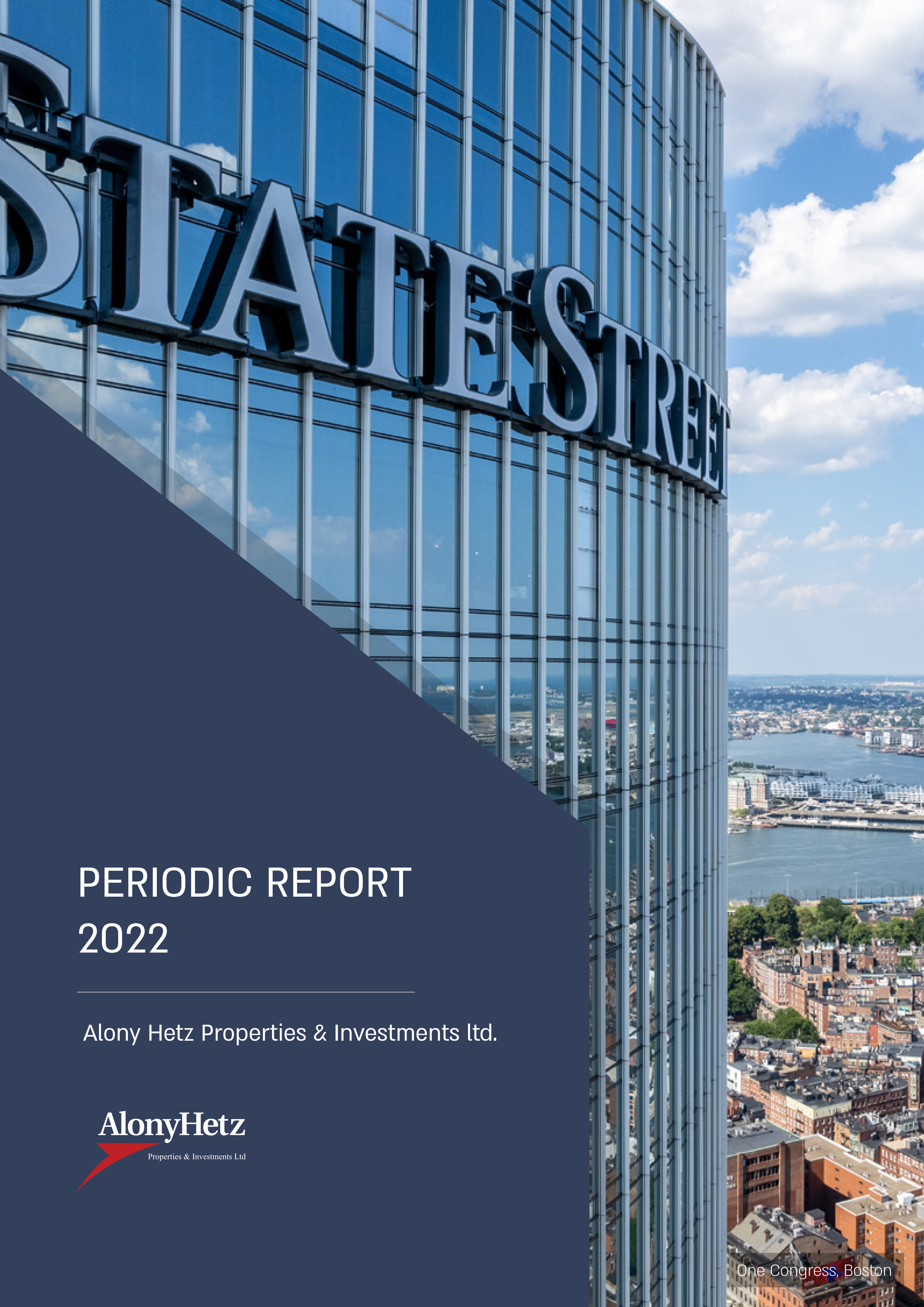


One Congress, Boston

PERIODIC REPORT
2022

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

PERIODIC REPORT 2022

AlonyHetz
Properties & Investments Ltd

Description of the Corporation's Business

Alony Hetz Properties & Investments ltd.

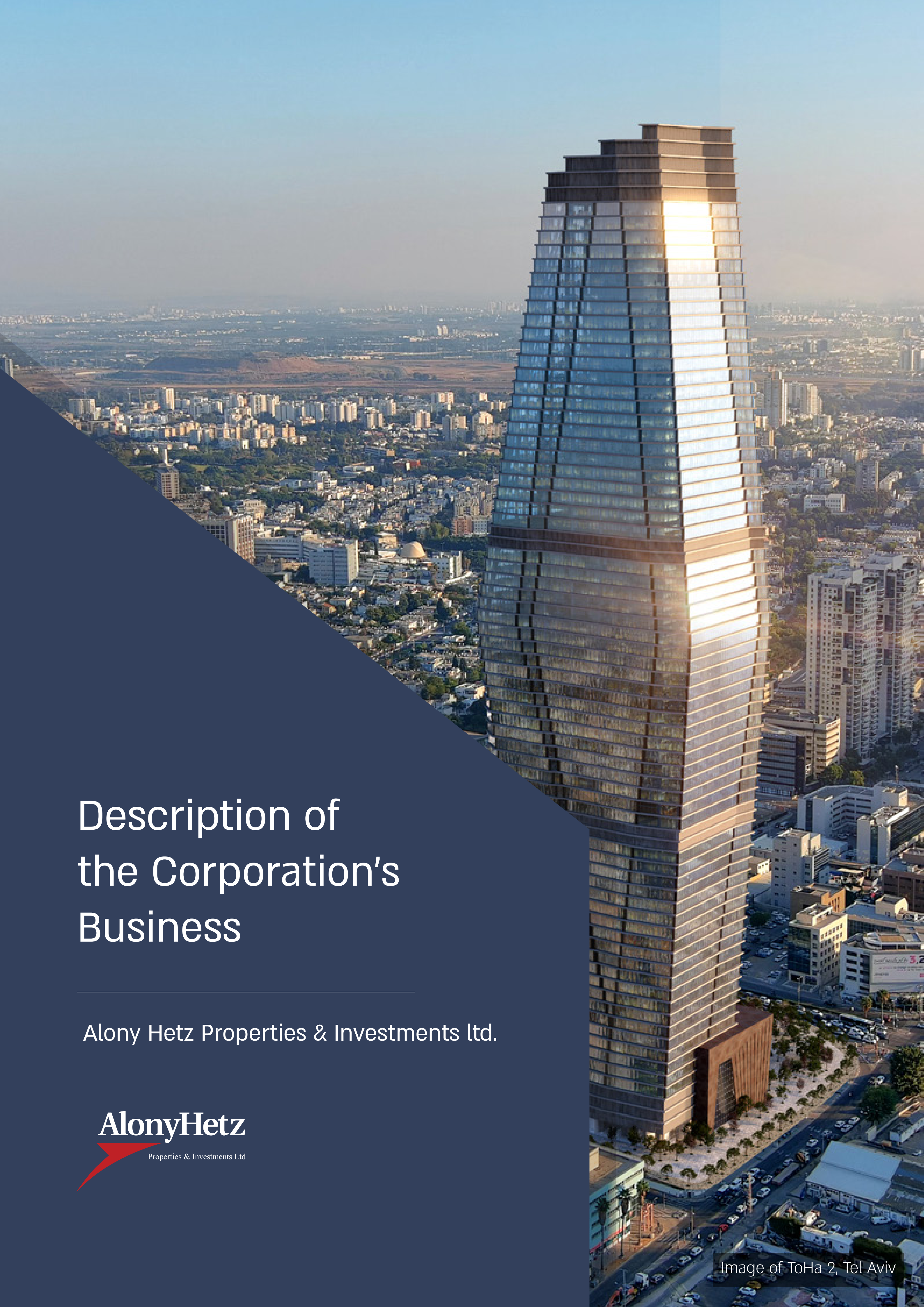


Image of ToHa 2, Tel Aviv

Description of the Corporation's Business

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

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

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

The Company does not have a controlling shareholder.

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

2. Area of Activity

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

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

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

2.1 The following is a description of the Group's main holdings as of December 31, 2022

Main investments in the income-generating property segment:

Activity in Israel

Holdings of 53.8% in Amot Investments Ltd. (hereinafter: "**Amot**"). Amot is a public company listed for trading on the Tel Aviv Stock Exchange Ltd. ("**the TASE**") that operates directly and indirectly through corporations under its control, renting, managing and maintaining income-generating properties in Israel, as well as initiating, developing and establishing real estate for rental purposes. Amot owns, directly and indirectly, property that includes office buildings, logistics and industry, malls and commercial centers, independent supermarkets and others. Immediately prior to the publication of this report, the Company's stake in Amot is 53.8%. For additional information regarding Amot, see Chapter B below.

