the capital issue of consolidated companies and others in the amount of NIS 136 million.

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

The following is the composition of the surplus of assets over liabilities based on the Company's statements (expanded solo) divided by currency as of September 30, 2022 (in NIS millions)[23]:

| Currency | Assets | Liabilities | Assets, net | % |
|---|---|---|---|---|
| USD | 4,213 | (2,986) | 1,227 | 15% |
| GBP | 3,046 | (1,846) | 1,200 | 15% |
| Other (mainly PLN and CAD) | 162 | (25) | 137 | 1% |
| Excess assets over liabilities in foreign currency | 7,421 | (4,857) | 2,564 | 31% |
| Excess assets over liabilities in NIS | 6,114 | (493) | 5,621 | 69% |
| Equity as of September 30, 2022 | 13,535 | (5,350) | 8,185 | 100% |

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

2.7.4 For details on dividends distributed by the Company in 2022 – see Note 12(a) to the financial statements.

### 2.8 Remuneration of senior officers and directors

For details on options granted to the Company's senior officers and directors, see Note 16.e to the annual financial statements and Note 12.b 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 18.a and 18.b 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 September 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. Nathan 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.

At its November 16, 2022 meeting, the Audit Committee discussed the Internal Auditor's Report on the subject of wages (including executive wages). At that meeting, the Audit Committee approved a multi-year work plan for the years 2023-2026 and that the plan for each specific year would be re-examined for that year, prior to its implementation. The Audit Committee also approved the work plan for 2023, which includes the following subjects: (a) the work of the Board of Directors and its committees; (b) security of means of payment; (c) the control system in an investee - BE. In addition, the Committee decided that in 2023 the Internal Auditor will perform a risk survey.

## 5. Special Disclosure for Bondholders

### 5.1 The following are data as of September 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) | Bonds (Series M) | Bonds (Series O) | Total |
|---|---|---|---|---|---|---|---|---|
| Par value as of September 30, 2022 | 207,910 | 1,118,035 | 1,399,383 | 180,839 | 1,330,478 | 290,176 | 248,542 | 4,775,363 |
| Linked par value as of September 30, 2022 | 229,535 | 1,118,035 | 1,399,383 | 180,839 | 1,330,478 | 290,176 | 248,542 | 4,796,988 |
| Value in the financial statements as of September 30, 2022 (at amortized cost) | 232,237 | 1,145,650 | 1,413,044 | 178,602 | 1,332,420 | 287,464 | 245,745 | 4,835,162 |
| Stock market value as of September 30, 2022 | 238,598 | 1,135,141 | 1,433,248 | 162,863 | 1,183,061 | 280,484 | 242,055 | 4,675,450 |
| Accrued Interest as of September 30, 2022 | 6,101 | 25,237 | 4,877 | 2,820 | 18,800 | 746 | 331 | 58,912 |

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

For additional information regarding the bonds (Series M) and the bonds (Series O) issued by the Company during the reporting period, see the Company's immediate reports dated September 12, 2022 (Refs: 2022-01-116113 and 2022-01-116116). That stated in the immediate reports was included in this Board of Directors' Report by way of reference.

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

| Financial Ratio | | Criterion | Value as of September 30, 2022 |
|---|---|---|---|
| Net financial debt to value of holdings[24] | % | Less than 80 | 33% |
| Minimum equity (Series H, I, J, K, L, M and O)[25] | NIS billions | More than 2.2 | 8.2 |

For additional information, see Section 5.2.2 of Chapter F(5) to the Description of the Corporation's Business in the 2021 Periodic Report.

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

[25] In order for grounds to be created for early repayment, the breach of the above provision 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, for Series K and L – the minimum equity is NIS 2.1 billion and for Series M and O – the minimum equity is NIS 2.2 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 September 30 | As of December 31 |
|---|---|---|
| | 2022 | 2021 |
| | NIS thousands | NIS thousands |
| Current assets | | |
| Cash and cash equivalents | 467,873 | 113,137 |
| Loan to a consolidated company | 28,733 | 153,854 |
| Other accounts receivable | 90,499 | 151,062 |
| Total current assets | 587,105 | 418,053 |
| Non-current assets | | |
| Securities measured at fair value through profit and loss | 155,294 | 157,341 |
| Investments in Investees | 12,741,938 | 11,653,879 |
| Others | 50,370 | 93,817 |
| Total non-current assets | 12,947,602 | 11,905,037 |
| Total assets | 13,534,707 | 12,323,090 |
| Current liabilities | | |
| Short-term credit and current maturities of long-term liabilities | 559,881 | 481,587 |
| Other accounts payable | 222,112 | 245,586 |
| Total current liabilities | 781,993 | 727,173 |
| Non-current liabilities | | |
| Bonds and long-term loans | 4,275,281 | 3,620,795 |
| Deferred taxes | 248,784 | 335,818 |
| Others | 43,350 | 1,130 |
| Total non-current liabilities | 4,567,415 | 3,957,743 |
| Equity | 8,185,299 | 7,638,174 |
| Total liabilities and equity | 13,534,707 | 12,323,090 |

## Financial Data, Expanded Solo

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

| | 1-9/2022 | 1-9/2021 | Q3/2022 | Q3/2021 | 2021 |
|---|---|---|---|---|---|
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Revenues | | | | | |
| Group share in the profits (losses) of associates, net | 200,008 | 682,492 | (106,587) | 117,705 | 1,657,741 |
| Profit (loss) from decrease in rate of holdings, from purchase and realization of associates | 2,779 | 5,075 | (461) | (62) | 5,030 |
| Net profit (loss), relating to investments in long-term securities intended for sale | 1,145 | 49,694 | (1,359) | 35,812 | 43,265 |
| Other revenues, net | 13,947 | 15,315 | 4,743 | 3,777 | 19,172 |
| | 217,879 | 752,576 | (103,664) | 157,232 | 1,725,208 |
| Expenses | | | | | |
| Administrative and general (including contributions) | 25,043 | 26,982 | 8,758 | 5,068 | 39,464 |
| Financing expenses, net | 99,841 | 72,389 | 37,818 | 26,822 | 99,091 |
| | 124,884 | 99,371 | 46,576 | 31,890 | 138,555 |
| **Profit (loss) before taxes on income** | 92,995 | 653,205 | (150,240) | 125,342 | 1,586,653 |
| Income tax expenses (income) | (83,949) | 133,603 | (48,262) | 24,505 | 28,706 |
| **Net profit (loss) for period** | 176,944 | 519,602 | (101,978) | 100,837 | 1,557,947 |

## 2. The Company's liabilities (expanded solo) payable after September 30, 2022:

| | Bonds | Bank loans | Total | % |
|---|---|---|---|---|
| | NIS thousands | NIS thousands | NIS thousands | |
| Current Maturities | 556,907 | - | 556,907 | 12 |
| Second year | 590,901 | - | 590,901 | 12 |
| Third year | 591,385 | - | 591,385 | 12 |
| Fourth year | 593,095 | - | 593,095 | 12 |
| Fifth year | 593,682 | - | 593,682 | 12 |
| Sixth year onward | 1,882,014 | - | 1,882,014 | 40 |
| Total repayments | 4,807,984 | - | 4,807,984 | 100 |
| Others | | | 47,872 | |
| Asset balance in connection with foreign currency forward transactions | | | 77,060 | |
| Total financial debt (taking into account foreign currency forward transactions) | | | 4,932,916 | |

(*) 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 September 30, 2022** **in NIS thousands** | In Unlinked NIS | In CPI-Linked NIS | In USD | In GBP | Other (Mainly PLN and CAD) | Total Total | Adjustments - Non-Monetary Items | Total |
|---|---|---|---|---|---|---|---|---|
| Current assets | | | | | | | | |
| Cash and cash equivalents | 465,501 | - | 1,739 | 501 | 132 | 467,873 | - | 467,873 |
| Loan to a consolidated company | - | - | - | 28,733 | - | 28,733 | | 28,733 |
| Other accounts receivable | 67,607 | - | 715 | 5,343 | - | 73,665 | 16,834 | 90,499 |
| Total current assets | 533,108 | - | 2,454 | 34,577 | 132 | 570,271 | 16,834 | 587,105 |
| Non-current assets | | | | | | | | |
| Securities measured at fair value through profit and loss | 28 | - | - | 155,266 | - | 155,294 | - | 155,294 |
| Investments in associates | - | - | - | - | - | - | 12,741,938 | 12,741,938 |
| Others | 47,495 | - | - | - | - | 47,495 | 2,875 | 50,370 |
| Total non-current assets | 47,523 | - | - | 155,266 | - | 202,789 | 12,744,813 | 12,947,602 |
| Total assets | 580,631 | - | 2,454 | 189,843 | 132 | 773,060 | 12,761,647 | 13,534,707 |
| Current liabilities | | | | | | - | | |
| Short-term credit and current maturities of long-term liabilities | 327,644 | 232,237 | - | - | - | 559,881 | - | 559,881 |
| Payables and credit balances | 202,306 | 7,657 | - | - | 31 | 209,994 | 12,118 | 222,112 |
| Total current liabilities | 529,950 | 239,894 | - | - | 31 | 769,875 | 12,118 | 781,993 |
| Non-current liabilities | | | | | | - | | |
| Bonds and long-term loans | 4,029,536 | 245,745 | - | - | - | 4,275,281 | - | 4,275,281 |
| Deferred tax liabilities | - | - | - | - | - | - | 248,784 | 248,784 |
| Others | 42,152 | - | 886 | - | - | 43,038 | 312 | 43,350 |
| Total non-current liabilities | 4,071,688 | 245,745 | 886 | - | - | 4,318,319 | 249,096 | 4,567,415 |
| Total liabilities | 4,601,638 | 485,639 | 886 | - | 31 | 5,088,194 | 261,214 | 5,349,408 |
| Excess assets over liabilities (liabilities over assets) | (4,021,007) | (485,639) | 1,568 | 189,843 | 101 | (4,315,134) | 12,500,433 | 8,185,299 |
| Financial derivatives | 4,488,187 | - | (2,672,060) | (1,816,127) | - | - | - | - |
| Excess financial assets over financial liabilities (financial liabilities over financial assets) | 467,180 | (485,639) | (2,670,492) | (1,626,284) | 101 | (4,315,134) | 12,500,433 | 8,185,299 |
| Allocation of non-monetary assets (liabilities), net - by linkage basis | 782,339 | 4,857,401 | 3,897,118 | 2,826,306 | 137,269 | 12,500,433 | (12,500,433) | - |
| Excess assets over liabilities (liabilities over assets) | 1,249,519 | 4,371,762 | 1,226,626 | 1,200,022 | 137,370 | 8,185,299 | - | 8,185,299 |

## Appendix C – Rating Reports[26]

- For an up-to-date Midroog rating report see the immediate report published by the Company on April 14, 2022 (Ref.: 2022-01-040224) and a rating report dated September 11, 2022 for new bonds issued by the Company (Series M and O) (Ref: 2022-01-115696).
- For an up-to-date rating report by Maalot, the Israeli Securities Rating Company Ltd., see the immediate report dated June 2, 2022 (Ref: 2022-01-069427) and a rating report dated September 11, 2022 for new bonds issued by the Company (Series M and O) (Ref: 2022-01-115681).

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

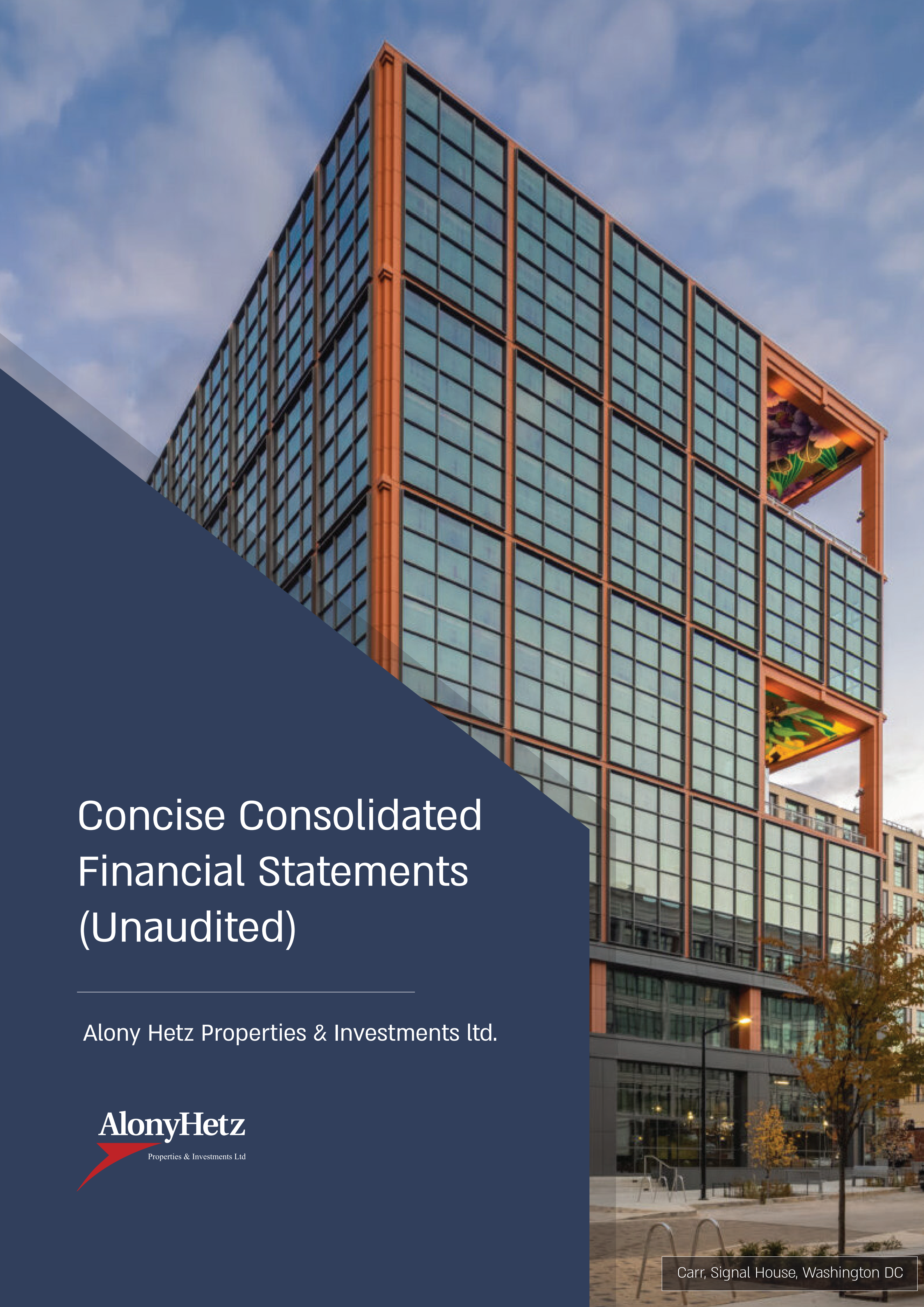
## Appendix D – Separate Financial Statement of the Corporation in accordance with Regulation 9C and Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

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

Deloitte.

## A Review Report of the Independent Auditor to the shareholders of
## <u>Alony Hetz Properties & Investments Ltd.</u>

***Introduction***

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

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 12% of the total consolidated assets as of September 30, 2022, and whose revenues included in consolidation constitute approximately 16% and 33% of the total consolidated revenues for the periods of nine and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 4,635 million NIS as of September 30, 2022, and the share of the results of which for the periods on nine and three months ended that date, amounted to a loss of approximately 187 million NIS and loss of 162 million NIS, respectively. The interim condensed financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

***Scope of Review***

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

***Conclusion***

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

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

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

**Tel Aviv, November 22, 2022**

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

| | Note | As of September 30 | | As of December 31 |
|---|---|---|---|---|
| | | 2022 | 2021 | 2021 |
| | | NIS thousands | NIS thousands | NIS thousands |
| **Assets** | | (Unaudited) | (Unaudited) | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 1,276,252 | 613,041 | 1,163,289 |
| Designated deposit | | 34,670 | - | 30,433 |
| Trade receivables | | 112,822 | 66,483 | 55,537 |
| Current tax assets, net | | 47,489 | 9,597 | 16,855 |
| Other receivables | | 293,983 | 677,515 | 553,879 |
| **Total current assets** | | 1,765,216 | 1,366,636 | 1,819,993 |
| **Non-current assets** | | | | |
| Investment property | 3 | 19,315,408 | 18,142,490 | 18,024,793 |
| Investment property in development and land rights | 3 | 3,050,022 | 1,562,474 | 3,351,322 |
| Long-term investments: | | | | |
| Securities measured at fair value through profit and loss | | 208,591 | 210,719 | 209,719 |
| Investments in associates | 6,7 | 4,778,810 | 4,558,131 | 4,401,259 |
| Deferred tax assets | | 71,263 | 33,268 | 46,145 |
| Electricity-generating facilities: | | | | |
| Connected electricity-generating facilities | 5 | 2,664,650 | 1,905,509 | 1,914,928 |
| Right-of-use asset | | 308,110 | 267,453 | 276,831 |
| Electricity-generating facilities in development | 5 | 1,656,273 | 1,212,233 | 1,491,890 |
| Restricted deposits | | 57,125 | 46,832 | 51,223 |
| Fixed assets, net | | 111,954 | 103,067 | 113,592 |
| Other assets | | 546,786 | 120,360 | 254,897 |
| **Total non-current assets** | | 32,768,992 | 28,162,536 | 30,136,599 |
| **Total assets** | | 34,534,208 | 29,529,172 | 31,956,592 |

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

| | | As of September 30 | | As of December 31 |
|---|---|---|---|---|
| | | 2022 | 2021 | 2021 |
| | Note | NIS thousands | NIS thousands | NIS thousands |
| | | (Unaudited) | (Unaudited) | |
| **Liabilities and equity** | | | | |
| **Current liabilities** | | | | |
| Short term credit and current maturities of long-term loans | 8 | 399,325 | 1,264,449 | 75,249 |
| Current maturities of bonds | 9 | 1,220,260 | 1,040,756 | 1,098,874 |
| Current maturities of lease liabilities | | 12,101 | 7,661 | 8,949 |
| Current tax liabilities, net | | 35,889 | 127,190 | 365,251 |
| Payables and credit balances | | 941,553 | 834,046 | 898,116 |
| **Total current liabilities** | | 2,609,128 | 3,274,102 | 2,446,439 |
| **Non-current liabilities** | | | | |
| Bonds | 9 | 12,047,821 | 10,108,088 | 11,423,918 |
| Loans from banking corporations and financial institutions | 8 | 3,055,365 | 2,844,649 | 3,515,437 |
| Lease liability | | 412,943 | 319,099 | 374,861 |
| Deferred tax liabilities | | 1,893,364 | 1,959,841 | 1,914,430 |
| Provisions | | 16,483 | 16,483 | 16,483 |
| Other liabilities | | 707,803 | 329,460 | 435,460 |
| **Total non-current liabilities** | | 18,133,779 | 15,577,620 | 17,680,589 |
| **Equity** | | | | |
| Equity attributed to Company shareholders | | 8,185,299 | 6,746,666 | 7,638,174 |
| Non-controlling interests | | 5,606,002 | 3,930,784 | 4,191,390 |
| **Total equity** | | 13,791,301 | 10,677,450 | 11,829,564 |
| **Total liabilities and equity** | | 34,534,208 | 29,529,172 | 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 |

November 22, 2022

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

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 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 | 875,493 | 716,391 | 301,940 | 252,928 | 989,381 |
| Fair value adjustment of investment property | 506,941 | 349,134 | 50,078 | (82,215) | 1,715,469 |
| Group share in the profits (losses) of associates, net | (291,511) | 121,429 | (233,793) | 61,598 | 126,719 |
| Net profits (losses) from investments in securities measured at fair value through profit and loss | 5,270 | 48,898 | (67) | 36,464 | 43,822 |
| Profit (loss) from decrease in rate of holding, from purchase and realization of associates | 20,877 | 17,437 | (460) | (63) | 17,396 |
| Revenues from sale of electricity and green certificates | 330,879 | 189,499 | 129,005 | 65,330 | 260,836 |
| Other revenues (expenses), net | 1,305 | 3,289 | 375 | (618) | 8,264 |
| | 1,449,254 | 1,446,077 | 247,078 | 333,424 | 3,161,887 |
| **Costs and expenses** | | | | | |
| Cost of investment property rental and operation | 107,879 | 71,049 | 36,329 | 28,205 | 104,404 |
| Development, maintenance and operation costs of electricity-generating facilities | 43,533 | 27,965 | 16,723 | 10,639 | 39,247 |
| Depreciation and amortizations | 81,268 | 62,983 | 30,932 | 22,755 | 84,947 |
| Administrative and general | 129,701 | 104,763 | 44,131 | 29,013 | 172,369 |
| Financing income | (85,417) | (23,072) | (49,636) | (5,245) | (32,815) |
| Financing expenses | 615,237 | 336,325 | 185,664 | 124,409 | 435,291 |
| | 892,201 | 580,013 | 264,143 | 209,776 | 803,443 |
| **Income (loss) before taxes on income** | 557,053 | 866,064 | (17,065) | 123,648 | 2,358,444 |
| Income tax expenses (income) | (11,686) | 174,286 | (29,088) | 7,924 | 324,952 |
| **Net profit for the period** | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| Company shareholders | 176,944 | 519,602 | (101,978) | 100,837 | 1,557,947 |
| Non-controlling interests | 391,795 | 172,176 | 114,001 | 14,887 | 475,545 |
| | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| **Net earnings (loss) per share attributed to Company shareholders (in NIS):** | | | | | |
| Basic | 1.01 | 3.00 | (0.58) | 0.58 | 8.98 |
| Fully diluted | 0.96 | 2.98 | (0.60) | 0.58 | 8.91 |
| **Weighted average of share capital used in calculation of earnings per share (thousands of shares)** | | | | | |
| Basic | 174,812 | 173,359 | 175,733 | 173,689 | 173,455 |
| Fully diluted | 175,069 | 173,556 | 175,733 | 173,816 | 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 Nine-Month Period ended September 30 | | For the Three-Month Period ended September 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** | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| **Other comprehensive income (loss)** | | | | | |
| **Amounts to be classified in the future to profit or loss, net of tax** | | | | | |
| Profit (loss) from the translation of financial statements for foreign activities | 350,031 | (98,108) | (243,825) | (191,658) | (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 differences, 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 differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax | (241,968) | 41,335 | 86,050 | 82,892 | 205,782 |
| Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax | (22,410) | (48,405) | 4,296 | (37,115) | (25,841) |
| Company's share in other comprehensive income of associates, net of tax | 28,749 | 25,877 | 16,962 | 580 | 28,969 |
| **Other comprehensive income (loss) for the period, net of tax** | 114,402 | (78,238) | (136,517) | (145,301) | (188,581) |
| **Total comprehensive income for period** | 683,141 | 613,540 | (124,494) | (29,577) | 1,844,911 |
| **Distribution of comprehensive income (loss) for the period** | | | | | |
| Company shareholders | 366,847 | 475,614 | (178,268) | (7,830) | 1,406,070 |
| Non-controlling interests | 316,294 | 137,926 | 53,774 | (21,747) | 438,841 |
| | 683,141 | 613,540 | (124,494) | (29,577) | 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 Nine-Month Period ended September 30, 2022 (Unaudited)
(NIS thousands)

| | Share Capital | Share Premium | Capital Reserve from the Translation of Financial Statements for Foreign Activity | Capital Reserve for Employee Options and Other Capital Reserves | Company Shares held by the Group | Retained Earnings | Total 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** | - | - | 161,154 | 28,749 | - | 176,944 | 366,847 | 316,294 | 683,141 |
| Dividend paid to Company shareholders | - | - | - | - | - | (240,634) | (240,634) | - | (240,634) |
| Dividends paid to non-controlling interests in a consolidated company | - | - | - | - | - | - | - | (281,532) | (281,532) |
| Issuance of capital | 5,319 | 265,863 | | | | | 271,182 | | 271,182 |
| Exercise of employee options | 365 | 14,921 | - | (1,661) | - | - | 13,625 | - | 13,625 |
| Acquisition of shares from non-controlling interests in a consolidated company | | | | (30,438) | | | (30,438) | (12,500) | (42,938) |
| Issuance of capital in consolidated companies | - | - | - | 163,879 | - | - | 163,879 | 1,373,965 | 1,537,844 |
| Allocation of benefit in respect of options to employees and others | - | - | - | 2,664 | - | - | 2,664 | 18,385 | 21,049 |
| **Balance as of September 30, 2022** | 197,796 | 2,795,162 | (585,589) | 472,302 | (589) | 5,306,217 | 8,185,299 | 5,606,002 | 13,791,301 |

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

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

| | Share Capital | Share Premium | Capital Reserve from the Translation of Financial Statements for Foreign Activity | Capital Reserve for Employee Options and Other Capital Reserves | Company Shares held by the Group | Retained Earnings | Total attributed to Company Shareholders | Non-Controlling Interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as of July 1, 2022** | 192,477 | 2,529,299 | (492,337) | 327,856 | (589) | 5,464,004 | 8,020,710 | 5,384,541 | 13,405,251 |
| **Total comprehensive income for period** | - | - | (93,252) | 16,962 | - | (101,978) | (178,268) | 53,774 | (124,494) |
| Dividend paid to Company shareholders | - | - | - | - | - | (55,809) | (55,809) | - | (55,809) |
| Dividends paid to non-controlling interests in a consolidated company | - | - | - | - | - | - | - | (72,204) | (72,204) |
| Issuance of capital | 5,319 | 265,863 | - | - | - | - | 271,182 | - | 271,182 |
| Acquisition of shares from non-controlling interests in a consolidated company | - | - | - | (3,867) | - | - | (3,867) | (3,793) | (7,660) |
| Issuance of capital in consolidated companies | - | - | - | 130,497 | - | - | 130,497 | 236,631 | 367,128 |
| Allocation of benefit in respect of options to employees and others | - | - | - | 854 | - | - | 854 | 7,053 | 7,907 |
| **Balance as of September 30, 2022** | 197,796 | 2,795,162 | (585,589) | 472,302 | (589) | 5,306,217 | 8,185,299 | 5,606,002 | 13,791,301 |

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

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

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

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

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

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

**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 the Translation of Financial Statements for Foreign Activity | Capital Reserve for Employee Options and Other Capital Reserves | Company Shares held by the Group | Retained Earnings | Total 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) |
| Dividend paid to non-controlling interests in consolidated companies | - | - | - | - | - | - | - | (224,722) | (224,722) |
| Exercise of employee options | 1,180 | 41,796 | - | (4,534) | - | - | 38,442 | - | 38,442 |
| Allocation of benefit in respect of options to employees and officers | - | - | - | 3,391 | - | - | 3,391 | 20,470 | 23,861 |
| Issuance 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 Nine-Month Period ended September 30 | | For the Three-Month Period ended September 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 | 568,739 | 691,778 | 12,023 | 115,724 | 2,033,492 |
| Net income (expenses) not entailing cash flows (Appendix A) | 248,240 | (307,779) | 286,796 | 6,682 | (1,461,695) |
| | 816,979 | 383,999 | 298,819 | 122,406 | 571,798 |
| Changes in working capital (Appendix B) | (548,243) | 97,600 | (50,218) | 50,101 | 94,528 |
| **Net cash provided by operating activities** | 268,736 | 481,599 | 248,601 | 172,507 | 666,326 |
| **Cash flows - Investing activities** | | | | | |
| Investment in fixed assets and investment property (including investment property in development) | (1,016,636) | (3,293,358) | (567,027) | (2,390,035) | (3,454,930) |
| Investment in electricity-generating facilities | (856,840) | (760,763) | (242,699) | (325,736) | (1,193,824) |
| Investment in associates | (242,839) | (77,684) | (26,723) | (21,484) | (81,109) |
| Decrease (increase) in pledged deposit and restricted cash | (5,900) | 332 | (2,203) | - | (5,465) |
| Repayment of loans provided to associates, net | 111,986 | 3,600 | 400 | 888 | 6,981 |
| Repayment (provision) of loans to others | 13,730 | (95,084) | - | - | (95,084) |
| Decrease in deposits and tradable securities, net | - | 95,054 | - | - | 95,054 |
| Cash from forward transactions and options designated for hedging | 111,646 | 89,407 | 40,224 | 34,704 | 116,763 |
| Proceeds from sale of consolidated partnership (Appendix F) | - | 6,644 | - | - | 6,644 |
| Proceeds from the realization of long-term securities and securities held for sale, net of tax, including tax refund | 20,000 | - | - | - | 210,873 |
| Proceeds from the realization of investment in associates | 25,353 | 210,873 | - | (9,113) | - |
| Investment in investment property funds | (4,418) | (16,361) | (4,418) | (16,361) | (26,205) |
| Acquisition of consolidated companies (Appendix E) | - | (133,388) | - | (133,388) | (120,828) |
| Others | 429 | 259 | 143 | 95 | 259 |
| **Net cash used in investing activities** | (1,843,489) | (3,970,469) | (802,303) | (2,860,430) | (4,540,871) |
| **Cash flows – Financing activities** | | | | | |
| Proceeds from the Group's issue of bonds, net | 1,688,126 | 856,743 | 533,185 | - | 2,263,146 |
| Repayment of bonds | (1,178,153) | (879,932) | (476,560) | (421,823) | (881,405) |
| Receipt of long-term loans, less capital raising expenses paid | 178,208 | 1,233,976 | (3,812) | 775,115 | 2,137,581 |
| Repayment of long-term loans | (334,753) | (43,356) | (310,968) | (17,149) | (589,484) |
| Proceeds from the issue of shares and options | 294,672 | 26,413 | 271,182 | 1,239 | 28,577 |
| Proceeds from the issue of shares and options to non-controlling interests in consolidated companies | 1,538,299 | 474,229 | 369,971 | 431,277 | 483,767 |
| Acquisition of shares and options from non-controlling interests in consolidated companies, net | (37,977) | (9,833) | (2,699) | - | (9,833) |
| Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks | 59,745 | 589,631 | (33,535) | 690,153 | (91,628) |
| Dividend paid to Company shareholders | (240,634) | (192,372) | (55,809) | (53,844) | (246,223) |
| Dividend paid to non-controlling interests in consolidated companies | (281,527) | (163,899) | (72,199) | (57,163) | (224,722) |
| **Net cash provided by financing activities** | 1,686,006 | 1,891,600 | 218,756 | 1,347,805 | 2,869,776 |
| **Increase (decrease) in cash and cash equivalents** | 111,253 | (1,597,270) | (334,946) | (1,340,118) | (1,004,769) |
| **Cash and cash equivalents at beginning of period** | 1,163,289 | 2,214,781 | 1,615,636 | 1,962,185 | 2,214,781 |
| **Balance of designated deposit at beginning of period** | 30,443 | - | 34,037 | - | - |
| **Effect of changes in exchange rates on foreign currency cash balances** | 5,937 | (4,470) | (3,805) | (9,026) | (16,280) |
| **Cash and cash equivalents and designated deposit at end of period** | 1,310,922 | 613,041 | 1,310,922 | 613,041 | 1,193,732 |
| **Less - Balance of designated deposit at end of period** | 34,670 | - | 34,670 | - | 30,443 |
| **Total cash and cash equivalents** | 1,276,252 | 613,041 | 1,276,252 | 613,041 | 1,163,289 |

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

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|
| | 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 operating activities** | | | | | |
| **a. Expenses (income) not entailing cash flows:** | | | | | |
| Fair value adjustment of investment property and profit from its sale | (506,941) | (349,134) | (50,078) | 82,215 | (1,715,469) |
| Profits (losses) from changes in holding rates and from realization of investments in investees, net | (20,877) | (17,437) | 460 | 63 | (17,396) |
| Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances | 356,202 | 56,968 | 83,037 | 20,262 | 111,573 |
| Loss (profit) from fair value adjustment of financial assets at fair value through profit and loss | 2,339 | (56,442) | 9,351 | (36,513) | (47,319) |
| Company share in results of associates, less dividends and capital reductions received | 321,546 | (136,511) | 237,096 | (61,213) | (126,820) |
| Profit from revaluation of tradable securities | - | (5,358) | - | - | (5,358) |
| Deferred taxes, net | (3,615) | 120,124 | (30,294) | (26,043) | 230,640 |
| Depreciation and amortizations | 81,268 | 62,983 | 30,932 | 22,755 | 84,947 |
| Allocation of benefit in respect of share-based payment | 17,897 | 16,932 | 6,061 | 5,116 | 22,405 |
| Miscellaneous, net | 421 | 96 | 231 | 40 | 1,102 |
| | 248,240 | (307,779) | 286,796 | 6,682 | (1,461,695) |
| **b. Changes in asset and liability items (changes in working capital):** | | | | | |
| Decrease (increase) in trade receivables and in other receivables | (136,363) | 17,410 | (65,546) | 3,155 | 2,216 |
| Decrease (increase) in current tax assets, net | (50,633) | 2,008 | (6,880) | (2,860) | (5,332) |
| Increase in payables and credit balances | 19,911 | 61,381 | 30,518 | 29,141 | 83,088 |
| Increase (decrease) in current tax liabilities, net | (375,411) | 16,801 | (8,310) | 20,665 | 47,875 |
| Purchase of CAP options | (5,747) | - | - | - | (33,319) |
| | (548,243) | 97,600 | (50,218) | 50,101 | 94,528 |
| **c. Non-cash activity** | | | | | |
| Exercise of employee options against receivables | - | 4,793 | - | 4,793 | 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 | 46,050 | 49,272 | - | 3,762 | 112,925 |
| Investment in real estate and fixed assets against other accounts payable | 15,555 | 76,961 | 11,364 | 47,569 | 57,657 |

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 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 | 317,975 | 301,096 | 116,186 | 121,718 | 343,157 |
| Interest received | 7,914 | 2,604 | 4,294 | 789 | 8,453 |
| Taxes paid (*) | 415,014 | 78,283 | 11,450 | 13,749 | 93,153 |
| Taxes received (**) | 22,831 | 24,266 | (43) | 302 | 24,398 |
| Dividend and capital reductions received | 43,596 | 28,019 | 7,004 | 9,405 | 48,545 |

(*) The taxes paid in the nine-month period ended September 30, 2022 include a payment in the amount of NIS 362 million, which is a payment 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 paid in the nine-month period ended September 30, 2021 and in the year 2021 include the payment of taxes in the amount of NIS 29 million, classified as an investing activity.
(**) The taxes received in the nine-month period ended September 30, 2022 include a tax refund classified as an investing activity.