Activity in the United States

Carr – 47.1% holdings in the capital of Carr Properties (hereinafter "**Carr**") and 50% in the control, a private income-generating property company (REIT) whose assets are located in the Washington D.C. area, in Boston, Massachusetts and in Austin, Texas. Carr engages directly and indirectly, through wholly or partly owned companies, in investments in income-generating properties for rental purposes, including the management and maintenance of office buildings under its ownership in the Washington D.C. and Boston metropolitan areas, and in Austin, Texas, as well as in the initiation, development and establishment of real estate for rental purposes in those areas.[1] For additional information on Carr see Chapter C1 below.

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

1 The holding in Carr is through joint control with an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**").

2 The holding is through joint control with Oxford, which holds the remaining rights in the assets. Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).

Activity in the UK

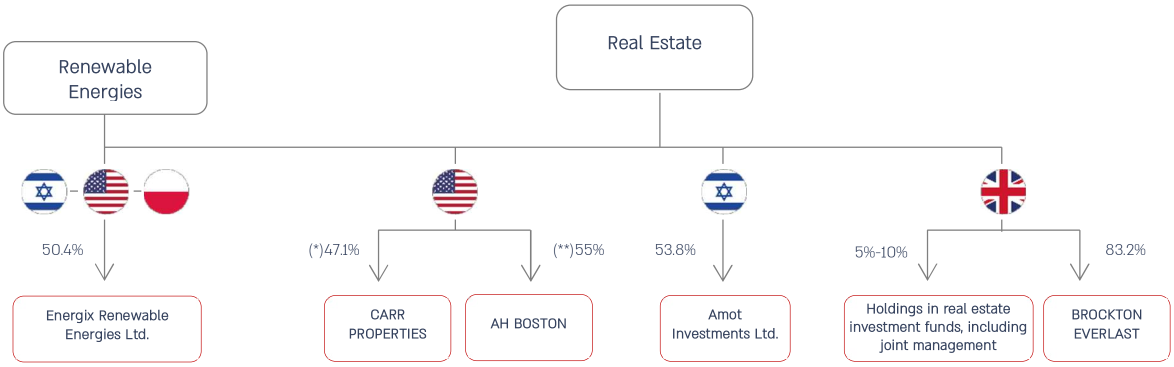
Holdings of 83.2% in Brockton Everlast Inc. ("**BE**"), a private company that engages directly and indirectly through corporations under its control, in the leasing, management and maintenance of income-generating properties, as well as in the initiation and development of income-generating property for rental purposes in the London metropolitan area, Cambridge and Oxford in the UK. For information regarding the investment in properties in London, Cambridge and Oxford, see Chapter D below and Notes 4(b) and 6(d) to the financial statements.

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

Renewable Energy Investments:

Holdings of 50.4% in Energix Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose shares are listed for trading on the stock exchange. Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix operates in Israel, Poland and the United States. The Company's holding rate in Energix close to the date of publication of the report is 50.4%. For additional information regarding Energix, see Chapter E below.

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

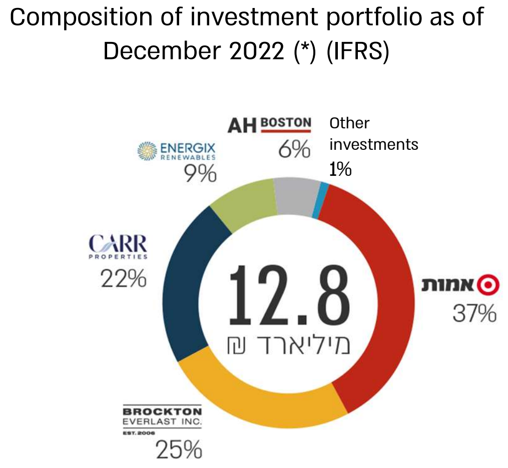


* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.

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

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

The following are the Company's main investments (expanded solo)[4] as of December 31, 2022:



(*) Not including cash.

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

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

The following is the amount of investments (realizations) carried out by the Company (expanded solo) in the main investees in the field of income-generating property in the years 2020-2022 (in NIS millions):

Year		2022	2021	2020	Total 2020-2022
Investment in Amot	(1)	159	288	342	**789**
Investment in BE	(2)	487	671	194	**1,352**
Investment in Carr	(3)	202	-	151	**353**
Investment in AH Boston		57	39	28	**124**
Investment in PSP	(4)	-	(216)	(1,359)	**(1,575)**

(1) In the years 2020-2022, the amount of the Group's investments in income-generating property and in land for development in Israel through Amot (not including real estate revaluations) increased by approx. NIS 3.8 billion. For additional information see Section 4 of Chapter B below.

(2) In the years 2020-2022, the amount of the Group's net investments in income-generating property in the UK (through BE) (not including property revaluations) increased by approx. GBP 0.6 billion. For additional information, see Sections 4 and 5 of Chapter D below.

(3) In the years 2020-2022, the amount of the Group's net investments in income-generating property and in land for development in Washington D.C., in Boston and in Austin, Texas (through Carr) (not including property revaluations) increased by approx. USD 0.5 billion. For additional information, see Sections 4 and 5 in Chapter C1 below.

(4) The Company realized the balance of its holdings in PSP during 2021.

(5) In 2022, the Group recorded net losses from property revaluations, in which the Company's share (after tax) amounts to NIS 0.7 billion (in 2021 - the Company recorded positive property revaluations, in which the Company's share (after tax) was NIS 1.3 billion). For additional information, see Section 2.3.4 of the Board of Directors' Report.

For a summary of the Group's main data for the years 2020-2022, see Section 1.6 of the Board of Directors' Report.

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

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

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

Energix Renewable Energies Ltd.	
Date (year):	**Investment Amount (in NIS millions):**
2020	59
2021	-
2022	204

In the years 2020-2022, Energix strengthened and expanded its activities and increased its portfolio of projects in all three of its activity locations – Israel, Poland and the United States. For information regarding Energix's business development in 2022, see Chapter E below.

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

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

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

4. Distribution of Dividends

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

For additional information regarding the Company's dividend policy, for details regarding the amounts of dividends distributed by the Company in the reporting periods and for the balance of the distributable profits as of December 31, 2022 – see Note 16d to the financial statements.

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

The Company's expanded solo statements are a summary of the Company's statements presented in accordance with IFRS principles, except for the investments in Amot, Energix and BE, which are presented on an equity basis instead of consolidating their statements into the Company's statements (other investments are presented without change to the statement presented according to IFRS principles). For financial Information regarding the Company's areas of activity, see Note 21 to the financial statements. Expanded solo statements do not constitute separate statements within the meaning of International Accounting Standard 27 and Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 and are not part of the information required to be published under securities law..

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

	31.12.2022		December 31, 2021	
	NIS thousands	**%**	**NIS thousand**	**%**
Israel – investment in Amot	4,698,814	40	4,198,566	38
UK – Brockton Everlast	3,169,275	27	2,854,231	26
U.S. – investment in Carr	2,844,673	25	2,989,792	27
U.S. – investment in AH Boston	756,482	7	828,347	8
UK – investment in Brockton Funds	157,639	1	157,196	1
Other	-	-	145	-
Total *	**11,626,883**	**100**	**11,028,277**	**100**

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

	31.12.2022		December 31, 2021	
	NIS thousands	**%**	**NIS thousand**	**%**
Israel – investment property (including real estate in development) **	18,666,208	66	16,938,093	65
UK – Brockton Everlast investment property **	5,562,252	20	4,997,123	19
U.S. – investment in Carr	2,844,673	10	2,989,792	12
U.S. – investment in AH Boston	756,482	3	828,347	3
UK – investment in Brockton Funds	216,233	1	209,575	1
Other	-	-	145	-
Total *	**28,045,848**	**100**	**25,963,075**	100

(*) The balances presented above do not include cash, deposits and tradable securities, which, as of December 31, 2022, amounted to NIS 2.3 billion (consolidated) and NIS 409 million (expanded solo). ואשר ליום 31 בדצמבר 2021 הסתכמו לסך של 1.2 מיליארד ש"ח (מאוחד) ו- 113 מיליון ש"ח (סולו מורחב)

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

5.3 Information regarding investments in the renewable energies segment

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

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 855 MW in commercially operated projects, approx. 680 MW in projects in development or pre-construction, approx. 695 MW in projects in advanced initiation stages, approx. 6.3 GW in projects in the initiation stage[5] and approx. 7 GWh in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 4.7 billion – for details, see Chapter E below.

---

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

The balance of the Company's investment (expanded solo) in Energix as of December 31, 2022 is NIS 1,136 million.

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

	31.12.2022		December 31, 2021	
	NIS thousands	**%**	**NIS thousand**	**%**
Photo-voltaic systems	1,850,700	39	1,411,700	41
Wind farm	1,059,428	22	503,228	15
Projects in development	1,813,125	38	1,491,890	44
Total	**4,723,253**	**100**	**3,406,818**	**100**
Right-of-use asset and others	390,987		287,260	
	5,114,240		**3,694,078**	

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

	31.12.2022		December 31, 2021	
	NIS thousands	**%**	**NIS thousand**	**%**
Israel	1,897,076	37	1,381,029	37
Poland	1,518,532	30	1,091,138	30
USD	1,698,632	33	1,221,911	33
Total	**5,114,240**	**100**	**3,694,078**	**100**

For additional information regarding Energix, see Chapter E below.

5.4 Result data based on the Consolidated Statement of Income

For further information see Section 2.5.2 of the Board of Directors' Report.

5.5 Result data based on the Expanded Solo Statement of Income

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

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

General

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

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 supply 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.

The increase in inflation around the world led to monetary restraint by central banks. This trend increased throughout the second half of 2022, when many central banks began the process of bringing forward and accelerating the pace of interest rate increases. These measures, combined with other global developments, contributed to a further slowdown in economic activity and global growth forecasts were updated downwards.
The inflation environment around the world remains significantly higher than the central banks' targets, however, towards the end of the year, a weakening in inflation was observed in some countries. In view of these trends, worldwide monetary contraction continued, but some central banks began to signal a future slowdown in the pace of the contraction and some of them actually began to slow down the pace of monetary contraction.
In view of these developments, the growth forecasts in many countries have been updated downwards for 2023. According to International Monetary Fund forecasts, global growth will amount to 2.9% in 2023 (compared to 3.4% in 2022) and 3.1% in 2024. In addition, the International Monetary Fund predicts that global inflation will be 6.6% in 2023 (compared to 8.8% in 2022) and 4.3% in 2024.

The following is information regarding trends, some of which constitute a structural change in the office sector in the various geographic reguibs where the Group operates:

1. Demand for office space –

Economic slowdown – The decrease in the growth rate, the sharp increase in interest rates, the increase in prices and fears of entering a recession have led to streamlining measures by companies that are reflected, among other things, in the reduction of leased space either in cases of contract renewals or in an increase in subleases. In order to rent out the vacated areas, property owners in the US and European markets increased the incentive packages given to tenants (adaptation budgets for tenants and a free rental period) to amounts exceeding those before the Corona crisis.

Work from home – In some markets the rate of return to working from the office is lower than expected. As a continuation of the trend of working from home which began during the Corona crisis, the phenomenon of switching to hybrid work has intensified and in most markets, employees have returned to work in offices on some days of the week. In the midst of the Corona pandemic, a forecast was published by the consulting company Green Street according to which hybrid work should reduce the rate of active demand for office space by approx. 15% and as a result increase the rate of vacant space while creating pressure to lower rental prices. In some markets (with an emphasis on those in the US and Europe), this trend can already be observed.

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

Flexible offices – Based on a study by the real estate consulting firm JLL, from the beginning of 2023, the penetration of this field is increasing in the United States, which includes, among other things, coworking space, external management of offices where company headquarters are located and rental space for periods shorter than three years (spec suites). According to the aforementioned study, this area will constitute 30% of all office space in the United States in 2030, compared to 5% at present.

Technology segment – In recent years, the high-tech sector has been one of the most important drivers creating demand for office space. The frequent increases in interest rates that led to the collapse of the world's capital markets have considerably reduced the active demand for office space on the part of the technology companies, whose ability to raise funds from the capital markets has been reduced, and who are required to make downsizing moves. The global economic slowdown has led most of them to rethink their organizational growth plans, which were originally the catalyst for demand. Some of those companies decided to put surplus space back on the market through subleasing which caused prices to drop. In some markets, the amount of space offered for subletting exceeds the level that existed before 2020.

Flight to quality – In recent years in general and during 2022 in particular, a phenomenon of strong demand is evident for modern trophy type buildings with access to transportation based on mass transit systems. The environmental conditions in these towers correspond to the companies' need to operate in places that meet the desires of employees in terms of living conditions. This need is combined with the growing understanding of the importance of the value of sustainability (with an emphasis on environmental) which has become a key measure in the set of considerations of a growing number of companies to move to office spaces located in buildings with modern environmental quality standards. Although the rent in these buildings is absolutely higher than in buildings built in past generations, it is evident that the occupancy rate in the trophy buildings exceeds that in buildings of the Class B and Class C type. Over the years, significant parts of the generation of old buildings that cannot be renovated will lose tenants.

Construction starts – The economic slowdown, the increase in construction costs, the frequent interest rate increases and the halting of expansion moves by many of the companies resulted in a decrease in the amount of space under construction.

2. Financing and the value of assets –

Credit crunch – In the United States and Europe there has been a significant reduction in the activity of providing new credit to the income-generating property sector in general and to the office sector in particular due to the central banks' directive regarding the creation of safety cushions in preparation for a recession. The combination of this phenomenon with the series of interest rate increases that took place during 2022 led to a credit crunch, which resulted in increased difficulty finding sources of credit for the purpose of paying off existing debts or for making investments in the acquisition of buildings and entrepreneurial activity. This phenomenon led, among other things, to substantial decreases in investment volumes.

Financial conditions for borrowers – Towards the end of 2022, a trend has developed in the United States and Europe involving an increase in the number of borrowers who have become in violation of financial covenants (either due to a deviation in the interest coverage ratio or as a result of an increase in leverage ratios). In cases of an inability to repay existing debts or an inability to provide additional equity, property owners have been required to put them up for sale at high discount rates or to hand them over to the lenders.

CAP rate – Starting in the middle of 2022, there has been a decrease in the value of properties in the real markets in the United States and Europe. Appraisal companies increased the discount rates in view of the increase and volatility in long-term risk-free interest rates while lowering the NOI [Market Leasing Assumptions] forecasts in some cases. Since the outbreak of the Corona pandemic, the yield has decreased on shares in real estate investment funds by dozens of percents and from the date the interest rate increases started in 2022, they are regularly traded at discount rates ranging on average from 35% in Europe to 50% in the United States.

The Company anticipates that all the above factors will lead to the continuation of the trend of decreases in the value of the income-generating properties, which began in the US and in the UK last year, also during 2023.

The following is information regarding renewable energy trends in the various geographic regions where the Group operates:

1. General –

Increase in electricity prices - During the reporting period, the trend of increasing electricity prices continued in the United States and in Europe, although from the date of the report until the date of approval of the report, a relative moderation in the trend of increasing prices in the free market is evident.

Supply chain - The beginning of 2022 was characterized by an increase in equipment and shipping prices that was moderated later in the year. It is obvious that the problems in the supply chain, together with the tightening of the American regulation, which imposed bans on the import of equipment manufactured in China and South Asia, presented the market with various supply chain challenges, with an emphasis on solar panels.

Law for the encouragement of renewable energies in the United States - which provides a tax benefit of 30%, and in some cases up to an additional 20% depending on the location of the project and the use of equipment manufactured in the US, until the end of 2032.

2. Israel –

In October 2021, the Ministry of Energy published a roadmap for a low-carbon economy in which it set an overarching target of reducing greenhouse gases from the energy sector by a rate 80% by 2050, compared to 2015. In addition, the data indicate that the activity of the Israeli economy will require approx. 3.5 GW of energy storage by 2030. This decision forms the basis for the potential development and establishment of photovoltaic projects with a capacity of approx. 12 GW in the next decade.

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

3. United States –

The United States is one of the world's leading countries in the production of electricity from renewable energy sources, and is rated second in the world, after China, in terms of the highest installed output of renewable energy facilities. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. It is estimated that in 2022, approx. 24 GW of solar facilities were added and the total number of new wind facilities in 2022 is expected to be more than 10 GW7.

On August 16, 2022, the Inflation Reduction Act entered into effect, which regulates, among other things, the provision of long-term economic incentives to promote climate and energy programs. Under the law, an investment plan totaling approx. USD 500 billion was adopted, of which approx. USD 400 billion will be granted in tax incentives and other benefits to projects for the generation of electricity from renewable energy.

4. Poland –

In February 2021, the Energy Policy Plan for 2040 was approved in Poland, which determined that the rate of electricity generation in coal-based facilities will decrease from 78% in 2017 to less than only 56% by 2030. In order to meet the above targets and promote the transition from coal-based energy to renewable energies, Poland is also expected to receive an aid package estimated at approx. EUR 76 billion.