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| **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 | - | 1,890 | 1,890 |
| Investment property | - | 45,457 | - | 45,457 | 45,457 |
| Working capital | - | (273) | - | (273) | (273) |
| | - | 47,074 | - | 47,074 | 47,074 |
| Net cash flow | | | | | |
| Total consideration | - | 47,074 | - | 47,074 | 47,074 |
| Less - deferred consideration | - | (1,364) | - | (1,364) | (1,364) |
| Less consolidated cash and cash equivalents | - | (1,890) | - | (1,890) | (1,890) |
| | - | 43,820 | - | 43,820 | 43,820 |
| **2. Acquisition of NCRE (See Note 8.c 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) | - | 2,038 | - | 2,038 | 2,431 |
| Projects in initiation | - | 74,772 | - | 74,772 | 74,772 |
| Inventory of projects for third parties | - | 48,434 | - | 48,434 | - |
| Goodwill | - | 422 | - | 422 | 423 |
| | - | 125,666 | - | 125,666 | 77,626 |
| Net cash flow | | | | | |
| Total consideration | - | 125,666 | - | 125,666 | 77,626 |
| Less - Deferred consideration | - | (35,478) | - | (35,478) | - |
| Less consolidated cash and cash equivalents | - | (618) | - | (618) | (618) |
| | - | 89,570 | - | 89,570 | 77,008 |

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| | (Unaudited) | | (Unaudited) | | |
| **f. Sale of consolidated partnership** | | | | | |
| Working capital (including cash and cash equivalents) | - | 1,497 | - | - | 1,497 |
| Pledged deposit and restricted cash | - | 2,015 | - | - | 2,015 |
| Connected electricity-generating systems | - | 23,693 | - | - | 23,693 |
| Payables and credit balances | - | (220) | - | - | (220) |
| Long-term loans, including current maturities | - | (27,148) | - | - | (27,148) |
| Non-controlling interests | - | (4,395) | - | - | (4,395) |
| Net assets sold | - | (4,558) | - | - | (4,558) |
| Profit from realization of consolidated company | - | 12,363 | - | - | 12,363 |
| Total consideration | - | 7,805 | - | - | 7,805 |
| | | | | | |
| Net cash flow | | | | | |
| Total consideration | - | 7,805 | - | - | 7,805 |
| Less - cash and cash equivalents previously consolidated | - | (1,161) | - | - | (1,161) |
| | - | 6,644 | - | - | 6,644 |

**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 14.

These Condensed Consolidated Financial Statements (hereinafter - "**Interim Financial Statements**") have been prepared as of September 30, 2022 and for the nine- and three-month periods ended on that date. These statements should be reviewed within the context of the Company's Consolidated Annual Financial Statements as of December 31, 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, on valuations of external appraisers or on internal appraisals.

### b. Designated and restricted cash:

The Group classified part of the tax partner's investment in Energix, the use of which was restricted, as a designated deposit until one of the projects in Virginia 2 is connected to the grid.

Up to and including the financial statements as of June 30, 2022, the Group classified short-term deposits that can be withdrawn on demand, which are subject to restrictions as a result of the contractual obligation with third parties, as detailed above, as "pledged deposits" within the Group's current assets, according to the duration of the contractual obligation.

During the reporting period, the International Financial Reporting Interpretations Committee (IFRIC) published a final decision, according to which restrictions that apply to cash and deposits that can be withdrawn on demand, as a result of the aforementioned contractual obligations that apply to these balances and despite the fact that using cash for purposes other than those defined in the loan agreements entails a violation of the agreements - does not exclude these balances from the definition of "cash and cash equivalents" for the purpose of their presentation in the statement of financial position and for the purpose of their classification in the Company's statement of cash flows. Accordingly, starting with these financial statements, the Group classifies the deposits as mentioned, under the "designated deposits" item in the statement of financial position and in the Company's statement of cash flows.

Accordingly, the Group, by way of retroactive application, adjusted the comparison data in the statements of financial position and in the statements of cash flows, which are included in these financial statements and refer to previous periods, in order to retroactively reflect the effect of the change in the presentation method.

## Note 2 – Significant Accounting Policies (continued)

### c. Embedded derivatives:

Derivatives that are embedded in financial instruments or in any other host contract are separated from the host contract if the characteristics and economic risk are not closely related to the hosting contract's characteristics and economic risk, unless the hybrid instrument in its entirety (including the embedded derivative) is presented as a financial asset or a financial liability at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognized in profit or loss.

The Group does not separate a foreign currency derivative embedded in commercial agreements where the consideration is denominated in foreign currency, is not leveraged, does not include an option characteristic and is denominated in one of the following currencies:

A. The functional currency of any significant party to the agreement; or
B. The currency in which the price of the goods or services that are purchased or delivered is stated, routinely in commercial transactions around the world; or
C. A currency commonly used in contracts to buy or sell non-financial items in the economic environment in which the transaction occurs (for example, a relatively stable and liquid currency commonly used in local commercial transactions or in foreign trade).

The Group applied this accounting policy in relation to the agreement for the purchase of energy storage systems, and as noted above, an embedded foreign currency derivative was not separated.

### d. Exchange rates and linkage bases:

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

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

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

| | As of September 30 / for the Month of September | | As of December 31 / for the Month of December | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2021 | 2022 | 2021 | 2022 | 2021 | 2021 |
| | | | | % | % | % | % | % |
| **Consumer Price Index** | | | | | | | | |
| **(2000 base)** | | | | | | | | |
| **In Israel (in lieu CPI)** | 142.202 | 135.955 | 136.354 | 4.29 | 2.50 | 1.04 | 0.89 | 2.80 |
| **In Israel (known CPI)** | 141.936 | 135.690 | 135.956 | 4.40 | 2.20 | 1.23 | 0.79 | 2.40 |
| **Exchange Rate against the NIS** | | | | | | | | |
| **USD** | 3.543 | 3.229 | 3.110 | 13.92 | 0.44 | 1.23 | (0.95) | (3.27) |
| **GBP** | 3.962 | 4.340 | 4.203 | (5.73) | (1.18) | (6.45) | (3.94) | (4.30) |
| **Swiss Franc** | 3.629 | 3.447 | 3.405 | 6.58 | (0.06) | (0.60) | (0.02) | (6.71) |
| **PLN** | 0.720 | 0.890 | 0.760 | (5.26) | 4.22 | (7.22) | 4.09 | (10.49) |

## Note 2 – Significant Accounting Policies (continued)

### d. Seasonal factors:

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

## Note 3 – Amot (consolidated company)

### A. The Company's holdings in Amot:

The rate of the Company's holdings in Amot immediately prior to the publication of this report was 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), exercisable until December 22, 2022 (with an exercise price of NIS 25.51 per share). 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).

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

### 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 in the project - 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. 14,800 sq.m., which are expected to generate approx. NIS 15.1 million in revenue per year (Amot's share - 77.8%).

**2. Derech Hashalom 15, Tel Aviv:**
In August 2022, Amot acquired the full lease rights (49 years with an extention option for another 49 years) from the Tel Aviv municipality in a complex with an area of approx. 3.2 dunams at 15 Derech Hashalom St. in Tel Aviv, for the amount of approx. NIS 261 million plus VAT.

The complex is designated for residential, employment and commercial use and is located 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 4.b 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.

## Note 3 – Amot (consolidated company) (continued)

**4. ToHa2 project in Tel Aviv - negotiations for a lease transaction**

Further to Note 4.b to the annual financial statements, subsequent to the balance sheet date, in November 2022, the partners in the above-mentioned project engaged in a detailed letter of intent with an unrelated third party (the "**Letter of Intent**"), according to which the parties will act jointly during the coming months and in good faith in order to enter into a long-term and binding lease agreement, according to the principles established in the letter of intent, which will be subject to the approval of the authorized bodies of all parties.

The binding lease agreement, insofar as it is signed, will be for the lease of an area of approx. 55 thousand sq.m. with the addition of several hundred parking spaces (with an option to increase the leased area by an additional 20 thousand sq.m.), for a period of 10 years, which will begin in January 2027, after completion of the project, for rental fees, at an envelope level, in the amount of approx. NIS 105 million per year (of which Amot's share - 50%).

Amot's estimates regarding the signing of the aforementioned binding lease agreement and the timelines for the construction of the project are forward-looking information, as defined in the Securities Law, 1968.

### C. Management fee agreement with Amot:

Further to Note 6.c 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 adjustment of investment property

In the reporting period, Amot recorded a positive revaluation in its financial statements in the amount of NIS 545 million (NIS 527 million including Amot's share in the revaluation of associates) mainly due to the effect of the increase in the CPI in 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).

[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 4 – Brockton Everlast Inc. ("BE") (consolidated company) (continued)

### B. The Company's holdings in BE:

During the reporting period, the Company invested approx. GBP 37.3 million (approx. NIS 154 million) in BE's capital. Subsequent to the date of the report, in October 2022, the Company invested approx. GBP 84.5 million in BE's capital (approx. NIS 333 million) and following this investment, as of the date of publication of the report, the Company indirectly holds approx. 83.2% of the rights in BE.

### C. Transactions carried out by BE in the reporting period and subsequent to the balance sheet date:

- In September 2022, BE entered into an agreement for the purchase of three modern buildings with a rental area of approx. 278 thousand sq.ft. (approx. 26 thousand sq.m.), at the main entrance to the Cambridge Science Park, built on land with an area of 26 dunams[2] for a consideration of approx. GBP 180 million (approx. NIS 718 million)[3] (the "**Complex**"). The three buildings (the construction of one was completed in 2018 and the construction of two buildings was completed in 2021) meet the BREEAM EXCELLENT ESG standard, and are fully leased long-term to technology companies (an average rental duration of 9.7 years). The complex generates an annual NOI (after the deduction of lease fees) in the amount of GBP 9 million. Subsequent to the balance sheet date, in October 2022, the transaction was completed.
  For information regarding a loan that was converted by the sellers to BE and information regarding a bridging loan that was provided to BE by its shareholders, see Note 8 below.

- Subsequent to the balance sheet date, in October 2022, an arbitration procedure came to an end for updating rental fees (in accordance with the Rent Review mechanism) that began in June 2018, in one of BE's properties in central London (Waterside house).
  The new rental fees are in the amount of GBP 13 million (an increase of approx. 15%). In addition, in the fourth quarter of this year, BE will recognize revenue in the amount of GBP 6.4 million in respect of the period from the beginning of the procedure until the date of its conclusion (Back Rent).

  In June 2023, a new procedure for rental fee updates in accordance with the Rent Review - Upwards Only mechanism is expected to begin in that property.

## Note 5 – Energix (consolidated company)

### A. Company holdings in Energix:

The rate of the Company's holdings in Energix close to the date of publication of this report is 50.4% (46.38% fully diluted).

In January 2022, Energix issued 25.8 million ordinary shares, through a shelf offer report, for a total gross 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 purchased Energix shares for a consideration of NIS 35 million.

In August 2022, Energix completed a private placement to an institutional investor of 26 million of Energix's ordinary shares of NIS 0.01 PV (each), for the amount of approx. NIS 339 million.

### B. 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. 855 MW in projects in commercial operation, approx. 620 MW in projects in development or pre-construction and approx. 680 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.

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[2] The land is leased for a period of 200 years.

[3] Including the SWAP transaction to hedge the exposure to a change in the SONIA interest rate - see Note 8 below.

## Note 5 – Energix (consolidated company) (continued)

**United States:**
**Photovoltaic projects in the United States –**

1. **Adoption of a law to promote renewable energies** – In August 2022, the Inflation Reduction Act of 2022 entered into effect, which regulates, among other things, the provision of long-term economic incentives to promote climate and energy programs with an allocation of approx. USD 369 billion, including in Energix's areas of activity. The program includes, among other things: an extension of the eligibility for ITC tax benefits for another 10 years at a rate of 30% and the possibility of increasing the ITC tax benefit at an additional rate of up to 20% of the total construction costs, for renewable energy projects that meet the criteria as stipulated by law.

2. **Projects whose construction and connection to the grid have been completed - Virginia 2 Projects (142 MWp)** - Further to Note 7.d to the annual statements, as of the date of approval of the report, construction has been completed on 6 photovoltaic facilities (with a capacity of 142 MWp) and they have been connected to the grid. As of the reporting date, Energix has recognized assets in the amount of NIS 554 million in respect of these projects, which were recorded under the 'electricity-generating facilities' and 'electricity-generating facilities in development' items.

3. **Projects in development and pre-construction – Purchase of a development project with a capacity of approx. 104 MWp in Pennsylvania** - Further to Note 8.c 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 transaction was completed and ownership of the project was transferred to Energix for a total amount of approx. USD 3.6 million. 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 begin at the end of the fourth quarter of 2022.

4. **Projects in development and nearing construction – electricity sales agreements (hedging transactions) –** In the reporting period and until the date of approval of the report, Energix engaged in agreements for the sale of all the electricity and green certificates to be issued for the electricity generation (on an "as generated" basis) for all 5 projects in development and pre-construction with a capacity of 312 MWp. The engagement is with a final consumer and with a local electricity company for periods of 12, 15 and 25 years.

5. **Engagement with First Solar for the purchase of panels** – Further to Note 8.c 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.

**Poland:**
**Wind energy projects in Poland**

1. **General** – In view of the gas crisis and the high electricity prices in Europe, as well as the European Union's decision to adopt a ceiling for the electricity prices that certain electricity producers in the EU countries will receive, legislation was adopted in Poland, according to which, in relation to the period between December 1, 2022 and December 31, 2023, the sale of electricity will be subject to a price ceiling of: (1) PLN 295 per 1 MWh of electricity generated from wind energy and (2) PLN 355 per 1 MWh of electricity generated from photovoltaic facilities. It should be clarified that the aforementioned legislation does not apply to the sale of electricity as part of financial transactions, the sale under a tariff tender and the sale of green certificates.

2. **Update of Energix's electricity sale agreements at its wind farm in Poland from July 2022** – 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:

## Note 5 – Energix (consolidated company) (continued)

(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) Subsequent to the date of the report, the broker exercised an option he was given, with the amendment of the electricity sales agreement, 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 for the years 2025-2034, so that after the exercise of the option, the amount of the long-term price-fixing transactions in relation to the expected electricity generation of Banie 1+2 is 90% for the years 2025-2034.
The broker has another option, exercisable until the end of 2023, in relation to an additional capacity at a rate of 5% of Energix's total expected electricity generation from Energix's 5 wind farms in Poland.

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 part 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 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 | 72% | 797 |
| 2023 (***) | 73% | 800 |
| 2024 | 72% | 670 |

(*) Energix's wind farms which, on the date of approval of the report, are in commercial operation.
(**) Average price in PLN per 1 MWh, before adjustments to the actual production profile.

(***) The information in this table does not take into account the effect of the new legislation - see above.

For details regarding the electricity price-fixing transaction prior to the change in the agreement, see Note 7.e and Note 8.e to the annual financial statements.

3. **Projects in commercial operation:**

(A) **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 8.e 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. During the third quarter, permanent licenses were received for the generation of electricity for the two wind farms.

(B) **Completion of construction and the start of operation at the Banie 4 wind farm with a capacity of 56 MW** – Further to Note 8.e to the annual financial statements, in the reporting period, Energix, through a dedicated corporation in Poland that owns the wind farm, completed the construction of all 16 turbines at the wind farm and accordingly, they have started generating electricity, which is fed into the Polish electricity grid. In the near future, the wind farm is expected to receive a permanent license to generate electricity. Regarding the project's financing, see Note 8 below.

As of the reporting date, Energix has recognized assets in the amount of approx. NIS 725 million, which were recorded under 'connected electricity-generating systems' and 'systems in development and initiation'.

## Note 5 – Energix (consolidated company) (continued)

**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 and its construction is expected to be completed by thte end of 2022. As of the date of the report, Energix has recognized an asset in development in the amount of approx. NIS 16 million in respect of this project.