US Clean Energy Market Outlook Q4 ,2022
Ministry of Energy, Roadmap for a Low-Carbon Energy Economy by 2050, October 2021.
Status report - Renewable Energy Targets in the Electricity Sector, March 2022

During October 2022, against the backdrop of the gas crisis and the high electricity prices in Europe resulting from the war between Russia and Ukraine, the European Union adopted a decision regarding a ceiling for the electricity prices that certain electricity producers in EU countries will receive, including electricity producers from renewable energy, as a response to the high electricity prices in Europe. In the context of the European Union's decision, legislation was adopted in Poland regarding emergency measures to temporarily limit the prices of electricity generated in wind farms and photovoltaic facilities in the country. As part of the adopted legislation, it was determined that the sale of electricity directly to the buyer until the end of 2023 will be subject to a price ceiling.

Possible consequences of the changes in the legal system in Israel:

During January 2023, the government began promoting a plan to make fundamental changes to the legal system in Israel. The proposed changes arouse widespread controversy and criticism, and according to publications in the media, their intensity, as well as the conduct of the various parties in connection with them, may have an impact, according to economic bodies, senior economists in the economy, heads of academia and experts in the fields of law, society and economics in Israel, on the strength of the market and the economy in Israel.

Also according to the aforementioned publications, the plan and the disputes that have arisen as a result, may lead to a downgrade in the State of Israel's credit rating, damage to investments in the Israeli economy and withdrawal of funds and investments from Israel, to an increase in the cost of financing sources in the Israeli economy and damage to the activity of the economic sector. To the extent that the assessments described above or some of them materialize, the financial performance of the Company, and of its subsidiaries in respect of their activities in Israel, may also be affected.

The Group's assessments:

For information regarding the list of risk factors that apply to the Group, see Section 4 of the Board of Directors' Report.

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 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, the continuing inflation trend, the future demand for offices and an economic recession, to the extent that 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 to the Board of Directors' Report.

The Company's estimates detailed above regarding 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.

B. Investments in Israel – Amot Investments Ltd

1. General Information regarding Amot

As of December 31, 2022, the Company holds 55.5% of Amot's capital.

In 2022, the Company invested NIS 159 million in Amot as part of an issue carried out by Amot.

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

Amot's income-generating properties in Israel, owned or leased, as of December 31, 2022, include 114 income-generating properties[8] with a total area of 1.85 million sq.m. (Amot's share), of which 1.15 million sq.m. are above-ground rental areas and 0.7 million sq.m. are open storage and parking. In addition, Amot has 6 projects in advanced planning and construction stages amounting to 218 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiating stages amounting to 56 sq.m. above-ground (Amot's share).

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

The total fair value of Amot's assets as of December 31, 2022 is approx. NIS 19 billion, of which the fair value of income-generating property as of December 31, 2022 (not including assets in development) is NIS 16.6 billion and the occupancy rate as of that date was 94.4%. In addition, Amot holds investment property in development and rights in land designated for development at a fair value of NIS 2.3 billion.

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

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

Regarding dividends received by the Company from Amot in the reporting period and dividend receipts projected for 2023 – see Section 2.3.9 of the Board of Directors' Report.

8 As of this financial statement, Amot's assets are presented by complex rather than by individual asset.

2. General Environment and Impact of External Factors – Israel[9]

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

Economic activity in 2022 was characterized by the continued recovery from the Corona pandemic, by a wave of rising energy and commodity prices and by accelerating inflation rates in Israel. The Bank of Israel interest rate rose in several increases to approx. 4.25% (including another increase in February 2023).

During 2022, the GDP in Israel grew by approx. 6.3%10, compared to a growth of approx. 8.6% in 2021. The GDP level in the economy continued to be higher than the long-term trend line from before the Corona crisis. Current measures continued to indicate a strong level of economic activity, but some pointed to a moderation in growth in the third quarter. The Bank of Israel's assessment regarding 2023 is that there are increasing signs of a slowdown in the global economy and that they may have an impact on the Israeli economy as well. According to Bank of Israel forecasts, GDP is expected to grow by approx. 2.8% in 2023 and by approx. 3.5% in 2024.

The labor market continued to be strong in a full employment environment in the second half of 2022, with some weakening at the end of the year that included a moderate increase in the unemployment rate and a slight decrease in the employment rate. According to the Central Bureau of Statistics trend survey, at the end of the period there was a decrease in the expectations of businesses for an increase in the number of people employed by them. A more significant decrease was recorded in the high-tech and hotel sectors.

2022 was characterized by a high inflationary environment compared to recent years and amounted to an annual level of approx. 5.3% (according to December 2022 data). At the same time, the inflation rate in Israel is lower than its rate in most developed countries. During the second half of 2022, short-term inflation expectations were found near the upper limit of the target area and for some periods slightly above it. Longer-term inflation expectations continued to be firmly within the target range. The Bank of Israel's inflation forecast for 2023 is approx. 3.0% and approx. 2.0% for 2024.

In 2022, a surplus was recorded in government activity at a rate of approx. 0.6% of the GDP.

With regard to foreign currency, the NIS exchange rate during the second half of 2022 was characterized by a mixed trend with relatively high volatility. From October to mid-December, the effective nominal exchange rate was characterized by relative stability, but this stability reflected mixed trends of the strengthening of the NIS against the USD on the one hand and its weakening against the EUR on the other. From an annual perspective, the NIS depreciated against the USD by approx. 10%, but compared to the effective nominal exchange rate, a depreciation of only approx. 4% was recorded.

9 Sources of Information in this section:
Bank of Israel – Research Division Macroeconomic Forecast, January 2023.
Bank of Israel – Monetary Policy Report, H2/2020, January 2023.
Central Bureau of Statistics – Data from the Labor Force Survey for December, Q4 and 2022.
CBRE Market Outlook H1-2022; Office Market Review H2-2022 Inter Israel.
10 Based on the Bank of Israel's forecast for 2022.

The following are macroeconomic characteristics pertaining to Israel:[11]

Israel				
For the Year ended	**Units**	**31.12.2022**	**December 31, 2021**	**December 31 2020**
Macroeconomic parameters				
GDP (PPP)	USD Billions	497	437	386
Per capita GDP (PPP)	USD	52,173	46,659	41,931
GDP growth rate (PPP)	%	13.67%	13.13%	0.67%-
Per capita GDP growth rate (PPP)	%	11.82%	11.28%	2.43%-
Inflation rate	%	5.33%	2.80%	0.69%-
Yield on long-term domestic government debt	%	2.62%	1.12%	0.77%
Rating of long-term government debt	-	AA-/A1	AA-/A1	AA-/A1
Unemployment rate	%	4.2%	4.0%	4.8%

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

According to the data for the first half of 2022, the office market continued to be very strong, especially in the Tel Aviv, Ramat Gan and Herzliya areas, led by demand from the high-tech industry, which, together with the limited supply, led to an increase of approx. 25% in recent years in rental fees in Tel Aviv and to occupancy rates of over 99%. The lack of vacant space in Tel Aviv's main business center drew attention to the other employment areas in the center of the country, such as Ra'anana, Kfar Saba and Hod Hasharon. In the second half of 2022, a trend of frequent interest rate increases began, which led to dramatic decreases in value in the capital market. As a result, many technology companies lowered their forecasts and began streamlining programs that moderated the demand for offices and increased the availability of sublease space. In the second half of 2022, there was a stabilization with a tendency for slight price decreases, when the Tel Aviv main business center and its surroundings, for the first time in years, recorded price decreases of approx. 7%. The expected increase in office inventory for 2023 in the Tel Aviv main business center is not high at only approx. 117 thousand sq.m.

The logistics sector, which has experienced accelerated growth in recent years, continued to grow in 2022. Land prices for logistics in areas close to main transportation arteries such as Route 6 and the port areas continued to rise. At the same time, rental prices did not rise at the same rate, a trend that led to a decrease in discount rates in this area.

The commerce sector in 2022 was characterized by a significant recovery, the level of revenues in shopping malls increased significantly and is now higher than its pre-crisis level. The reasons for this are the return to normalcy due to the decline of the Corona pandemic, as well as the accumulated household savings from the Corona period in combination with high employment rates. The occupancy rates in malls and large shopping centers are close to full capacity.

11 In this table, unless otherwise stated, the source of the data is the IMF - World Economic Outlook Database from October 2022. Data for 2022 are estimated data; inflation data in Israel as of the last day of each year from the Central Bureau of Statistics website CBS.GOV.IL; data on the nominal rate of return on long-term government debt in Israel refers to 10-year bonds. The source of the data on the stats.oecd.org website is based on data transmitted from the Bank of Israel; long-term Israeli government debt rating data is based on Moody's and Standard & Poor's publications; Unemployment rate data are based on the Central Bureau of Statistics website (the unemployment rate from the total population aged 15 and over, adjusted for seasonality).

3. Financial Information Regarding Amot's Activity

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

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

	Unit of Measurement	2022	2021	2020
Number of properties	Unit	114(*)	112	110
Value of investment property (without property in self-construction)	NIS thousands	16,623,086	14,678,447	12,718,390
Weighted capitalization rate deriving from investment property	%	6.20	6.08	6.52
Occupancy rate at end of period	%	94.4	98.0	97.2
Value of investment property in development	NIS thousands	2,341,725	2,447,443	1,222,883
Equity	NIS thousands	8,775,592	7,600,588	6,316,093
Ratio of net financial debt to total balance sheet	%	41.9	42.9	43.0
Revenues from rent and management fees	NIS thousands	1,063,905	873,827	798,356
Fair value adjustment of investment property	NIS thousands	1,000,840	748,014	(162,915)
NOI	NIS thousands	930,996	779,818	734,204
From identical properties – NOI	NIS thousands	824,512	747,369(**)	713,077(**)
FFO	NIS thousands	743,211	582,965	511,618
Net profit	NIS thousands	1,171,150	932,189	289,457
FFO per share	NIS	1,604	1,389	1,315
Ordinary dividend per share	NIS	1.06	1.00	0.98
NAV per share	NIS	18.68	17.17	15.42
NNAV per share	NIS	22.35	20.63	18.73
Share price at end of period	NIS	20.65	25.28	17.99
Company's Share of Amot NOI				
NOI – Corporation's share	NIS thousands	502,098	440,718	408,717
NOI – from identical properties, Corporation's share	NIS thousands	444,670	393,012	342,561

(*) As of this periodic report, Amot's assets are counted according by complex rather than by individual asset. The number of properties in 2021 and 2020 have been readjusted.

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

4. Information regarding Amot's Assets

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

4.1 Information regarding Amot's assets, by use:

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

Uses	31.12.2022	% of Total Area	December 31, 2021	% of Total Area
Offices	447,142	39%	381,905	35%
Logistics and industry	503,034	44%	503,034	47%
Commercial centers	130,012	11%	131,918	12%
Supermarkets	37,694	3%	37,694	3%
Others	23,553	2%	23,553	2%
Total above-ground area	**1,141,435**	**100%**	**1,078,104**	**100%**
Open storage area	96,870		96,870	
Parking area	606,360		581,400	
Total area (*)(**)	**1,844,665**	**100%**	**1,756,374**	**100%**
Total Company share in above-ground area according to rate of holdings at end of period	**613,958**		**598,534**	

(*) The areas detailed above include 44 thousand sq.m. of jointly controlled companies in 2022 and 2021, presented according to the equity method in the financial statements.

(**) Starting in the first quarter of 2022, Amot Campus Holon was classified as income-generating property with an area of 47 thousand sq.m. (Amot's share) and in the second quarter an office building in Givatayim with an area of 17.5 thousand sq.m. was classified.

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

Uses	31.12.2022	% of Total Area	December 31, 2021	% of Total Area
Offices	8,143,190	49%	6,754,843	46%
Logistics and industry	4,664,529	28%	4,255,707	29%
Commercial centers	2,777,834	17%	2,692,644	18%
Supermarkets	779,671	5%	737,006	5%
Others	257,862	2%	238,247	2%
Total (*)(**)	**16,623,086**	**100%**	**14,678,447**	**100%**
Total Company share of fair value according to rate of holdings for the period	**8,941,268**		**8,149,069**	

(*) Of that amount in 2022 and 2021, properties valued at NIS 566 million and NIS 542 million, respectively, belong to jointly controlled companies presented according to the equity method in the financial statement.

(**) Starting in the first quarter of 2022, Amot Campus Holon was classified as income-generating property and in the second quarter an office building in Givatayim was classified.

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

Uses	2022	% of Total Area	2021	% of Total Area	2020	% of Total Area
Offices	449,221	48%	389,666	50%	407,249	55%
Logistics and industry	248,044	27%	185,244	24%	156,594	21%
Commercial centers	174,749	19%	149,174	19%	113,480	15%
Supermarkets	47,070	5%	45,189	6%	45,970	6%
Others	16,499	2%	13,440	2%	12,754	2%
Total (*)(**)	**935,583**	**100%**	**782,713**	**100%**	**736,047**	**100%**
Total Company share in NOI according to rate of holdings in the period	**504,572**		**442,354**		**409,870**	

(*) The data does not include non-attributable and other expenses in the amount of NIS 9 million in 2022, approx. NIS 5 million in 2021 and NIS 4 million in 2020.

(**) Of the above, NOI in the amount of approx. NIS 32 million in 2022 and NIS 29 million in 2021 belong to jointly controlled companies presented according to the equity method in the financial statement.

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

Uses	2022	2021	2020
Offices	468,569	245,573	(72,799)
Logistics and industry	279,935	364,373	22,079
Commercial centers	72,827	72,894	(119,838)
Supermarkets	42,417	21,019	1,596
Others	19,615	2,477	(2,368)
Transaction costs in respect of the purchase of new properties	-	(97,463)	-
Total (*)(**)(***)	**883,363**	**608,873**	**(171,330)**
Adjustment of the value of properties in development and others	117,477	139,141	8,415
Total	**1,000,840**	**748,014**	**(162,915)**
Total Company share of revaluation profits/losses (not including property in development) according to rate of holdings for the period	**476,070**	**340,933**	**(95,406)**

(*) Of the above, a revaluation profit of NIS 20 million in 2022, a revaluation profit of NIS 5 million in 2021 and a revaluation loss of NIS 40 million in 2020 belong to jointly controlled companies presented according to the equity method in the financial statement.

(***) Most of the reduction in fair value in 2020 is due to the effect of the decline in the CPI and to the effect of the Corona crisis, mainly on commercial properties.

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

Uses	2022	2021 - Standardized for Corona	2021
Offices	94	86	86
Logistics and industry	41	39	39
Commercial centers	114	114	102
Supermarkets	104	100	100
Others	58	58	48

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

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

Uses	2022	2021
Offices (**)	86.7%	95.8%
Logistics and industry	100.0%	100.0%
Commercial centers	97.8%	96.1%
Supermarkets	100.0%	100.0%
Others	100.0%	100.0%
Total	**94.4%**	**98.0%**

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

(**) From the first quarter of 2022, the Amot Campus Holon was classified to income-generating property.

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

Uses	2022	New Counting Method 2021	2021
Offices	43	41	47
Logistics and industry	19	19	56
Commercial centers	14	14	34
Supermarkets	35	35	35
Others	3	3	3
Total	**114**	**112**	**175**

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

As of this periodic report, Amot's assets are counted according by complex rather than by individual asset.

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

Uses	2022	2021 - Standardized for Corona	2021
Offices	6.1%	5.9%	5.9%
Logistics and industry	5.3%	5.4%	5.4%
Commercial centers	6.2%	6.3%	5.5%
Supermarkets	6.0%	6.1%	6.1%
Others	6.4%	6.9%	5.6%
Total (*)(**)	**5.9%**	**5.8%**	**5.6%**

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

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

The specific cap rate for each property in each area depends on a number of factors:

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

4.1.9 Segmentation of information regarding office properties by geographic area:

Geographic Area	Above-Ground Area as of December 31, 2020	2022 NOI	Fair Value of Income-Generating Property as of December 31, 2022	Percent of Total Properties	Average Monthly Rental Fees 2022
Greater Tel Aviv (*)	200,595	279,138	5,047,818	62%	118
Gush Dan cities	198,275	135,939	2,532,287	31%	71
Other areas	48,272	34,144	563,085	7%	63
Total	**447,142**	**449,221**	**8,143,190**	**100%**	

Geographic Area	Above-Ground Area as of December 31, 2021	2021 NOI	Fair Value of Income-Generating Property as of December 31, 2021	Percent of Total Properties	Average Monthly Rental Fees 2021
Greater Tel Aviv (*)	183,095	225,982	4,256,969	63%	108
Gush Dan cities	151,595	130,226	1,981,481	29%	68
Other areas	47,215	33,458	515,909	8%	61
Total	**381,905**	**389,666**	**6,754,359**	**100%**	

(*) Tel Aviv, Ramat Gan and Givataim.

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

The following is data regarding expected rental revenues in respect of rental agreements signed in Israel for Amot properties as of December 31, 2022, by date of completion:

Period	Assuming Non-Exercise of Tenant Option Periods		
	Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In NIS thousands	Unit	In sq.m. thousands
Q1	224	130	34
Q2	218	67	27
Q3	211	137	47
Q4	203	94	36
Total 2023	**856**	**428**	**144**
2024	696	483	224
2025	542	299	153
2026	409	212	149
2027 onward	1114	300	454
Total	**3,617**	**1,722**	**1,124**

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

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

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

4.3 Main Tenants

Amot has no tenants from whom the rental fee revenues constitute 10% or more of all of its rental fee and property management revenues.