**Israel:**

**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 a third party. 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.

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 15 of the facilities (114 MWp).

3. **Julis Extra-High Voltage Project with a capacity of 90 MWp (in advanced initiation)**: Further to Note 8.a 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 advanced stage of a 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 it will establish under this procedure, combined with storage. As part of its preparations for the construction of the facilities, Energix entered into agreements for the purchase of the main equipmnet required for the projects, including 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 543 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.

**Wind energy projects in Israel**

**ARAN Project:**

Further to Note 8.b 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 and in October 2022, subsequent to the date of the report, Energix received approval from the Electricity Authority regarding the project's financial closure. The project has a guaranteed rate of 29.116 ag. per 1 KWh, למשך for 20 years, linked to the Consumer Price Index (the base CPI is June 2022).

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 8.b to the annual financial statements.

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

## Note 5 – Energix (consolidated company) (continued)

As of the date of the report, Energix has recognized the property in the amount of NIS 311 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) (continued)

### A. The Company's Holdings in Carr:

As of September 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 Properties Partnership as of September 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 September 30, 2022, is USD 1 billion (NIS 3.44 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's capital, which was used for the financing of the acquisition of the above redemption shares.

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

**300 East 2nd (previous name: Block 16)**

In February 2022, Carr signed a 99-year lease agreement for a land division 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 767 thousand sq.ft. and a construction budget of USD 570-580 million.

Due to the increase in construction costs and the increase in interest rates, Carr decided to postpone the construction of the tower to mid-2024 and therefore, its construction is expected to be completed in mid-2027.

Carr expects that the projected NOI cash flow in the first year in a state of stabilization, will amount to approx. USD 40-45 million (after deducting the lease fee).

With the start of construction, 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 being built in Boston under the name "One Congress" with 1 million sq.ft. of rental areas together with a partner (the "**Joint Venture**" and the "**Tower**", as the case may be). The tower is in advanced construction stages and it is expected to be completed in April 2023.

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

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

### 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 and as of September 30, 2022, 73% 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 adjustment of investment property

In the reporting period, Carr recorded a net negative revaluation in the amount of USD 184 million (Carr's share) in its financial statements, consisting of positive revaluations in the amount of USD 45 million in respect of projects in initiation and negative revaluations of USD 229 million in respect of income-generating properties. The negative revaluations of the properties in the reporting period resulted from the increase in the discount rate of the projected cash flow of the properties (the Group's share in the negative revaluation before tax is approx. USD 86 million (NIS 290 million)).

### E. The following is concise information regarding Carr:

| | For the Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | USD thousands | | | | |
| Revenues (not including real estate valuations) | 150,497 | 167,437 | 51,603 | 58,089 | 215,045 |
| Adjustment of investment property value (*) | (187,016) | 26,636 | (126,795) | 29,667 | (4,133) |
| Net profit (loss) from continuing activity | (127,871) | 49,553 | (107,056) | 45,591 | 35,266 |
| Other comprehensive income | 26,098 | 22,419 | 14,412 | 670 | 25,622 |
| Total comprehensive income (loss) (including minority share in profit (loss)) | (101,773) | 71,972 | (92,644) | 46,261 | 60,888 |
| Company share in Carr's net profit (loss) in USD thousands | (61,794) | 22,597 | (51,686) | 21,514 | 16,409 |
| Company share in Carr's comprehensive income (loss) in USD thousands | (50,658) | 32,838 | (45,134) | 21,787 | 28,025 |
| Company share in Carr's net profit (loss) in NIS thousands | (210,827) | 73,231 | (175,648) | 69,642 | 53,723 |
| Company share in Carr's comprehensive income (loss) in NIS thousands | (173,807) | 106,653 | (153,381) | 70,527 | 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.

| | As of September 30 | | As of December 31 |
|---|---|---|---|
| | 2022 | 2021 | 2021 |
| | USD thousands | | |
| Investment property | 2,390,331 | 2,378,349 | 2,403,873 |
| Property in development and land for development | 7,256 | 226,050 | 169,254 |
| Investment in investees | 730,093 | 678,021 | 705,632 |
| Other non-current assets | 196,323 | 136,247 | 147,411 |
| Other current assets | 63,959 | 49,272 | 53,940 |
| Total assets | 3,387,962 | 3,467,939 | 3,480,110 |
| Current liabilities | 252,667 | 193,333 | 200,620 |
| Non-current liabilities | 1,138,972 | 1,224,844 | 1,241,623 |
| Total liabilities | 1,391,639 | 1,418,177 | 1,442,243 |
| Equity attributed to shareholders | 1,857,044 | 1,903,800 | 1,893,706 |
| Non-controlling interests | 139,279 | 145,962 | 144,161 |
| Equity (including non-controlling interests) | 1,996,323 | 2,049,762 | 2,037,867 |
| Total liabilities and equity | 3,387,962 | 3,467,939 | 3,480,110 |
| Company share in net assets - in USD thousands | 971,858 | 966,471 | 961,347 |
| Book value of investment – in NIS thousands | 3,443,293 | 3,120,737 | 2,989,789 |

## Note 7 – The Company's Holdings in Boston (associates)

### 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 12 million (NIS 41 million) in two of the Boston partnerships and subsequent to the date of the report, the Company invested an additional amount of USD 3.3 million (approx. NIS 12 million) in those partnerships. The balance of the investment in the three Boston Partnerships in the financial statements as of September 30, 2022 is USD 238 million (approx. NIS 843 million).

Further to Note 6.i.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, which is expected to be completed at the end of the third quarter of 2023.
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 638 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 96.7 million (approx. NIS 342.5 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 69 million in respect of the three properties in Boston, which is mainly due to the increase in the discount rate of the projected cash flow of the properties (the Group's share in the aforementioned negative revaluation before tax is approx. USD 38 million (NIS 127 million)).

In the reporting period, the Group received dividends and returns of capital from the Boston Partnerships in the total amount of USD 12.3 million (approx. NIS 41.8 million).

## Note 8 – Loans from Banking Corporations and Financial Institutions

### The Company –

1. As detailed in Note 12.b.(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. Further to Note 12.b.(4) to the annual financial statements, in August 2022, an amendment to the credit facility agreement was signed to extend the credit facility by another year (that is, for utilization until September 29, 2023 and for final repayment until September 29, 2025). As part of the amendment, additional clauses were amended in an immaterial way.

3. The Company has credit facilities in the total amount of NIS 650 million. As of September 30 and close to the date of publication of the report, these facilities are unutilized.

### Energix (consolidated company) –

4. **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.

## Note 8 – Loans from Banking Corporations and Financial Institutions (continued)

5. **Financing for the construction of the wind farm in Poland - Banie 3 (82 MW) and Sepopol (44 MW)** - Further to Note 12.d.(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.

6. **Financing for the construction of the Banie Stage 4 wind farm in Poland with a capacity of 56 MW** – In March 2022, Energix entered into a financing agreement for the project's construction in the total amount of up to PLN 290 million (approx. NIS 215 million), of which Energix withdrew loans in the amount of approx. NIS 8 million in the reporting period. For additional information, see Note 12.d.(12) to the annual financial statements.

7. **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 CPI 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.

8. **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 372 million, of which a total of USD 26 million (approx. NIS 92 million) is from a banking corporation in the United States. From all the facilities, a total of approx. NIS 202 million is utilized.

### BE (consolidated company) –

9. **Early repayment of a loan** - During the reporting period, BE initiated the early repayment of a loan in the amount of approx. GBP 64 million (approx. NIS 262 million).

10. **Loan in respect of buildings 1 and 2 in the Cambridge Science Park** - Further to Note 4.c above, as part of its engagement for the purchase of buildings 1 and 2 (through the purchase of the company that owns the aforementioned properties), a loan in the amount of GBP 65 million, which was originally provided to the seller, was indirectly assigned to BE. The loan bears SONIA interest plus an annual margin of 2%. The loan principal will be repaid in one payment in November 2026. In addition, a SWAP transaction was assigned in favor of BE (indirectly) to hedge the exposure to a SONIA interest rate increase, so that the annual interest rate for the loan is 3.17%.

11. **Bridging loan of the shareholders** - Further to Note 4.c above, in October 2022, BE entered into an agreement with the Company and another shareholder (Menora) to receive a short-term bridging loan in a total amount of approx. GBP 21 million (of which the Company provided approx. GBP 18 million) at an annual interest rate of 8.3%. BE is working to obtain a loan from a financial institution, to finance the purchase of the remainder of the complex, and upon receipt, the aforementioned bridging loan will be repaid.

## 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%.

## Note 9 – Bond Raising (continued)

(2) In September 2022, the Company issued, through a shelf offering report, by way of an initial public offering:

A. NIS 290,176,000 PV of bonds (Series M), in consideration for their par value, and at an interest rate of 4.94% (without immaterial issuance costs). The NIS bonds (Series M) are not linked (principal and interest) to any index or currency.

B. NIS 248,542,000 PV of bonds (Series O), in consideration for their par value, and at an interest rate of 2.56% (without immaterial issuance costs). The bonds (Series O) are linked to the CPI in lieu of the month of July 2022.

The bonds (Series M) and the bonds (Series O), are payable in ten equal payments at a rate of 10% each payment on February 28 of each of the years 2028 to 2037 (inclusive). The interest for the bonds (Series M) and the bonds (Series O) will be paid once a year on February 28 of each of the years 2023 to 2037 (inclusive).

The bonds (Series M) and the bonds (Series O) include financial covenants and other accepted conditions for their immediate repayment, which are essentially similar to the conditions detailed in Section E of Note 12 to the annual financial statement.
The bonds (Series M) and the bonds (Series O) include mechanisms for updating interest rates if the Company's rating is lower than A or in the event that the Company fails to comply with financial covenants.

(3) As of September 30, 2022, the Company's bonds amount to approx. NIS 4,835,162 thousand, of which NIS 559,881 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 3.a.

## Note 10 – Transactions with Related Parties

Further to Note 18.d 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 by law 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 – Equity

In September 2022, the Company issued 5,318,800 ordinary shares of NIS 1 PV in consideration for the total gross amount of approx. NIS 276 million, through a shelf offer report. In this context, Mr. Nathan Hetz, an interested party, director and CEO of the Company, purchased 600,000 ordinary shares for a total amount of NIS 31 million.

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

### A. Dividend distributed and dividend declared

**The Company** – In March 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.

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

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 and August 2022 the Company declared the distribution of dividends for Q2/2022 and Q3/2022 (respectively) in the amount of NIS 0.31 per share (NIS 54 million) and NIS 0.32 per share (NIS 56 million), respectively, which were paid in June and September 2022, respectively.

In November 2022, the Company announced a dividend distribution for Q4/2022 in the amount of NIS 0.32 per share (NIS 57.5 million), to be paid in December 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, Amot announced in March, May and August, 2022 that it would be distributing a dividend for Q1/2022, Q2/2022 and Q3/2022 (respectively) in the amount of NIS 0.26 per share, for each quarter (for Q1 and Q2) and NIS 0.27 per share for Q3. 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 522 million (the Company's share – approx. NIS 281 million).

In November 2022, Amot declared that it would distribute a dividend for Q4/2022 in the amount of NIS 0.27 per share (approx. NIS 127 million, the Company's share – approx. NIS 680 million), to be paid in December 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, Energix announced that in March, May and August 2022, it would distribute a dividend for Q1, Q2 and Q3/2022 in the amount of NIS 0.5 per share for each quarter. The total dividend paid by Energix in the reporting period is approx. NIS 79 million (the Company's share – approx. NIS 41 million).

In November 2022, Energix declared that it would distribute a dividend for Q4/2022 in the amount of NIS 0.5 per share (approx. NIS 27 million, the Company's share – approx. NIS 14 million), to be paid in December 2022.

**BE (consolidated company) –**In February 2022, BE announced the distribution of 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 February 2022.

### 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 16.e to the annual financial statements.

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

| | |
|---|---|
| Share price (in NIS) | 56.08 |
| Exercise price (in NIS) | 58.32 |
| Weighted expected volatility | 34.598% |
| Lifespan of options (in years) | 3 |
| Risk-free interest rate | 1.43% |

## Note 13 – Financial Instruments

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

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

| | As of September 30, 2022 | | As of September 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) | 3,408,524 | 3,178,241 | 1,322,768 | 1,447,653 | 1,806,730 | 1,887,071 |
| Bonds (including maturities) | 13,462,455 | 12,942,596 | 11,255,145 | 12,116,385 | 12,654,709 | 13,721,308 |
| | 16,870,979 | 16,120,837 | 12,577,913 | 13,564,038 | 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 and CAP options on the interest.

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

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

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

## Note 13 – 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 September 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 | - | 67,903 | - | 67,903 |
| Financial derivatives (forward contract for foreign currency swap) designated for hedging | - | 126,572 | - | 126,572 |
| Financial derivatives (CAP options for hedging the exposure to variable interest) | - | 186,449 | - | 186,449 |
| Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging | - | 31,512 | - | 31,512 |
| Financial assets measured at fair value through profit and loss: | | | | |
| Tradable securities | 28 | - | - | 28 |
| Real estate investment funds (1) | - | - | 208,563 | 208,563 |
| | 28 | 425,017 | 208,563 | 633,608 |
| **Financial liabilities at fair value** | | | | |
| Derivatives: | | | | |
| Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging | - | (194,373) | - | (194,373) |
| Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1) | - | - | (231,361) | (231,361) |
| Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging | - | (34,797) | - | (34,797) |
| Financial derivatives (forward contract for foreign currency swap) designated for hedging | - | (251,162) | - | (251,162) |
| | - | (480,332) | (231,361) | (711,693) |

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

| | For the Nine-Month Period ended September 30, 2022 |
|---|---|
| | NIS thousands |
| **Balance as of January 1, 2022** | 143,802 |
| Investments | 4,418 |
| Amounts recorded to profit and loss in the period | (3,656) |
| Amounts recorded to other comprehensive income in the period | (167,362) |
| **Balance as of September 30, 2022** | (22,798) |

## Note 13 – Financial Instruments (continued)

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

| | As of September 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 | - | 20,474 | - | 20,474 |
| Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging | - | 5,250 | - | 5,250 |
| Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging | - | 25,807 | - | 25,807 |
| Financial derivatives (forward contract for foreign currency swap) designated for hedging | - | 131,957 | - | 131,957 |
| Financial derivatives (CAP options for hedging interest) | - | 2,546 | - | 2,546 |
| Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging | - | 2,567 | - | 2,567 |
| Financial assets measured at fair value through profit and loss: | | | | 0 |
| Tradable securities | 298 | - | - | 298 |
| Real estate investment funds (1) | - | - | 210,421 | 210,421 |
| | 298 | 188,601 | 210,421 | 399,320 |
| Financial liabilities at fair value | | | | |
| Derivatives: | | | | |
| Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging | - | (106,299) | - | (106,299) |
| Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging | - | (838) | - | (838) |
| Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1) | - | - | (57,242) | (57,242) |
| Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging | - | (931) | - | (931) |
| Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging | - | - | - | - |
| Financial derivatives (forward contract for foreign currency swap) designated for hedging | - | (12,770) | - | (12,770) |
| Financial liabilities measured at fair value through profit and loss | - | - | (1,386) | (1,386) |
| | - | (120,838) | (58,628) | (179,466) |

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

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

## Note 13 – 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 and 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 (1) | - | - | (65,773) | (65,773) |
| Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging | - | - | - | - |
| Financial derivatives (forward contract for foreign currency swap) designated for hedging | - | (1,077) | - | (1,077) |
| | - | (133,261) | (65,773) | (199,034) |

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

| | For the Year ended December 31, 2021 |
|---|---|
| | NIS thousands |
| **Balance as of January 1, 2021** | 156,856 |
| Investments | 26,205 |
| Amounts recorded to profit and 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 13 – 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 Nine-Month Period ended September 30 | | For the Three-Month Period ended September 30 | | For the Year ended December 31 |
|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2021 |
| | NIS millions | NIS millions | NIS millions | NIS millions | NIS millions |
| Investment in Carr | 454 | 116 | (117) | 40 | (15) |
| Investment in Boston | 15 | 77 | (36) | (5) | 50 |

- Investment in Carr – The increase in the balance of the investment in the nine-month period ended September 30, 2022 was due mainly to an increase in the USD exchange rate (an increase of approx. NIS 423 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 174 million).

- Investment in Boston – The increase in the investment balance in the nine-month period ended September 30, 2022 was resulted mainly from an increase in the USD exchange rate (an increase of approx. NIS 112 million) due to an investment in the amount of approx. NIS 41 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 42 million and due to accumulated equity losses in the amount of NIS 96 million.