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

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

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

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Toha1 (Totzeret Ha'aretz Complex) (Amot's share – 50%)	Intersection of Totzeret Haaretz St., Yigal Alon St. and Hashalom Rd., Tel Aviv	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Amot Investments Tower	Ramat Gan City Complex, Jabotinsky St.	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Holon Campus Tower Amot's share – 77.8%	Jerusalem, corner of Melacha St., Holon Industrial Area	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status. The tower is built on an 11 dunam area.
Amot Investments Tower, Europe House	Shaul Hamelech St., central Tel Aviv	Due to their proximity to the court complex, the buildings constitute prime properties due to surplus demand from professionals and government ministries for rental space in the area of the complex.
Amot Mishpat Complex (Beit Amot Mishpat, Amot Hakiryah and 10 Dubnov)	In the center of the city's court complex adjacent to the Tel Aviv Museum and the Tel Aviv Performing Arts Center	
Amot Insurance Complex (Buildings A, B and C)	Menachem Begin Rd., Tel Aviv	A complex consists of 3 office buildings, one of which is rented in full to the Fattal Hotel chain. The complex enjoys a high level of transportation access, on Menachem Begin Rd. in Tel Aviv.

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

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Amot Tzrifin Park	On Road 44 (Ramla-Beit Dagan) adjacent to Moshav Nir Zvi and near Assaf Harofeh Hospital and the Tzrifin Junction	A complex of approx. 274 dunams, on which 18 logistics buildings are built with a total built-up area of approx. 113 thousand sq.m. The complex has substantial unutilized building rights.
Si'im Park Netanya **Poleg Park Netanya**	Poleg Industrial Zone, Netanya South	The properties provide a solution in an area where there is a growing demand for a combination of uses for both the needs of the high-tech industry and for logistics and storage needs. A complex with an area of approx. 80 dunams.
Logistic center – Shoham	Hevel Modi'in Industrial Zone – Shoham	**The property is rented in full to SLE - Salomon, Levin and Elstein Ltd. (a Teva subsidiary) and serves as a sophisticated logistic center for automatic storage of raw materials for the pharmaceutical industry, and for the storage and distribution of pharmaceuticals.**
Cargal Park	Lod North Industrial Zone	A complex with an area of approx. 106 dunams and a built-up area of approx. 47 thousand sq.m., rented to 35 tenants. The complex has substantial unutilized building rights. A complex with a total area of approx. 97 dunams.
Rehovot Park	Rehovot Industrial Zone	Industrial park that includes a 3-wing building spread over an area of 33 thousand sq.m., used by high-tech companies, logistic and operational centers, development laboratories and storage.
A Group of Logistics Buildings, Modi'in	Ligad, Modi'in	Several logistics centers rented to high-quality tenants, such as Fox, Novolog, Shufersal Ltd.
Shufersal On-line distribution center **The Company's share - 75%**	Ligad, Modi'in	A property that is fully leased to Shufersal Ltd. for its on-line activity. A complex with an area of approx. 34 dunams.

Amot has rights in several malls and commercial centers.

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

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

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

Amot owns 35 properties serving as supermarkets, spread nationally, rented to the Shufersal Ltd. group, Mega Retail Ltd., Co-Op Jerusalem and others. The supermarkets' occupancy rate as of December 31, 2022 is 100%.

Amot is also involved in initiating and developing, and acquires land for the purpose of initiating, developing and building income-generating properties for rental purposes. For more information on this subject, see Section 4.5 below.

4.5 Investment property in construction and development [12]

Amot has several properties in construction and development.

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

For a central table regarding Amot's investment property projects in development – see Section 2.3.4 of the Board of Directors' Report.

12 The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2022, December 31, 2021 and December 31, 2020, the Company's share in the data presented is 53.8%, 55.5% and 57.06%, respectively.

4.5.1 Projects in development as of December 31, 2022

Amot has 6 projects under construction, in which Amot's share is 218 thousand sq.m. above ground. The total expected investment in the projects is approx. NIS 3.2 billion (Amot's share). The cost of construction includes the land component, parking garages, tenant improvements and capitalizations.

Amot Modi'in

The project includes a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period, at annual rental fees calculated according to an 8% return on the total investment cost. The logistics center began generating income starting in mid-July 2020. The expected investment amount for the partnership in the construction of the project was estimated at NIS 420 million (Amot's share of the investment, 75%, is estimated at NIS 320 million, Shufersal's share is 25%). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the reporting date, the project is nearing the end of the finishing work at the logistic center with an emphasis on the work of the automation contractor and is in the midst of the finishing work on the office building. The project's readiness for Form 4 is expected in the first quarter of 2023.

Halehi Complex – Bnei Brak

The lot is located in the Bnei Brak's Northern business complex, adjacent to Hayarkon Park and the Ramat Hachayal complex and near the Ayalon Mall. Amot and its partner in the project (Allied Real Estate Ltd.) are working together to plan, develop and build an office and commercial project, which will include 100 thousand sq.m. of above-ground space, including 45 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,450 million (Amot's share - 50%). As of the date of the report, the project in the stages of building the superstructure and carrying out the finishing work and systems in the parking lot and the commercial floors.

K Complex – Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project has an above ground area amounting to approx. 79 thousand sq.m. according to the City Building Plan in effect and approx. 93 thousand sq.m. above ground area according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%). The investment in the project's construction, including the land component, is estimated by the parties at approx. NIS 1,400 million (Amot's share – NIS 700 million). At this stage, the project is at the end of the excavation work and is nearing the foundation work.

Beit Shemesh Logistic Center

In June 2021, Amot purchased 60% of a 40-dunam plot of land in Beit Shemesh from Y.D.E. Menivim Ltd. for the establishment of a logistics center, for a consideration of NIS 53 million. Amot is currently leading a city building plan to increase the built-up areas on the lot to approx. 50 thousand sq.m. As part of the agreement between the parties, it was agreed that the companies will jointly establish an advanced logistics center, which will be built on two high floors of approx. 15 meters each floor at a total cost of approx. NIS 345 million, with Amot's share being NIS 207 million. As of the date of the report, the project is in the midst of skeleton work.

ToHa2 (Totzeret Ha'aretz Complex)

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

In October 2021, the Amot Board of Directors decided on the establishment and marketing of the ToHa2 project in Tel Aviv. The project will be established by Amot and Gav-Yam, on real estate located at the intersection of Totzeret Ha'aretz, Yigal Alon and Derech Hashalom streets in Tel Aviv, adjacent to the ToHa1 project, which is also owned by the partnership. The ToHa2 project includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI work) will amount to approx. NIS 3.1 billion (Amot's share - NIS 1.55 billion), of which a total of approx. NIS 777 million has been paid so far (Amot's share - NIS 389 million).

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

On November 9, 2022, as part of the joint transaction between Amot and Gav-Yam Lands Corp. Ltd., the joint holders of the rights in the ToHa2 project, the partners engaged in a detailed letter of intent with an unrelated third party 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, and subject to the approval of the authorized bodies / boards of directors of all parties. The 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's construction, for rental fees, at an envelope level, in the amount of approx. NIS 105 million per year (Amot's share - 50%).

For additional information regarding projects constructed by Amot, see Section 2.3.4 of the Board of Directors' Report.

4.5.2 Projects in initiation stages as of December 31, 2022

Amot has 3 projects in planning and development stages. Amot's share in them is an above-ground area of 56 thousand sq.m. and the total investment expected for these projects in the coming years is NIS 630-690 million (Amot's share). For additional information, see Section 2.3.4 of the Board of Directors' Report.

All of the information included in this Section 4.5.2 below constitutes forward-looking information as defined in Section 32A of the Securities Law, and as such its realization is uncertain and is not solely under Amot's control. The information refers to data existing and known to Amot on the date of publication of this report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc., data that are not under the Amot's control and therefore there is no certainty these projects will actually be executed.