## Note 14 – 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 14 – Operating Segments (continued)

**Segment revenues and results**

| | For the Nine-Month Period ended September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | Income-Generating Property Segment | Income-Generating Property Segment | Income-Generating Property Segment | Energy Segment | 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 share in profits (losses) of investees, net | 374,051 | (210,827) | 64,024 | (96,246) | 69,006 | - | (491,519) | (291,511) |
| Net profits (losses) from investments in securities measured at fair value through profit and loss | - | - | - | 1,261 | - | (116) | 4,125 | 5,270 |
| Profit from decrease in rate of holding, from acquisition and realization of associates | - | 2,779 | - | - | - | - | 18,098 | 20,877 |
| Other revenues, net (*) | 7,925 | - | - | 394 | 5,628 | - | 1,700,671 | 1,714,618 |
| | 381,976 | (208,048) | 64,024 | (94,591) | 74,634 | (116) | 1,231,375 | 1,449,254 |
| Administrative and general | - | - | - | - | - | 25,043 | 104,658 | 129,701 |
| Financing expenses, net | - | - | - | - | - | 99,841 | 429,979 | 529,820 |
| Other expenses, net (*) | - | - | - | - | - | - | 232,680 | 232,680 |
| | - | - | - | - | - | 124,884 | 767,317 | 892,201 |
| **Profit before tax** | 381,976 | (208,048) | 64,024 | (94,591) | 74,634 | (125,000) | 464,058 | 557,053 |
| **Additional information regarding segment results:** | | | | | | | | |
| Revenues (in the investee's books) including revaluation profits (losses) | 1,287,029 | (133,767) | 99,912 | | 331,941 | | | |
| Revaluation profits (losses) (in the investee's books), before tax (**) | 527,130 | (633,014) | (17,659) | | - | | | |
| Net profit (loss) (in the investee's books) | 695,466 | (436,339) | 75,365 | | 130,527 | | | |
| Company share in net profits (loss) | 374,051 | (210,827) | 64,024 | | 69,006 | | | |

For additional information regarding Carr's concise financial information, see Note 6.e 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 14 – Operating Segments (continued)

**Segment revenues and results**

| | For the Three-Month Period ended September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | | | | Energy Segment | Unattributed Results | Adjustments | Total |
| | Amot | Carr | BE | Others | Energix | | | |
| | NIS thousands | | | | | | | |
| Group share in profits (losses) of investees, net | 104,771 | (175,648) | 3,742 | (64,440) | 24,988 | - | (127,206) | (233,793) |
| Net losses from investments in securities measured at fair value through profit and loss | - | - | - | (1,315) | - | (44) | 1,292 | (67) |
| Loss from decrease in rate of holdings in investees | - | (460) | - | - | - | - | - | (460) |
| Other revenues, net (*) | 2,644 | - | - | - | 2,099 | - | 476,655 | 481,398 |
| | 107,415 | (176,108) | 3,742 | (65,755) | 27,087 | (44) | 350,741 | 247,078 |
| Administrative and general | - | - | - | - | - | 8,758 | 35,373 | 44,131 |
| Financing expenses, net | - | - | - | - | - | 37,818 | 98,210 | 136,028 |
| Other expenses, net (*) | - | - | - | - | - | - | 83,984 | 83,984 |
| | - | - | - | - | - | 46,576 | 217,567 | 264,143 |
| **Loss before tax** | 107,415 | (176,108) | 3,742 | (65,755) | 27,087 | (46,620) | 133,174 | (17,065) |
| **Additional information regarding segment results:** | | | | | | | | |
| Revenues (in the investee's books) including revaluation profits (losses) | 364,264 | (255,522) | (10,953) | | 129,441 | | | |
| Revaluation profits (losses) (in the investee's books), before tax (**) | 98,557 | (430,884) | (47,763) | | - | | | |
| Net profit (loss) (in the investee's books) | 195,355 | (363,808) | 4,522 | | 48,284 | | | |
| Company share in net profits (loss) | 104,771 | (175,648) | 3,742 | | 24,988 | | | |

For additional information regarding Carr's concise financial information, see Note 6.e 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 14 – Operating Segments (continued)

**Segment assets and liabilities:**

| | As of September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | | | | Energy Segment | Unattributed Assets and Liabilities | Adjustments | Total |
| | Amot | Carr | BE | Others | Energix | | | |
| | NIS thousands | | | | | | | |
| **Assets:** | | | | | | | | |
| Investment in investees | 4,510,049 | 3,443,293 | 2,856,256 | 843,410 | 1,073,284 | 15,646 | (7,963,128) | 4,778,810 |
| Investment in securities measured at fair value through profit and loss | - | - | - | 155,266 | - | 28 | 53,297 | 208,591 |
| Other assets | - | - | 28,733 | - | - | 608,742 | 28,909,332 | 29,546,807 |
| | 4,510,049 | 3,443,293 | 2,884,989 | 998,676 | 1,073,284 | 624,416 | 20,999,501 | 34,534,208 |
| **Liabilities** | - | - | - | - | - | 5,349,408 | 15,393,499 | 20,742,907 |

## Note 14 – Operating Segments (continued)

**Segment revenues and results**

| | For the Nine-Month Period ended September 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | | | | Energy Segment | Unattributed Results | Adjustments | Total |
| | Amot | Carr | BE | Others | Energix | | | |
| | NIS thousands | | | | | | | |
| Group share in investees' profits, net | 177,275 | 73,231 | 343,278 | 58,686 | 30,083 | - | (561,124) | 121,429 |
| Net profit from investments in securities measured at fair value through profit and loss | - | - | - | 33,708 | - | 15,987 | (797) | 48,898 |
| Profit from decrease in rate of holding, from acquisition and realization of associates | - | 168 | - | 4,907 | - | - | 12,362 | 17,437 |
| Other revenues, net (*) | 6,827 | - | - | - | 4,210 | 4,278 | 1,242,998 | 1,258,313 |
| | 184,102 | 73,399 | 343,278 | 97,301 | 34,293 | 20,265 | 693,439 | 1,446,077 |
| Administrative and general | - | - | - | - | - | 26,982 | 77,781 | 104,763 |
| Financing expenses, net | - | - | - | - | - | 72,399 | 240,854 | 313,253 |
| Other expenses, net (*) | - | - | - | - | - | - | 161,997 | 161,997 |
| | - | - | - | - | - | 99,381 | 480,632 | 580,013 |
| **Profit before tax** | 184,102 | 73,399 | 343,278 | 97,301 | 34,293 | (79,116) | 212,807 | 866,064 |
| **Additional information regarding segment results:** | | | | | | | | |
| Revenues (in the investee's books) including revaluation profits | 628,427 | 631,351 | 441,212 | | 190,508 | | | |
| Revaluation profits (in the investee's books), before tax (**) | 21,082 | 86,172 | 328,885 | | - | | | |
| Net profit (in the investee's books) | 313,802 | 160,626 | 353,938 | | 56,547 | | | |
| Company share in net profits | 177,275 | 73,231 | 343,278 | | 30,083 | | | |

For additional information regarding Carr's concise financial information, see Note 6.e 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 14 – Operating Segments (continued)

**Segment revenues and results**

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

For additional information regarding Carr's concise financial information, see Note 6.e 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 14 – Operating Segments (continued)

**Segment assets and liabilities:**

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

## Note 14 – Operating Segments (continued)

### Segment revenues and results

| | For the Year ended December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | | | | Energy Segment | 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 and 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 regarding 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 6.e 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 14 – Operating Segments (continued)

**Segment assets and liabilities:**

| | As of December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property Segment | | | | Energy Segment | Unattributed Assets and Liabilities | Adjustments | Total |
| | Amot | Carr | BE | Others | Energix | | | |
| | NIS thousands | | | | | | | |
| **Assets:** | | | | | | | | |
| Investment in investees | 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 and 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 14 – Operating Segments (continued)

Geographical information:

| | For the Nine-Month Period ended September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA | The UK | Israel | Poland | USA | Others and Unassigned Expenses | Total |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Revenues and profits** | | | | | | | | |
| Revenues from rental fees and management of investment property | 757,922 | - | 117,571 | - | - | - | - | 875,493 |
| Fair value adjustment of investment property | 524,600 | - | (17,659) | - | - | - | - | 506,941 |
| Group share in profits (losses) of associates, net | 18,750 | (307,020) | (3,241) | - | - | - | - | (291,511) |
| Revenues from sale of electricity and green certificates | - | - | - | 103,627 | 192,948 | 34,304 | - | 330,879 |
| Other | (151) | 2,780 | 5,780 | 19,200 | (41) | - | (116) | 27,452 |
| | 1,301,121 | (304,240) | 102,451 | 122,827 | 192,907 | 34,304 | (116) | 1,449,254 |
| **Costs and expenses** | | | | | | | | |
| Cost of investment property rental and operation | 96,503 | - | 11,376 | - | - | - | - | 107,879 |
| Development, maintenance and operation costs of electricity-generating facilities | - | - | - | 17,352 | 19,505 | 6,676 | - | 43,533 |
| Depreciation and amortizations | 2,286 | - | 1,522 | 37,553 | 18,258 | 18,361 | 3,288 | 81,268 |
| | 98,789 | - | 12,898 | 54,905 | 37,763 | 25,037 | 3,288 | 232,680 |
| **Administrative and general expenses** | | | | | | | 129,701 | 129,701 |
| **Profit before financing** | 1,202,332 | (304,240) | 89,553 | 67,922 | 155,144 | 9,267 | (133,105) | 1,086,873 |

## Note 14 – Operating Segments (continued)

### Geographical information:

| | For the Three-Month Period ended September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA | The UK | Israel | Poland | USA | Others and Unassigned Expenses | Total |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Revenues and profits** | | | | | | | | |
| Revenues from rental fees and management of investment property | 265,129 | - | 36,811 | - | - | - | - | 301,940 |
| Fair value adjustment of investment property | 97,842 | - | (47,764) | - | - | - | - | 50,078 |
| Group share in profits (losses) of associates, net | 7,293 | (240,036) | (1,050) | - | - | - | - | (233,793) |
| Revenues from sale of electricity and green certificates | - | - | - | 40,178 | 75,884 | 12,943 | - | 129,005 |
| Other | (62) | (460) | (22) | 507 | (70) | - | (45) | (152) |
| | 370,202 | (240,496) | (12,025) - | 40,685 | 75,814 | 12,943 | (45) | 247,078 |
| **Costs and expenses** | | | | | | | | |
| Cost of investment property rental and operation | 34,341 | - | 1,988 | - | - | - | - | 36,329 |
| Development, maintenance and operation costs of electricity-generating facilities | - | - | - | 6,569 | 7,192 | 2,962 | - | 16,723 |
| Depreciation and amortizations | 735 | - | 488 | 14,654 | 6,931 | 6,633 | 1,491 | 30,932 |
| | 35,076 | - | 2,476 | 21,223 | 14,123 | 9,595 | 1,491 | 83,984 |
| **Administrative and general expenses** | | | | | | | 44,131 | 44,131 |
| **Profit before financing** | 335,126 | (240,496) | (14,501) | 19,462 | 61,691 | 3,348 | (45,667) | 118,963 |

## Note 14 – Operating Segments (continued)

Geographical information:

| | As of September 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA (*) | The UK | Israel | Poland | USA | 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) | 17,703,454 | - | 4,661,976 | - | - | - | - | 22,365,430 |
| Investments in associates | 401,191 | 4,286,703 | 75,270 | - | - | - | 15,646 | 4,778,810 |
| Connected electricity-generating facilities | - | - | - | 906,615 | 965,841 | 792,194 | - | 2,664,650 |
| Electricity-generating facilities in development | - | - | - | 711,847 | 243,985 | 700,441 | - | 1,656,273 |
| Right-of-use asset | - | - | - | 144,354 | 98,662 | 65,094 | - | 308,110 |
| Securities measured at fair value through profit and loss (**) | - | - | 208,563 | - | - | - | 28 | 208,591 |
| | 18,104,645 | 4,286,703 | 4,945,809 | 1,762,816 | 1,308,488 | 1,557,729 | 15,674 | 31,981,864 |

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,443,293 thousand and for an investment in Boston in the amount of NIS 843,410 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 14 – Operating Segments (continued)

Geographical information:

| | For the Nine-Month Period ended September 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA | The UK | Israel | Poland | USA | Others and Unassigned Expenses | Total |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Revenues and profits** | | | | | | | | |
| Revenues from rental fees and management of investment property | 604,064 | - | 112,327 | - | - | - | - | 716,391 |
| Fair value adjustment of investment property | 20,250 | - | 328,884 | - | - | - | - | 349,134 |
| Group share in profits (losses) of associates, net | 10,507 | 131,916 | (22,084) | 1,090 | - | - | - | 121,429 |
| Revenues from sale of electricity and green certificates | - | - | - | 90,238 | 80,259 | 19,002 | - | 189,499 |
| Other | (3,807) | 167 | 34,719 | 12,435 | 937 | - | 25,173 | 69,624 |
| | 631,014 | 132,083 | 453,846 | 103,763 | 81,196 | 19,002 | 25,173 | 1,446,077 |
| **Costs and expenses** | | | | | | | | |
| Cost of investment property rental and operation | 61,590 | - | 9,459 | - | - | - | - | 71,049 |
| Development, maintenance and operation costs of electricity-generating facilities | - | - | - | 11,980 | 12,745 | 3,240 | - | 27,965 |
| Depreciation and amortizations | 1,929 | - | 1,233 | 30,457 | 17,738 | 9,354 | 2,272 | 62,983 |
| | 63,519 | - | 10,692 | 42,437 | 30,483 | 12,594 | 2,272 | 161,997 |
| **Administrative and general expenses** | | | | | | | 104,763 | 104,763 |
| **Profit before financing** | 567,495 | 132,083 | 443,154 | 61,326 | 50,713 | 6,408 | (81,862) | 1,179,317 |

## Note 14 – Operating Segments (continued)

Geographical information:

| | For the Three-Month Period ended September 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA | The UK | Israel | Poland | USA | Others and Unassigned Expenses | Total |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Revenues and profits** | | | | | | | | |
| Revenues from rental fees and management of investment property | 212,988 | - | 39,940 | - | - | - | - | 252,928 |
| Fair value adjustment of investment property | (106,292) | - | 24,077 | - | - | - | - | (82,215) |
| Group share in profits (losses) of associates, net | 4,557 | 60,382 | (3,917) | 576 | - | - | - | 61,598 |
| Revenues from sale of electricity and green certificates | - | - | - | 32,908 | 24,153 | 8,269 | - | 65,330 |
| Other | (1,460) | (63) | 36,524 | (95) | 937 | - | (60) | 35,783 |
| | 109,793 | 60,319 | 96,624 | 33,389 | 25,090 | 8,269 | (60) | 333,424 |
| **Costs and expenses** | | | | | | | | |
| Cost of investment property rental and operation | 25,750 | - | 2,455 | - | - | - | - | 28,205 |
| Development, maintenance and operation costs of electricity-generating facilities | - | - | - | 4,718 | 4,094 | 1,827 | - | 10,639 |
| Depreciation and amortizations | 668 | - | 548 | 11,122 | 5,057 | 4,558 | 802 | 22,755 |
| | 26,418 | - | 3,003 | 15,840 | 9,151 | 6,385 | 802 | 61,599 |
| **Administrative and general expenses** | | | | | | | 29,013 | 29,013 |
| **Profit before financing** | 83,375 | 60,319 | 93,621 | 17,549 | 15,939 | 1,884 | (29,875) | 242,812 |

## Note 14 – Operating Segments (continued)

Geographical information:

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

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,120,737 thousand and for an investment in Boston in the amount of NIS 855,514 thousand.

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

## Note 14 – Operating Segments (continued)

Geographical information:

| | For the Period ended December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income-Generating Property | Income-Generating Property | Income-Generating Property | Energy | Energy | Energy | | |
| | Israel | USA | The UK | Israel | Poland | USA | Others and Unassigned Expenses | Total |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Revenues and profits** | | | | | | | | |
| Revenues from rental fees and management of investment property | 837,283 | - | 152,098 | - | - | - | - | 989,381 |
| Fair value adjustment of investment property | 740,014 | - | 975,455 | - | - | - | - | 1,715,469 |
| Group share in profits (losses) of associates, net | 18,096 | 128,967 | (23,422) | 1,320 | - | - | 1,758 | 126,719 |
| Revenues from sale of electricity and green certificates | - | - | - | 111,567 | 123,173 | 26,096 | - | 260,836 |
| Other | (3,613) | 123 | 29,797 | 12,584 | 5,569 | - | 25,022 | 69,482 |
| | 1,591,780 | 129,090 | 1,133,928 | 125,471 | 128,742 | 26,096 | 26,780 | 3,161,887 |
| **Costs and expenses** | | | | | | | | |
| Cost of investment property rental and operation | 90,750 | - | 13,654 | - | - | - | - | 104,404 |
| Development, maintenance and operation costs of electricity-generating facilities | - | - | - | 16,833 | 18,229 | 4,185 | - | 39,247 |
| Depreciation and amortizations | 2,611 | - | 1,752 | 38,983 | 24,097 | 14,426 | 3,078 | 84,947 |
| | 93,361 | - | 15,406 | 55,816 | 42,326 | 18,611 | 3,078 | 228,598 |
| **Administrative and general expenses** | | | | | | | 172,369 | 172,369 |
| **Profit before financing** | 1,498,419 | 129,090 | 1,118,522 | 69,655 | 86,416 | 7,485 | (148,667) | 2,760,920 |

## Note 14 – Operating Segments (continued)

Geographical 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 and 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.