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

Location	Parameters	31.12.2022	For the Year ended December 31, 2021	December 31 2020
Use – Offices (Toha2 Tel Aviv / Lehi Complex Bnei Brak / Amot Shufersal Modiin / Amot Givatayim / K Complex Jerusalem / Park Afek / Holon Campus until December 31, 2021)	Number of properties in development at end of period	5	7	4
	Total above-ground areas in development (planned) at end of period, in sq.m.	187,450	248,930	94,550
	Total underground parking areas, in sq.m.	62,198	101,282	70,803
	Total costs invested in the current period (including transaction costs) in NIS thousands	214,510	418,131	386,631
	The amount at which the properties are presented in the financial statements (including parts considered income-generating) in NIS thousands	1,122,079	1,522,910	613,967
	Construction budget in the consecutive period (estimate) in NIS thousands	222,010	362,719	201,912
	Expected construction budget (estimate) in NIS thousands	3,077,000	3,652,000	1,403,000
	Portion of the built up area for which leases have been signed as of December 31 (*)	-	11.0%	4.0%
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area, in NIS millions	(*)	26	-
Use – Logistics, Beit Shemesh (**)	Number of properties in development at end of period	1	1	-
	Total above-ground areas in development (planned) at end of period, in sq.m.	30,300	27,000	-
	Total costs invested in the current period, in NIS thousands	21,822	56,898	-
	The amount at which the properties are presented in the financial statements (including parts considered income-generating) in NIS thousands	75,512	53,690	-
	Construction budget in the consecutive period (estimate) in NIS thousands	93,221	58,991	-
	Expected construction budget (estimate) in NIS thousands	207,000	180,000	-
	Portion of the built up area for which leases have been signed and/or are in final signing stages as of December 31	50%	-	-
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area, in NIS millions	8.5	-	-

(*) The figure does not include an area of approx. 55 sq.m. (Amot's share - 50%) for which a memorandum of understanding was signed with an unrelated third party in the ToHa2 project, as stated above.

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

4.6 Additional land and building rights that were classified as investment property and investment property in development [13]

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

		2022			2021	2020
		Amount Presented in the Financial Statements (in NIS thousands)	Area / Potential Building Rights (in sq.m.)	Area (in m²)	Amount Presented in the Financial Statements (in NIS thousands)	Amount Presented in the Financial Statements (in NIS thousands)
Additional Building Rights	Offices	317,943	101,959	15,469	263,443	62,394
	Logistics and industry	266,200	140,000	-	266,000	67,401
	Commerce	9,470	2,753	-	9,539	9,739
	Other	2,403	29,443	-	2,624	-
Land (without building rights)	Offices	107,372	54,000	13,223	107,211	281,339
	Logistics and industry	26,100	-	97,000	80,970	-
	Commerce	10,100	-	8,650	10,000	9,900
	Other	120,500	-	18,062	115,500	-
Total		**860,088**	**328,155**	**152,404**	**855,287**	**430,773**

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

		Unit of	For the Year Ending		
Use	**Parameters**	**Measurement**	**31.12.2022**	**December 31, 2021**	**December 31 2020**
Acquisition – Logistics	Number of properties purchased in the period	Unit	-	2	-
	Cost of properties purchased in the period (*)	NIS millions	-	1,589	-
	Expected NOI of properties purchased in the period	Millions of NIS	-	58	-
	Area of properties purchased in the period	Thousands of sq.m.	-	122	-

(*) Not including transaction costs.

[13] The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2022, December 31, 2021 and December 31, 2020, the Company's share in the data presented is 53.8%, 55.5% and 57.0%, respectively.

4.8 Reconciliation with the Consolidated Statement – Items in respect of Amot [14]

		As of December 31	
		2022	2021
		NIS thousands	NIS thousand
Fair value adjustment of investment property to values in the financial statements (4.1.2 above)			
Presentation in the Description of the Corporation's Business	Total value of investment property from income-generating properties in Israel	**16,623,086**	**14,678,447**
Adjustments –			
	Classification of income-generating properties belonging to jointly-controlled companies for investment on an equity basis.	(577,435)	(541,969)
Presentation in the Statement of Financial Position	**'Investment property' item in the Statement of Financial Position – in respect of Amot**	**16,045,651**	**14,136,478**
Adjustment of NOI profits from income-generating properties to Statement of Income values (4.1.3 above)			
Presentation in the Description of the Corporation's Business	Total NOI profits from income-generating properties	**935,583**	**782,713**
Adjustments –	Operating expenses that cannot be attributed directly to a specific property	(8,897)	(5,154)
	NOI in respect of properties classified to 'property in development' that still generate income	4,256	2,392
	Classification of NOI in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(32,403)	(29,099)
Presentation in the Statement of Income	**The 'profit from the rental and operation of properties' item in the Statement of Income – in respect of Amot**	**898,539**	**750,852**
Adjustment of Revaluation Profits Deriving from Income-Generating Properties to Statement of Income Values (4.5 Above)			
Presentation in the description of the corporation's business	Total revaluation profits from income-generating properties	**1,000,840**	**748,014**
Adjustments –			
	Classification of revaluation losses (profits) in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(27,632)	(5,373)
Presentation in the Statement of Income	**The 'fair value adjustment of investment property and profit from its sale" item in the Statement of Comprehensive Income – in respect of Amot**	**973,208**	**742,641**

14 The reconciliation presented is an adjustment to Amot's financial statements, prepared in accordance with IFRS. In this section, no adjustment was made to the Company's statements for intercompany balances in respect of the office lease transaction between Amot and the Company and Energix, for which the balance in the statement of financial position as of December 31, 2022 and December 31, 2021 amounts to NIS 61 million and NIS 58 million, respectively; its impact on the NOI for the years 2022, 2021 and 2020 amounts to NIS 4.0 million, NIS 3.8 million and NIS 3.4 million per year, respectively, and its impact on the revaluation amount in 2022, 2021 and 2020 amounts to approx. NIS 2.8 million, NIS 2.6 million and NIS 0 million, respectively.

5. Property Management and Operation

In 2021, Amot began to manage, through a management company under its ownership, all the relevant properties in which Amot has full ownership. In 2022, Amot began to expand the services offered to its customers. At some properties, management is carried out on a fixed cost basis and at others on a fixed margin basis (up to COST+15%). Operations management includes, among other things, the preparation of operating budgets and monitoring of their performance, building management, maintenance, cleaning, preventive maintenance, monitoring of problems, insurance, collection of property taxes and other issues handled by the management company with various authorities. The activity includes billing tenants, collection, preparing balance sheets, managing the account system between Amot and its suppliers and tenants, tenders, legal treatment, public relations and advertising.

6. Properties with Development Potential

Amot has several properties with development potential. See Section 4.5 and 4.6 below.

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

7. Properties Leased through Non-Capitalized Lease

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

8. Marketing

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

9. Competition

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

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

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

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

1. Amot has an asset portfolio in a variety of uses: offices (49%), logistics and industry (28%), commerce (17%), supermarkets (5%). The variety of uses reduces Amot's exposure to volatility in the various markets.
2. Most of Amot's main properties are located in the country's center.
3. Most of Amot's properties are relatively large, enabling it to provide a response to the needs of large tenants, with the option of adapting the rental property to their needs.
4. Amot has a positive market reputation as a reliable company in terms of providing service both in meeting timetables for handing over rental properties to tenants and in adapting the units and/or buildings according to needs and specifications, at any level required by the tenant.
5. Amot's large tenants have a positive reputation and financial strength and tend to rent properties on a long-term basis.
6. The maintenance and management level of Amot's office buildings is high and provides a response to tenant needs that include, among other things, repairs, renovations and interior cleaning.
7. Positive reputation, financial strength and the ability to secure bank financing.
8. Its abilities in initiation and development give Amot an advantage in locating land for development and construction and in locating properties requiring betterment that have rental potential and enable it to meet market demand.
9. The properties in development are located in developing and high-demand areas that include other office and commercial buildings.

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

10. Human capital

As of the reporting date, Amot has 146 employees, as follows:

Department	Number of Employees
Company HQ – Senior management	7
Company HQ – Other departments	39
Project management and finishing work	37
Management companies	63
Total	146

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

Amot has no material dependence on any specific employee.

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

11. Improvements in Rental Properties and Suppliers

From time to time, Amot carries out maintenance work, renovations and tenant improvements, beyond the regular operation of the properties. The amount of the capital expenditure (CAPEX) to preserve the existing condition, amounted to NIS 58 million in 2022 (including the upgrading of the facing of public areas, tenant improvements in populated properties), NIS 46 million in 2021 and NIS 43 million in 2020.

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

12. External Appraiser

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

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

The percentage of properties appraised by Mr. Zarnitzky constitutes, as of December 31, 2022, 60% of the value of investment property in Amot's statement of financial position (constituting approx. 33% of the total assets in the Group's consolidated statements), and therefore he meets the definition of an extremely essential appraiser according to Legal Staff Position 105-30 of the Securities Authority as of July 22, 2015.

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

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

13. Amot's forecast for 2023:

The following is Amot's forecast for its main operational results for 2023 as published in its 2022 Board of Directors' Report. The forecast is based on the following working assumptions:

- An expected increase of 3.0% in the CPI.
- No material changes will occur in the business environment in which Amot operates in Israel.
- Signed leases and Amot management's expectations regarding current lease renewals in 2023.