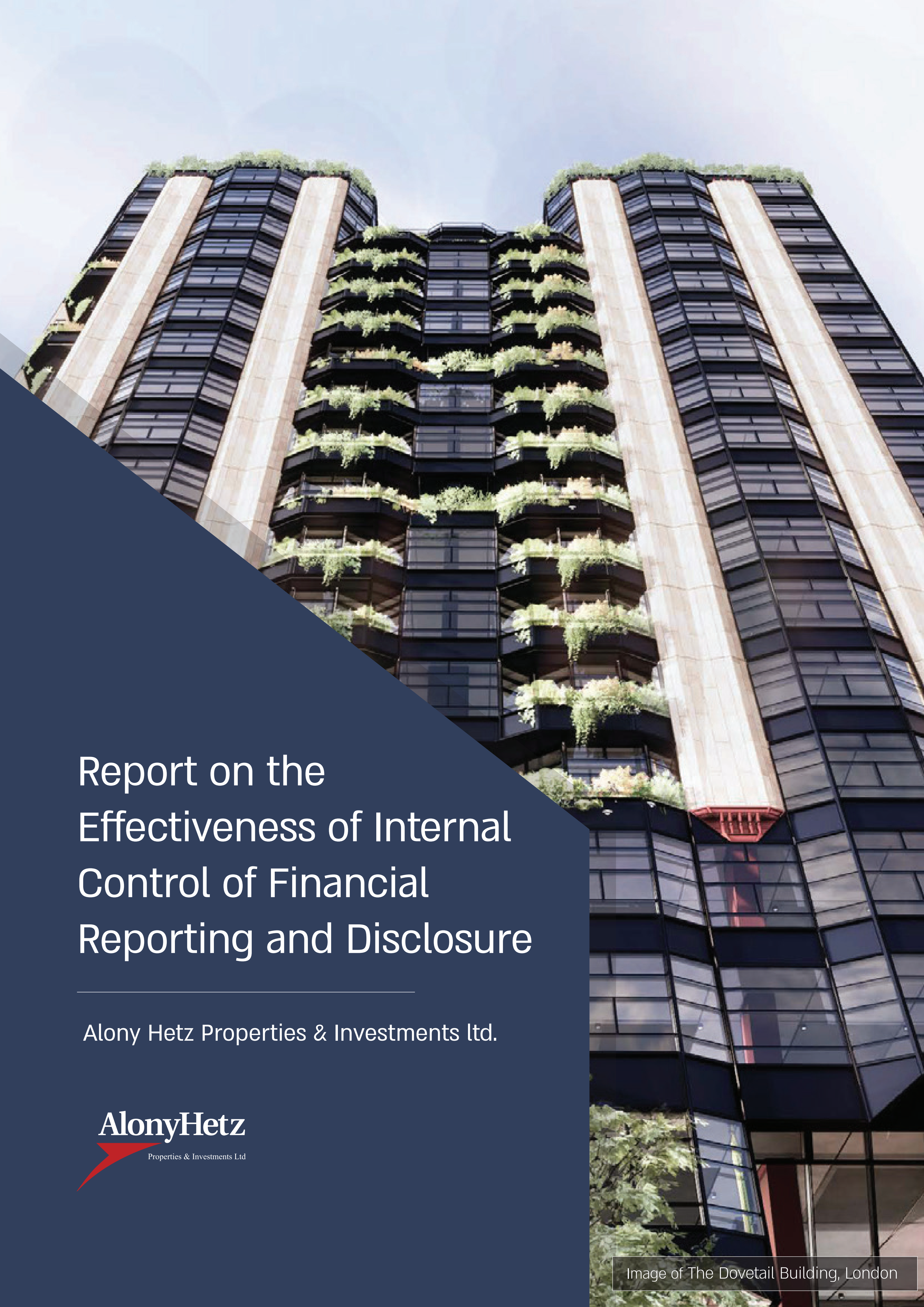


Image of The Dovetail Building, London

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

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

## For the Third Quarter of 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 Finance Officer 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 the reports it publishes according to the provisions of the law has been collected, processed, summarized and reported at the time and according to the format stipulated 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 to the CEO and to the Senior Finance Officer or to whoever actually performs these functions, in order to enable the making of decisions in a timely manner, taking the disclosure requirements into consideration.

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

In the Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the Quarterly Report for the period ended June 30, 2022 (hereinafter – "**the Last Quarterly Report on Internal Controls**"), the internal control over financial reporting and disclosure was found to be effective.

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

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

# Executive statements:

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

### Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly reports of Alony-Hetz Properties and Investments Ltd. (hereinafter – "**the Corporation**") for the third quarter of 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.

| | |
|---|---|
| ______________ | ___________ |
| November 22, 2022 | Signature<br>Nathan Hetz, CEO |

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

### Executive Statement | Statement of the Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the interim financial statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter – "**the Corporation**") for the third quarter of 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.

________________ ________________

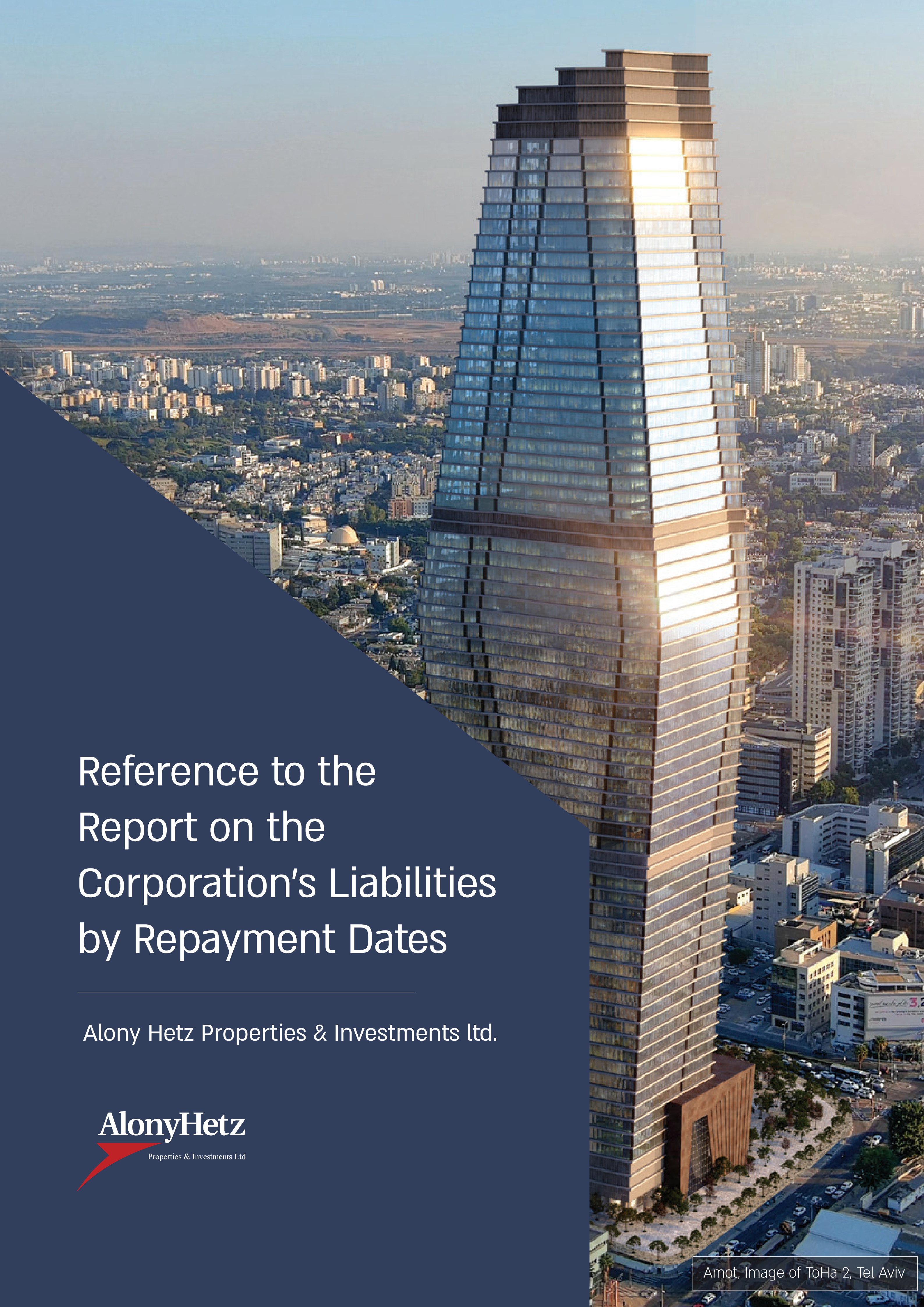
November 22, 2022

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

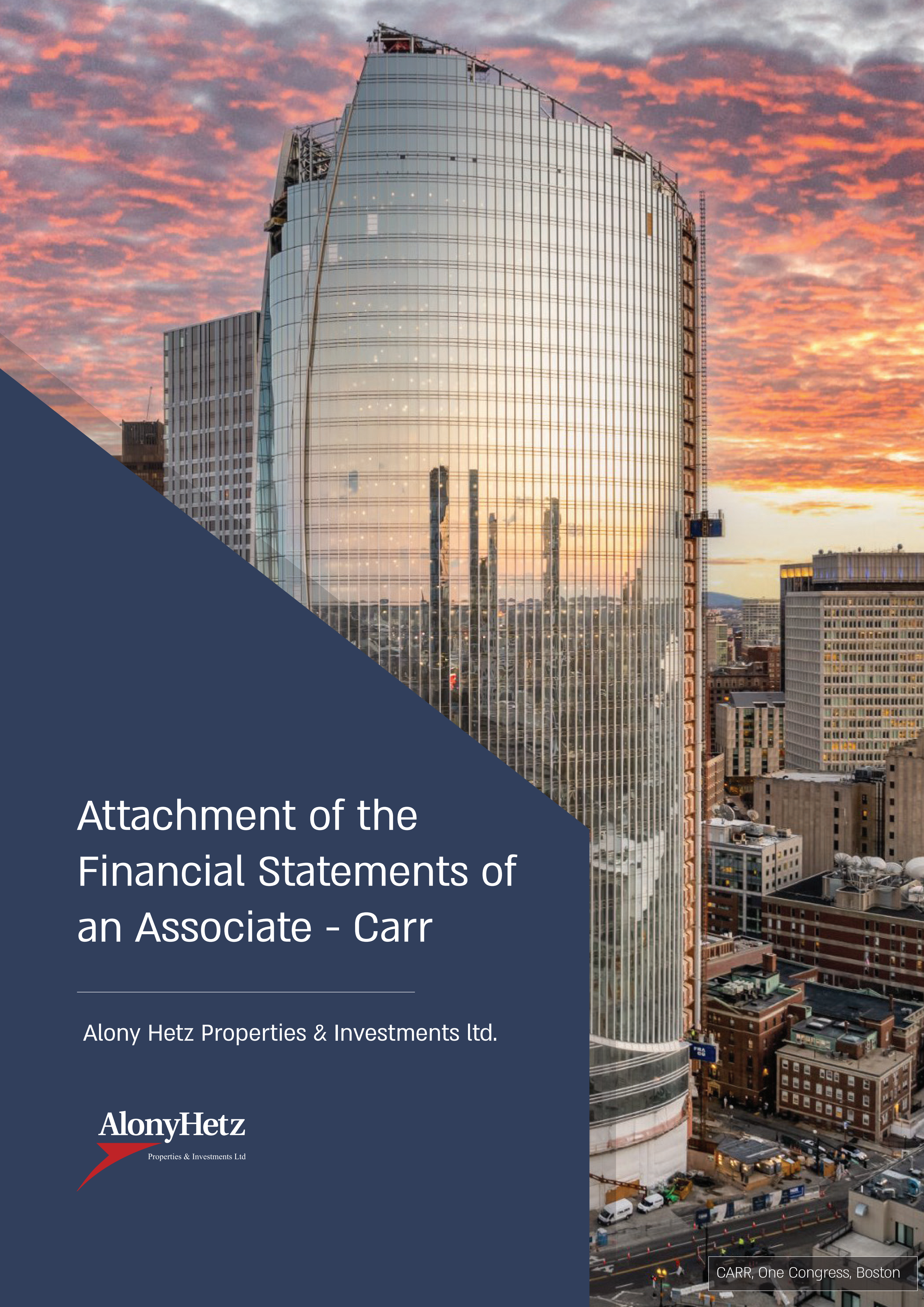
# Report on the Status of Liabilities by Repayment Dates, as of September 30, 2022

Regarding the Report on the Status of Liabilities by Repayment Dates, as of September 30, 2022, see the immediate report dated November 23, 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 September 30, 2022**
**(Unaudited)**

**CARR PROPERTIES HOLDINGS LP**

# Table of Contents

## 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 September 30, 2022, and the related condensed consolidated statements of operations and comprehensive income (loss) and of cash flows for the three-month and nine-month periods ended September 30, 2022 and 2021 and the condensed consolidated statement of changes in equity for the nine-month periods ended September 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 Financia*l 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

Pricewaterhouse Coopers LLP

November 9, 2022

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

| | Notes | September 30, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | **(Unaudited)** | |
| **Non-current assets** | | | |
| Investment properties, at fair value | | | |
| Income generating properties (cost of $2,599,356 and $2,415,564) | 4,11 | $ 2,390,331 | $ 2,403,873 |
| Properties in development (cost of $7,256 and $160,848) | 4,11 | 7,256 | 169,254 |
| Investments in associates | 5 | 730,093 | 705,632 |
| Goodwill | 8 | 9,326 | 9,326 |
| Derivative asset | 11 | 37,718 | 3,601 |
| Straight line rent receivable | | 110,619 | 95,701 |
| Deferred leasing costs and other, net | | 38,660 | 38,783 |
| | | 3,324,003 | 3,426,170 |
| **Current assets** | | | |
| Trade receivables, net | | 6,899 | 6,133 |
| Prepaid expense and other assets | | 14,895 | 14,124 |
| Restricted cash | 10 | 4,948 | 5,310 |
| Cash and cash equivalents | 2,10 | 37,217 | 28,373 |
| | | 63,959 | 53,940 |
| **Total assets** | | $ 3,387,962 | $ 3,480,110 |
| | | | |
| **EQUITY** | | | |
| Equity attributable to common shareholders | 17 | $ 1,666,533 | $ 1,606,196 |
| Equity reserve from increase in CPP | | 9,640 | 9,829 |
| Equity reserve for cash flow hedges | 11 | 6,366 | (15,173) |
| Retained earnings | | 174,504 | 292,854 |
| Equity attributable to non-redeemable non-controlling interests | 17 | 139,279 | 144,161 |
| **Total equity** | | 1,996,323 | 2,037,867 |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Credit facility, net of deferred financing fees | 9,10 | $ 603,923 | $ 567,981 |
| Notes payable, net of current portion and deferred financing fees | 9,10 | 373,284 | 508,870 |
| Lease liabilities, net of current portion | 7,15 | 145,056 | 143,170 |
| Redeemable non-controlling interests, net of current portion | 17 | — | 2,233 |
| Derivative liabilities, net of current portion | 11 | — | 2,550 |
| Security deposits | | 4,377 | 3,956 |
| Other liabilities | | 12,332 | 12,863 |
| | | 1,138,972 | 1,241,623 |
| **Current liabilities** | | | |
| Current portion of credit facility and notes payable, net of deferred financing fees | 9,10 | 136,878 | 2,578 |
| Current portion of lease liabilities | 7,15 | 857 | 524 |
| Redeemable non-controlling interests, current | 17 | 85,999 | 152,448 |
| Rent received in advance | | 6,763 | 9,296 |
| Trade and other payables | 2 | 22,170 | 35,774 |
| | | 252,667 | 200,620 |
| **Total liabilities** | | 1,391,639 | 1,442,243 |
| **Total equity and liabilities** | | $ 3,387,962 | $ 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 | November 9, 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 September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Rental revenue | | $ 42,337 | $ 48,080 | $ 125,984 | $ 134,279 |
| Recoveries from tenants | | 5,397 | 6,401 | 13,776 | 24,483 |
| Parking income | | 2,634 | 2,544 | 7,093 | 5,898 |
| Property management fees and other | 14 | 1,235 | 1,064 | 3,644 | 2,777 |
| **Total revenues** | | 51,603 | 58,089 | 150,497 | 167,437 |
| **Operating expenses** | | | | | |
| Property operating expenses | | | | | |
| Direct payroll and benefits | | 2,315 | 2,293 | 7,039 | 7,062 |
| Repairs and maintenance | | 2,500 | 2,453 | 7,359 | 7,997 |
| Cleaning | | 1,407 | 1,346 | 4,104 | 3,752 |
| Utilities | | 2,381 | 1,616 | 6,665 | 5,309 |
| Real estate and other taxes | | 8,843 | 9,839 | 26,351 | 31,152 |
| Other expenses | 13 | 5,048 | 4,152 | 13,659 | 12,828 |
| Property operating expenses | | 22,494 | 21,699 | 65,177 | 68,100 |
| Non-property general and administrative expenses | 12 | 5,066 | 6,217 | 15,936 | 17,423 |
| **Total operating expenses** | | 27,560 | 27,916 | 81,113 | 85,523 |
| **Other operating (expense) income** | | | | | |
| Net (loss) gain from fair value adjustment of investment properties | 4 | (111,660) | 21,851 | (205,827) | 11,236 |
| Realized loss on sale of investment properties | 4 | — | (367) | — | (22,819) |
| (Loss) income from investments in associates | 5 | (9,958) | 11,759 | 34,917 | 22,045 |
| Total other operating (loss) income and expense | | (121,618) | 33,243 | (170,910) | 10,462 |
| **Operating (loss) income** | | (97,575) | 63,416 | (101,526) | 92,376 |
| **Other income (expense)** | | | | | |
| Loss on extinguishment of debt | 9 | — | (3,474) | — | (3,474) |
| Other income | | (170) | 95 | 331 | 329 |
| Revaluation of redeemable non-controlling interests | | 4,689 | (3,442) | 8,489 | (5,327) |
| Interest expense | 9 | (14,102) | (10,629) | (34,704) | (33,706) |
| Pre-tax income | | (107,158) | 45,966 | (127,410) | 50,198 |
| Income and franchise tax (benefit) expense | | (102) | 375 | 461 | 645 |
| **Net (loss) income** | | $ (107,056) | $ 45,591 | $ (127,871) | $ 49,553 |
| **Attribution of net (loss) income** | | | | | |
| Common shareholders | | $ (98,770) | $ 42,379 | $ (118,350) | $ 44,513 |
| Non-redeemable non-controlling interests | | (8,286) | 3,212 | (9,521) | 5,040 |
| | | $ (107,056) | $ 45,591 | $ (127,871) | $ 49,553 |
| **Other comprehensive income** | | | | | |
| Items that may be subsequently reclassified to income or loss: | | | | | |
| Unrealized gain on cash flow hedges | 11 | $ 14,412 | $ 670 | $ 26,098 | $ 4,917 |
| Less: Reclassification adjustments for losses included in net income | 9 | — | — | — | 1,225 |
| Less: Reclassification adjustments for disposition losses included in net income | | — | — | — | 16,277 |
| Other comprehensive income | | 14,412 | 670 | 26,098 | 22,419 |
| **Total comprehensive (loss) income** | | $ (92,644) | $ 46,261 | $ (101,773) | $ 71,972 |
| **Attribution of comprehensive (loss) income** | | | | | |
| Common shareholders | | $ (86,250) | $ 42,917 | $ (96,811) | $ 64,686 |
| Non-redeemable non-controlling interests | | (6,394) | 3,344 | (4,962) | 7,286 |
| | | $ (92,644) | $ 46,261 | $ (101,773) | $ 71,972 |

*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 | Equity Attributable to Common Shareholders | | 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 | | — | — | — | — | — | — | 120 | 120 |
| Non-controlling interest partner distribution to 2025 Clarendon | 5 | — | — | — | — | — | — | (4,213) | (4,213) |
| Change in equity reserve from increase in CPP | | — | — | 101 | — | — | 101 | (101) | — |
| Net Income | | — | — | — | — | 44,513 | 44,513 | 5,040 | 49,553 |
| Unrealized gain on cash flow hedges | 11 | — | — | — | 3,771 | — | 3,771 | 1,146 | 4,917 |
| Amortization of terminated cash flow hedge | | — | — | — | 1,148 | — | 1,148 | 77 | 1,225 |
| Write off of previously terminated cash flow hedges | | — | — | — | 15,254 | — | 15,254 | 1,023 | 16,277 |
| Distributions | 17 | — | — | — | — | (1,749) | (1,749) | (161) | (1,910) |
| **Balance as of September 30, 2021** | | 1,393,348 | $ 1,606,196 | $ 9,857 | $ (17,881) | $ 305,628 | $ 1,903,800 | $ 145,962 | $ 2,049,762 |

| | Notes | Equity Attributable to Common Shareholders | | 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 | | — | — | — | — | — | — | (37) | (37) |
| Issuance of common shares, net of offering costs | 17 | 45,755 | 60,337 | — | — | — | 60,337 | — | 60,337 |
| Issuance of common shares, non-cash | 17 | 29,773 | — | — | — | — | — | — | — |
| Change in equity reserve from increase in CPP | | — | — | (189) | — | — | (189) | 3,010 | 2,821 |
| Net loss | | — | — | — | — | (118,350) | (118,350) | (9,521) | (127,871) |
| Unrealized gain on cash flow hedges - intrinsic | 11 | — | — | — | 19,822 | — | 19,822 | 4,445 | 24,267 |
| Unrealized gain on cash flow hedges - time value | 11 | — | — | — | 1,717 | — | 1,717 | 114 | 1,831 |
| Distributions | 17 | — | — | — | — | — | — | (2,892) | (2,892) |
| **Balance as of September 30, 2022** | | 1,468,876 | $ 1,666,533 | $ 9,640 | $ 6,366 | $ 174,504 | $ 1,857,043 | $ 139,279 | $ 1,996,323 |

*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 September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| **Net (loss) income** | | **$ (107,056)** | **$ 45,591** | **$ (127,871)** | **$ 49,553** |
| **Adjustments to reconcile net income to net cash provided by operating activities** | | | | | |
| Net loss (gain) from fair value adjustment of investment properties | 4 | 111,660 | (21,851) | 205,827 | (11,236) |
| Write off of previously terminated cash flow hedge | | — | — | — | 16,277 |
| Loss (income) from investments in associates | 5 | 9,958 | (11,759) | (34,917) | (22,045) |
| Loss on extinguishment of debt | 9 | — | 3,474 | — | 3,474 |
| Income and franchise tax (benefit) expense | | (102) | 375 | 461 | 645 |
| Interest expense, net excluding amortization of deferred financing fees | | 13,682 | 10,018 | 33,530 | 32,011 |
| Amortization of deferred financing fees | | 454 | 644 | 1,275 | 1,796 |
| Amortization of equipment leases | | 167 | 58 | 300 | 201 |
| Amortization of Equipment & Software | | 64 | 54 | 186 | 186 |
| Amortization of deferred leasing costs and lease incentives | | 1,304 | 1,201 | 3,941 | 3,654 |
| Amortization of note payable premium | | (34) | (33) | (101) | (101) |
| Amortization of interest rate cap | | 960 | — | 960 | — |
| Provision for bad debt expense | | (158) | 46 | 291 | 92 |
| LTIP Compensation | | 673 | 1,980 | 2,479 | 5,232 |
| Revaluation of redeemable non-controlling interests | | (4,689) | 3,442 | (8,489) | 5,327 |
| **Changes in assets and liabilities** | | | | | |
| Trade receivables | | (684) | (1,492) | (1,057) | 6,418 |
| Straight line rent receivable | | (3,856) | (14,775) | (14,918) | (17,551) |
| Purchase of interest rate cap | 11 | — | — | (11,530) | — |
| Prepaid expense and other assets | | (2,352) | (5,258) | (771) | (3,703) |
| Trade and other payables | | (3,403) | 1,057 | (10,442) | (1,474) |
| Rent received in advance | | 1,502 | (832) | (2,533) | (8,982) |
| **Cash generated by operations** | | **$ 18,090** | **11,940** | **36,621** | **59,774** |
| | | | | | |
| Cash paid for interest | | (12,895) | (8,753) | (30,994) | (29,097) |
| **Net cash provided by operating activities** | | **5,195** | **3,187** | **5,627** | **30,677** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of investment property held for sale | | — | — | — | 18,496 |
| Proceeds from sale of income generating property | 4 | — | 83,174 | — | 302,930 |
| Acquisition of income generating property, including prepaid acquisition costs | 5 | — | — | — | (195,674) |
| Contributions to investment in associates | 5 | — | — | (86) | (24,564) |
| Return of investments in associates | 5 | 3,851 | 5,869 | 10,542 | 5,869 |
| Acquisition of development property land | 4 | — | — | (2,208) | — |
| Additions to deferred leasing costs | | (351) | (2,039) | (7,700) | (5,637) |
| Additions to tenant improvements | | (2,255) | (526) | (9,457) | (3,163) |
| Additions to construction in progress, including capitalized interest | | (1,617) | (17,802) | (4,047) | (64,739) |
| Other capital improvements on income generating properties | | (4,180) | (3,506) | (16,214) | (16,855) |
| (Increase) decrease in restricted cash | | 63 | (701) | (206) | 6,425 |
| **Net cash provided by (used in) investing activities** | | **(4,489)** | **64,469** | **(29,376)** | **23,088** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Redemption of redeemable non-controlling interest | 17 | (984) | (857) | (61,978) | (1,078) |
| Distribution to joint venture non-controlling interest partner | 4 | — | (1,574) | — | (4,213) |
| Principal portion of lease payments | 7 | (342) | (115) | (851) | (361) |
| Issuance of common shares, net of offering costs | 17 | — | — | 60,337 | — |
| Borrowings under credit facility | 9 | 7,000 | 364,000 | 95,000 | 590,000 |

*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)**

| | Notes | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|---|---|---|
| Repayments under credit facility | 9 | — | (185,000) | (60,000) | (454,000) |
| Borrowings on notes payable | 9 | 546 | 7,265 | 546 | 67,606 |
| Repayments of notes payable | 9 | (674) | (251,953) | (2,007) | (253,252) |
| Payment of deferred financing fees | | — | (6,020) | (139) | (6,222) |
| Issuance of redeemable non-controlling interests | 17 | — | — | 1,785 | — |
| Distributions to common shareholders and non-redeemable non-controlling interests | 17 | — | (623) | (63) | (1,902) |
| Issuance of preferred shares of consolidated subsidiary, net of offering costs | | (191) | — | (37) | 120 |
| **Net cash provided by (used in) financing activities** | | **5,355** | **(74,877)** | **32,593** | **(63,302)** |
| | | | | | |
| **Net (decrease) increase in cash and cash equivalents** | | **6,061** | **(7,221)** | **8,844** | **(9,537)** |
| **Cash and cash equivalents, beginning of the period** | | **31,156** | **31,812** | **28,373** | **34,128** |
| **Cash and cash equivalents, end of the period** | | **$ 37,217** | **$ 24,591** | **$ 37,217** | **$ 24,591** |
| | | | | | |
| **Supplemental disclosures of cash flow information:** | | | | | |
| Capitalized interest | | $ 56 | $ 112 | $ 675 | $ 3,831 |
| Accrual of retainage liabilities and construction requisitions for income generating properties and development projects | | (264) | (3,003) | 292 | 1,600 |
| Lease liabilities arising from obtaining/revaluing right-of-use assets | 7 | 140 | — | 1,203 | 13 |
| Non-cash interest expense | 9 | 650 | — | 1,866 | 1,225 |
| Debt and other liabilities assumed in acquisition of 100 Congress | 5 | — | — | — | 120,625 |
| Debt and other liabilities deconsolidated due to disposition of Midtown Center | 5 | — | — | — | (525,000) |
| Debt and other liabilities deconsolidated due to disposition of 100 Congress | 5 | — | (140,560) | — | (140,560) |
| Issuance of redeemable non-controlling interests | 17 | — | — | 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, two consolidated operating property owned through a joint venture, two non-consolidated operating properties owned through joint ventures, one non-consolidated development property owned through joint venture, and one consolidated development property owned through joint venture.

The Partnership began operations on August 19, 2013 ("Inception"), through a series of transactions pursuant to a Master Framework Agreement (the "MFA") dated May 2, 2013, as amended, between CET Acquisition Company Inc. (“CET”), a wholly owned investment of the Commingled Pension Trust Fund of JPMorgan Chase Bank, N.A., and AH Carr Properties Holdings LP (“Alony-Hetz”), a wholly owned subsidiary of Alony-Hetz Properties & Investments Ltd.

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 September 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 consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Partnership’s consolidated financial statements and notes thereto contained in the Partnership’s audited annual consolidated financial statements for the year ended December 31, 2021. Any changes to accounting policies and methods of computation during the three and nine months ended September 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 and Joint Ventures.*

***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. The interest for this liability is included within "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 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" 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 nine months ended September 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 September 30, 2022, are as follows:

| Years Ending December 31, | Amount |
|---|---|
| Remainder of 2022 | 40,785 |
| 2023 | 169,093 |
| 2024 | 138,819 |
| 2025 | 124,200 |
| 2026 | 114,402 |
| **Thereafter** | 498,843 |
| | $ 1,086,142 |

***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** | **$** | **2,403,873** |
| Capital expenditures additions and other[1] | | 23,031 |
| Net loss from fair value adjustment of income generating properties | | (205,827) |
| Reclassification of The Elm from properties in development | | 91,376 |
| Reclassification of Signal House from properties in development | | 77,878 |
| **Balance, September 30, 2022** | **$** | **2,390,331** |

***(1)*** The Wilson, The Elm, and Signal house were fully placed in service as of September 30, 2022. All 2022 capital expenditures are reflected above. See below "Properties in Development" for additional info.

### 2022 Acquisitions

There were no acquisitions completed for the three and nine months ended September 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 91% leased as of September 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 nine months ended September 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.

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

***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 853,815 square foot mixed use building that is 85% leased as of September 30, 2022.

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 $262.9 million as of September 30, 2022 and the carrying value of the assumed debt was $143.1 million.

***Properties in Development***

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

| | | |
|---|---|---|
| **Balance, December 31, 2021** | **$** | **169,254** |
| Capital expenditures additions and other | | 5,048 |
| Acquisition of 300 E Second (land and building improvement) | | 2,208 |
| Reclassification of The Elm to income generating properties | | (91,376) |
| Reclassification of Signal House to income generating properties | | (77,878) |
| **Balance, September 30, 2022** | **$** | **7,256** |

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 September 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 $6.9 million and $16.2 million of capital expenditures for The Wilson for the nine months ended September 30, 2022 and 2021, respectively.

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 83% leased as of September 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 $2.1 million and $24.4 million of capital expenditures for The Elm for the nine months ended September 30, 2022 and 2021, respectively.

The Partnership substantially completed Signal House, a 225,000 rentable square feet office building, on June 30, 2021. The Partnership incurred $2.5 million and $11.1 million of capital expenditures for the nine months ended September 30, 2022 and 2021, respectively. The Partnership has signed four leases totaling 158,800 square feet bringing the project to approximately 68% leased at September 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 will commence in the fourth 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.

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

On February 15, 2022, the Partnership executed a ground lease for the land associated with 300 E Second, a 0.811 acre site of developable 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.

***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 September 30, 2022, the building was 100% leased. For the nine months ended September 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 September 30, 2022 | | | | | | For the nine months ended September 30, 2022 | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Percent Owned** | **Current Assets** | **Non-Current Assets** | **Current Liabilities** | **Non-Current Liabilities** | **Equity** | **Revenues** | **Net Income (Loss)** |
| 2311 Wilson | 60.00 % | 8,069 | 120,968 | 2,365 | 80,644 | 46,028 | 6,992 | (4,326) |
| | | $ 8,069 | $120,968 | $ 2,365 | $ 80,644 | $ 46,028 | $ 6,992 | $ (4,326) |
| Less interest held by non-controlling interests | | | | | | (18,412) | | 1,730 |
| Equity attributable to Partnership | | | | | | $ 27,616 | | $ (2,596) |

| | As of December 31, 2021 | | | | | | For the nine months ended September 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| **Property** | **Percent Owned** | **Current Assets** | **Non-Current Assets** | **Current Liabilities** | **Non-Current Liabilities** | **Equity** | **Revenues** | **Net Income (Loss)** |
| 2025 Clarendon | 85.70 % | $ — | $ — | $ — | $ — | $ — | $ — | $ (34) |
| 2311 Wilson | 60.00 % | 3,528 | 120,309 | 812 | 80,506 | 42,519 | 6,507 | 4,911 |
| | | $ 3,528 | $120,309 | $ 812 | $ 80,506 | $ 42,519 | $ 6,507 | $ 4,877 |
| Less interest held by non-controlling interests | | | | | | (17,006) | | (2,045) |
| Equity attributable to Partnership | | | | | | $ 25,513 | | $ 2,832 |

## 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 | (10,542) |
| Share of unrealized gain on valuation of underlying properties | 18,811 |
| Share of net income (excluding unrealized gain on valuation) | 16,106 |
| **Balance, September 30 2022** | **$ 730,093** |

***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 414,000 square foot mixed use building that is 91% leased as of September 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.

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 under construction as a 43-story, 1,007,000 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 September 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 nine months ended September 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 September 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 for one year by the joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million. As of September 30, 2022, the Partnership incurred $316.8 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. Subsequent to September 30, 2022, the Partnership entered into an amendment modifying the loan to bear an interest rate of SOFR plus 2.10% as of January 3, 2023.

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

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

| | | As of September 30, 2022 | | | | | For the nine months ended September 30, 2022 | |
|---|---|---|---|---|---|---|---|---|
| Property | Percent Owned | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Equity | Revenues | Net Income (Loss) |
| Midtown Center | 51.00 % | $ 7,469 | $ 929,344 | $ 8,293 | $ 532,564 | $ 395,956 | $ 57,145 | $ (9,976) |
| 100 Congress | 51.00 % | 13,205 | 338,721 | 9,992 | 140,199 | 201,735 | 21,767 | 1,724 |
| One Congress | 75.00 % | 2,592 | 1,002,297 | 40,929 | 394,870 | 569,090 | — | 52,194 |
| | | $ 23,266 | $ 2,270,362 | $ 59,214 | $ 1,067,633 | $1,166,781 | $ 78,912 | $ 43,942 |
| Less: interest held by third-parties | | | | | | (436,688) | | (9,025) |
| Amounts per financial statements | | | | | | $ 730,093 | | $ 34,917 |

| | | As of December 31, 2021 | | | | | For the nine months ended September 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| Property | Percent Owned | Current Assets | Non-Current Assets | Current Liabilities | Non-Current Liabilities | Equity | Revenues | Net Income (Loss) |
| Midtown Center | 51.00 % | $ 8,640 | $ 962,402 | $ 11,768 | $ 532,771 | $ 426,503 | $ 31,746 | $ 11,956 |
| 100 Congress | 51.00 % | 8,312 | 342,731 | 10,213 | 140,820 | 200,010 | 606 | 1,528 |
| One Congress | 75.00 % | 374 | 748,935 | 33,958 | 198,446 | 516,905 | — | 20,237 |
| | | $ 17,326 | $2,054,068 | $ 55,939 | $ 872,037 | $1,143,418 | $ 32,352 | $ 33,721 |
| Less: interest held by third-parties | | | | | | (437,786) | | (11,676) |
| Amounts per financial statements | | | | | | $ 705,632 | | $ 22,045 |

## 6. Assets Held for Sale

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| ***Non-current assets*** | | |
| Income generating properties, net of ROUA | $ 2,250,531 | $ 2,257,774 |
| ROUA, at fair value | 139,800 | 146,100 |

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **Income generating properties** | 2,390,331 | 2,403,874 |
| Properties in development, net of ROUA | 6,800 | 169,254 |
| ROUA, at amortized cost | 456 | — |
| **Total investment properties, at fair value** | 2,397,587 | 2,573,128 |
| ***Current assets - CPH*** | | |
| Prepaid expense and other assets | 13,945 | 13,022 |
| ROUA, net of accumulated depreciation | 950 | 1,102 |
| **Prepaid expense and other assets** | **$ 14,895** | **$ 14,124** |

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 | — | (6,300) | — | (6,300) |
| ROUA Additions, net | 1,063 | | 149 | 1,212 |
| Accumulated Depreciation | (607) | | (301) | (908) |
| **Balance as of September 30, 2022** | **$ 456** | **$ 139,800** | **$ 950** | **$ 141,206** |

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** | **September 30, 2022** | **December 31, 2021** |
| Columbia Center[1] | 4.93% | 2120 | 132,275 | 130,530 |
| 1701 Duke Street[2] | 5.20% | 2107 | 7,829 | 7,729 |
| 2001 Penn | 4.94% | 2087 | 4,392 | 4,372 |
| 300 E Second[3] | 5.54% | 2127 | 481 | — |
| Other equipment leases | Various | Various | 936 | 1,063 |
| Total lease liabilities | | | 145,913 | 143,694 |
| Less current portion | | | 857 | 524 |
| Lease liabilities, net of current portion | | | **$ 145,056** | **$ 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 300 E Second in Austin Texas. The Company has the right to terminate the lease until April 1, 2024. See Note 4 - "Investment Properties" 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.

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

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*** | **September 30, 2022** |
|---|---|
| **Maturity analysis - contractual undiscounted cash flows** | |
| Less than one year | $ 5,367 |
| One to five years | 19,372 |
| More than five years | 1,256,735 |
| **Total undiscounted lease liabilities as of September 30, 2022** | $ 1,281,474 |

| **Lease liabilities** | **September 30, 2022** |
|---|---|
| Current lease liabilities | $ 857 |
| Non-current lease liabilities | 145,056 |
| **Total lease liabilities** | $ 145,913 |

Lease expense costs were as follows:

| ***Lease Expense*** | **Nine Months Ended September 30,** | |
|---|---|---|
| | **2022** | **2021** |
| **Amounts recognized in profit or loss** | | |
| Interest expense on lease liabilities | $ 3,331 | 3,796 |
| Equipment lease depreciation | 301 | 201 |
| **Total lease expense** | **$ 3,632** | **$ 3,997** |

Interest expense recognized on leases totaled $3.3 million and $3.8 million for the nine months ended September 30, 2022 and 2021, respectively.

| ***Cash Flows*** | **Nine Months Ended September 30,** | |
|---|---|---|
| | **2022** | **2021** |
| **Amounts recognized in the statements of cash flows** | | |
| Principal portion of lease payments | $ 851 | $ 361 |
| Interest expense on lease liabilities | 3,331 | 3,796 |
| **Total cash outflows related to leases** | **$ 4,182** | **$ 4,157** |

## 8. Goodwill

The carrying value of goodwill was $9.3 million as of September 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 nine months ended September 30, 2022 and 2021, respectively.

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

## 9. Debt

The Partnership's debt obligations consist of the following:

| Borrower/Facility | Contractual Rate | Maturity | Principal Balance as of September 30, 2022 | | Principal Balance as of December 31, 2021 | |
|---|---|---|---|---|---|---|
| Credit facility [1]: | | | | | | |
| Revolver | LIBOR +1.25% to 2.00% | 7/1/25 | $ 308,500 | (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 | 143,639 | (5,6) | 143,094 | (5,6) |
| 1700 New York Avenue | LIBOR +1.50% | 4/25/24 | 62,685 | (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 | 30,415 | (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 | | | 1,119,489 | | 1,086,052 | |
| Less unamortized deferred financing fees | | | 5,404 | | 6,623 | |
| **Total Debt, net of unamortized deferred financing fees** | | | 1,114,085 | | 1,079,429 | |
| Less current portion, net of unamortized deferred financing fees [4] | | | 136,878 | | 2,578 | |
| **Debt obligations, net of current portion** | | | **$ 977,207** | | **$ 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 September 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 September 30, 2022, and December 31, 2021, the one-month LIBOR was 3.1% and 0.10%, respectively.
(2) The fair value of the collateral pledged to these notes was $553.0 million and $620.8 million as of September 30, 2022, and December 31, 2021, respectively.
(3) The carrying value of the Clarendon Square note payable as of September 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 September 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 $287.3 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 $400 million 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 September 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 September 30, 2022, the Partnership had capacity to borrow an additional $191.5 million under the Credit Facility. Subsequent to September 30, 2022, the Partnership has not borrowed from the revolver through November 9, 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.

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

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.

***Interest Expense***

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Description** | **2022** | **2021** | **2022** | **2021** |
| Credit facility | $ 6,949 | $ 2,131 | $ 13,272 | $ 6,064 |
| Notes payable | 4,323 | 6,646 | 12,988 | 25,739 |
| Distributions to redeemable non-controlling interests | 674 | 47 | 2,648 | 143 |
| Lease liabilities | 1,759 | 1,274 | 5,197 | 3,796 |
| Amortization of deferred financing fees | 457 | 658 | 1,356 | 2,719 |
| **Gross interest expense** | $ 14,162 | $ 10,756 | $ 35,461 | $ 38,461 |
| | | | | |
| **Capitalized interest expense** | | | | |
| Capitalized deferred financing fees | $ (4) | $ (14) | $ (82) | $ (924) |
| Capitalized interest | (56) | (113) | (675) | (3,831) |
| **Total capitalized interest expense** | (60) | (127) | (757) | (4,755) |
| **Net interest expense** | $ 14,102 | $ 10,629 | $ 34,704 | $ 33,706 |

***Future Maturities of Debt***

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

| Years Ending December 31, | Amount [(1)] |
|---|---|
| Remainder of 2022 | $ 678 |
| 2023 | 137,008 |
| 2024 | 127,955 |
| 2025 | 453,369 |
| 2026 | 301,860 |
| Thereafter | 97,495 |
| | $ 1,118,365 |

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

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

***Net Debt reconciliation***

This section shows an analysis of net debt and the movements in net debt for the nine months ended September 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 | (33,400) | 852 | (32,548) | 8,844 | (23,704) |
| New leases | — | (1,203) | (1,203) | — | (1,203) |
| Other changes | (1,256) | (1,868) | (3,124) | — | (3,124) |
| **Net Debt, September 30 2022** | $ (1,114,085) | $ (145,913) | $ (1,259,998) | $ 37,217 | $ (1,222,781) |

## 10. Financial Instruments

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

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of September 30, 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 | $ 37,217 | $ 37,217 | Level 1 |
| Restricted cash(1) | 4,948 | 4,948 | Level 1 |
| Trade receivables, net | 6,899 | 6,899 | Level 3 |
| | | | |
| **Liabilities, including current portion** | | | |
| Credit facility(2) | $ 608,500 | $ 608,500 | Level 3 |
| Notes payable(2) | 510,410 | 492,947 | Level 3 |
| Redeemable non-controlling interests(3) | 85,999 | 85,999 | 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 $0.1 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 |

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

(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.

## 11. Fair Value Measurements

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

| | Cash Flow Hedges | |
|---|---|---|
| | Interest Rate Cap(2) | Interest Rate Swaps(3) |
| Notional balance | $ 400,000 | $ 277,685 |
| Weighted average interest rate (1) | 2.50 % | 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.
(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 $14.4 million and $26.1 million for the three and nine months ended September 30, 2022, respectively, and $0.7 million and

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

$4.9 million for the three and nine months ended September 30, 2021, respectively. There was no material hedge ineffectiveness recognized during the nine months ended September 30, 2022 and 2021. During the three and nine months ended September 30, 2022, the Partnership reclassified $0.5 million and $(0.2) million, respectively, and ($0.8) million and $(2.3) million for the three and nine months ended September 30, 2021 of (losses) gains on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.”

As of September 30, 2022, the Partnership anticipates the reclassification of $11.9 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 September 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.

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

| Description | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Assets:** | | | |
| Investments in income generating properties | $ — | $ — | $ 2,390,331 |
| Investments in properties in development | — | — | 7,256 |
| Derivative assets | — | 37,718 | — |
| Total Assets | $ — | $ 37,718 | $ 2,397,587 |
| **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 September 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 September 30, 2022.

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

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

| Description | Fair Value | Valuation Technique | Unobservable Inputs | Range (Weighted Avg) |
|---|---|---|---|---|
| Investments in income generating properties | $ 2,390,331 | Discounted cash flow - Income capitalization<br>Market transaction<br>Net present value - Lease liabilities | Discount Rate<br><br>Exit Capitalization Rate | 6.00% - 7.50% (6.67%)<br><br>4.50% - 6.25% (5.52%) |
| Investments in properties in development | 7,256 | Amortized Cost<br>Net present value - Lease liabilities | Discount Rate(1) | 5.54% |
| Total | $ 2,397,587 | | | |

(1) Discount rate was applied upon initial valuation of 300 E Second Ground Lease. See Note 7 - "Leases" for additional information.

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<br>Market transaction<br>Net present value - Lease liabilities | Discount Rate<br><br>Exit Capitalization Rate | 5.75% - 7.25% (6.29%)<br><br>4.75% - 6.00% (5.56%) |
| Investments in properties in development | 169,254 | Discounted cash flow - Income capitalization | Discount Rate<br><br>Exit Capitalization Rate | 6.00% - 7.00% (6.40%)<br><br>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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Description** | **2022** | **2021** | **2022** | **2021** |
| Personnel and compensation | $ 3,302 | $ 4,200 | $ 10,240 | $ 12,287 |
| Professional fees | 538 | 894 | 2,486 | 2,671 |
| Information technology | 540 | 306 | 1,174 | 692 |
| Other corporate | 686 | 817 | 2,036 | 1,773 |
| Total non-property general and administrative | $ 5,066 | $ 6,217 | $ 15,936 | $ 17,423 |

## 13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $5.0 million and $13.7 million for the three and nine months ended September 30, 2022, respectively, and $4.2 million and $12.8 million for the three and nine months ended September 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 $3.4 million for the three and nine months ended September 30, 2022, respectively, and $1.0 million and $2.6 million for the three and nine months ended September 30, 2021, respectively. Construction management fees totaled $0.1 million and $0.2 million for the three and nine months ended September 30, 2022, respectively, and $0.1 million and $0.2 million for the three and nine months ended September 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 $1.6 million for both September 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 September 30, 2022, the Partnership had $1.9 million in performance bonds outstanding with commitment terms expiring through September 28, 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 September 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 | | — |
| 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 | | — | | 3.5 |
| 2021 service units | 1.9 | Apr 2021 | Mar 2024 | | — | | 1.8 |
| 2021 performance units | 3.8 | Apr 2021 | Mar 2024 | | — | | 3.6 |
| 2022 special service units | 1.8 | Mar 2022 | Mar 2025 | | — | | 1.8 |
| 2022 service units | 2.7 | Mar 2022 | Mar 2025 | | — | | 2.7 |
| 2022 performance units | 2.7 | Mar 2022 | Mar 2025 | | — | | 2.7 |
| **Total outstanding units** | | | | | | | **27.7** |

(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 September 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 | (3,491) |
| **LTIP units outstanding, June 30, 2022** | **27,697** |

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

During the three and nine months ended September 30, 2022, the Partnership recognized $0.5 million and $2.2 million of LTIP-related expense, of which $0.0 million and $0.2 million was capitalized, respectively, and $2.1 million and $5.7 million of LTIP-related expense for the three and nine months ended September 30, 2021, of which $0.2 million and $0.5 million was capitalized.

### 16. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.8 million and $2.3 million for the three and nine months ended September 30, 2022, respectively, and $0.6 million and $1.6 million for the three and nine months ended September 30, 2021, respectively. Employee benefit expense for these officers was less than $0.1

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

million and $0.1 million for the three and nine months ended September 30, 2022, and 2021, respectively. For the three and nine months ended September 30, 2022, LTIP expense was $0.2 million and $1.4 million, respectively, and $0.7 million and $2.7 million for the three and nine months ended September 30, 2021, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

## 17. Equity

### 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 September 30, 2022, and December 31, 2021, 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 % |

### 2022 Stock Split

Effective June 30, 2022, the Partnership executed a stock split at a ratio of 1.013 units of common shares for every 1.00 unit outstanding. 18.8 million shares were issued.

### 2022 Dividend Reinvestment Program

As of September 30, 2022, the Partnership has issued 10.9 million additional share in lieu of cash dividends.

### 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, all redeemable non-controlling interests were determined to be current, due to the expiration of any remaining lock-out provisions. As of September 30, 2022, the value of these redeemable non-controlling interests were $86.0 million within "Current liabilities." As of December 31, 2021, the value of these redeemable non-controlling interests were $152.4 million within "Current liabilities" and $2.2 million within "Non-current liabilities," respectively.

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

"Equity attributable to non-redeemable non-controlling interests" is reported as "Non-Redeemable non-controlling interests" within "Equity" on the Condensed Consolidated Balance Sheets. As of September 30, 2022 and December 31, 2021, the total value of these non-redeemable non-controlling interests was $139.3 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 | (46,972) | (61,978) |
| Revaluation/Other | — | (8,489) |
| **Balance, September 30 2022** | **67,961** | **$ 85,999** |

The Partnership also maintained seven additional subsidiary REITs as of September 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 September 30, 2022. As of September 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 nine months ended September 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 nine months ended September 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 November 9, 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.

Energix, Poland

# Auditor's Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Deloitte.

Date: November 22, 2022

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

Dear Sir/Madam,

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

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

(1) Review Report dated November 22, 2022, regarding the Consolidated Financial Statements of the company as of September 30, 2022, and for the nine and three months periods ended September 30, 2022.

**Respectfully,**

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

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pwc

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:

Review Report of Independent Auditors dated November 9, 2022 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings LP as of September 30, 2022 and for the three-month and nine-month periods ended September 30, 2022 and 2021.

PricewaterhouseCoopers LLP

November 21, 2022

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