	Forecast	Actual	Updated Forecast
Item	**2023**	**2022**	**2022**
NOI (in NIS millions)	970-1,000	**931**	approx. 930
Real FFO (in NIS millions)	770-800	**743**	approx. 740
FFO per share (in NIS)	163-169	**160.4**	approx. 159

The information regarding Amot's forecast for 2023 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Amot management's work plan, which was approved by the Amot Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information referring to a future event or matter, the materialization of which is uncertain and not under Amot's control since there is no certainty that all of the many variables comprising the work plan will be realized as planned.

14. Amot's Business Strategy

Amot's business strategy is to expand its activities in income-generating property in Israel, through the initiation, development, construction and acquisition of properties while maintaining financial strength through significant equity and long-term debt, holding credit facilities (which are usually unutilized) and unencumbered assets. All of these enable maximum financial flexibility, including in times of crisis, and the ability to take advantage of significant opportunities.

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

In accordance with Amot's business strategy to increase and develop the logistics field in its property portfolio, in the last seven years Amot has acquired 8 logistics properties and land that will be used to build logistics buildings, and has invested in establishing a logistics center in Modi'in, in a total amount of NIS 2.9 billion. The value of the logistics and industrial income-generating properties as of December 31, 2021 is NIS 4.7 billion, compared to approxl. NIS 1.2 billion in 2016. In addition, Amot has another property under construction and initiation for logistics use of approx. 30 thousand sq.m. (Amot's share) with a total construction cost of approx. NIS 0.2 billion.

Amot continues with the initiation and improvement in the office sector so that as of December 31, 2022, the value of the income-generating offices is NIS 8.1 billion compared to NIS 4.7 billion in 2016. The Company also has 8 other properties under construction and initiation for office use, amounting to approx. 244 thousand sq.m. (Amot's share), with a total construction cost of approx. NIS 3.7 billion (Amot's share).

In order to maintain its business strategy, Amot's management operates according to the following guidelines:

- Management of a property portfolio with a variety of uses – offices, logistics and industry, commerce and supermarkets.
- Construction and development of properties in initiation, which constitute the Company's growth engine (up to 15% of the total property value) with an emphasis on prime locations in the greater Tel Aviv area.
- Locations in main business centers and major transportation axes.
- A strong and diverse tenant mix.
- Ability of management to improve the existing asset portfolio.
- Concentrating on green construction at a high standard, which contributes to the tenants' quality of life in the work environment and also strengthens the Company's environmental responsibility.

As part of the need to provide a quality and comprehensive solution to its customers, in 2021 Amot began to self-manage its fully owned properties.

15. Projected Developments in the Coming Year

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

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

C. Investment in the United States

General

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

Carr – Holdings of 47.1% in Carr, which owns income-generating property in the Washington D.C. metropolitan area, the Boston metropolitan area and in Austin, Texas – see details in Chapter C1 below.

AH Boston – Holdings of 55% of the capital rights and 50% of the control in three property companies in the Boston metropolitan area, with two of them located in the Boston CBD and one in East Cambridge – see details in Chapter C2 below.

1. General Environment and Impact of External Factors – United States[15]

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

While in 2021 and the beginning of 2022, the American economy enjoyed accelerated growth as a result of the recovery following the Corona pandemic, the rest of 2022 was characterized by volatility and inflationary pressures. During the second half of 2022, inflation in the United States reached a peak at an annual rate of over 9%. In response, the FED was forced to change monetary policy through eight frequent interest rate increases. As of February 2023, the monetary interest rate in the United States rose to a level of 4.5%-4.75%. These measures caused sharp declines in the capital markets and a considerable increase in financing expenses. At the same time and surprisingly, the American economy, with an emphasis on private consumption, remained strong, unemployment rates continued to be very low at a historical level of approx. 3.5%.

According to estimates, the domestic product in the United States increased by approx. 2.1% in 2022 compared to an increase of 5.9% in 2021. Despite the increase recorded in 2022, the forecast for 2023 is for zero growth in the product with a high probability of a non-severe recession.

During all of 2022, inflation increased at an annual rate of 6.5%, the same level as in 2021, and it is expected to decrease to levels of approx. 3%-4% in 2023. According to the FED's statements, during 2023, interest rates are expected to reach a level of 5.25%-5.5% and it is expected to start decreasing towards the end of the year.

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 considerable decrease 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 effect of the lack of liquidity in the obtaining of sources of credit and/or available equity for borrowers who have to repay their debt and/or are required to correct violations of financial covenants is already evident in the United States and is expected to continue throughout 2023 and is likely to be reflected, among other things, in the realization of assets in price declines and/or in the return of assets to lenders.

15 Sources of Information in this section:

Q4 2021 Global Economic Outlook – JLL – Jan 2022

Macro Matters – Reuters – Jan 2022

The following is macro data regarding the United States[16]:

For the Year ended	Units	31.12.22	United States December 31, 2021	December 31, 2020
Macroeconomic parameters				
GDP (PPP)	USD Billions	25,461	23,992	21,747
Per capita GDP (PPP)	USD	76,714	72,179	66,075
GDP growth rate (PPP)	%	9.20%	11.71%	4.00%
Per capita GDP growth rate (PPP)	%	6.28%	11.47%	3.50%
Inflation rate	%	6.50%	7.10%	2.30%
Yield on long-term domestic government debt	%	3.88%	1.52%	1.92%
Rating of long-term government debt		AA+/Aaa	AA+/Aaa	AA+/Aaa
Unemployment rate	%	3.50%	3.90%	3.60%

2. General Environment and Impact of External Factors – Washington D.C. [17]

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

The economy of the Washington D.C. metropolitan area grew in 2022 by a rate of approx. 4.9% compared to growth of 7.8% in 2021 and the Gross Regional Product amounted to approx. USD 645 billion. Naturally, the federal government's activity has a substantial impact on the local economy as well as on the office market in the metropolitan area, whose total area amounts to 354 million sq.ft.

The unemployment rate in the Washington D.C. metropolitan area has been declining since its peak in April 2020 and as of December 2022, it was approx. 4.6%, a rate lower than the national average and close to the level that prevailed before the outbreak of the Corona pandemic. The rate of return to work from offices in Washington D.C. is 47%. Since the outbreak of the Corona crisis and until the date of publication of this report, the federal government employees who are a substantial part of the office users in the city have not yet been called to return to work in the offices.

At the beginning of February 2023, Congress passed a law requiring all federal government employees in the United States to return to work in offices – the "**SHOW UP Act**". The law went for debate and a vote in the Senate. In view of the great pressure from all the workers' committees and the Democratic Party's support for them, and with an emphasis on the approaching presidential elections in 2024, it is difficult assess whether the law will be passed.

16 Sources of information for the above table:
GDP data from the www.bea.gov website;
Per capita GDP data from the http://www.census.gov website;
Inflation and unemployment rate data as of the last day of each year from the www.bls.gov website.
The yield on long-term domestic government debt refers to 10-year bond yields, from the www.treasury.gov website;
The long-term government debt rating is based on Standard & Poor's and Moody's publications.
17 Sources of Information in this section and in the table:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2021, Suburban Maryland, Northern Virginia, Washington DC
Quarterly Market Report – Lincoln Property Company – Washington, DC, 4th Quarter 2021
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's

The Washington D.C. office market amounts to 135 million sq.ft. As of the end of 2022, the vacancy rate in Washington D.C. in "Trophy" type offices was 12.2% compared to a rate of 19.1% in "Class A" type offices. The properties that are in the process of rezoning to residential may lower the rate of vacant space to 16.7%.

The trend towards high-quality properties, "Flight to Quality", that were built after 2015 continued to strengthen during 2022. Since the beginning of 2020, in this building segment, offices with a total area of 3.5 million sq.ft. have been leased, while in buildings that were built until the end of 2015, offices with a total area of 8.8 million sq.ft. became vacant.

During 2022, the rental prices for high-quality offices built after 2015 decreased by approx. 2%. In addition, there was a stabilization in the amount of the benefit packages given to tenants (free rental period and adjustment budgets given to tenants). Entities that signed new lease agreements during 2022 reduced their total required areas by approx. 28%. As of December 2022, the total office space offered for sublease by tenants is 3.5 million sq.ft. in Washington, D.C.

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, there was an increase of one percent in the rate of return in Washington, D.C.

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. The total "Class B" office space in Washington, D.C., which is in the process of being converted into rental housing, is approx. 3.3 million sq.ft.

3. General Environment and Impact of External Factors – Boston[18]

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

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

As of the end of 2022, the unemployment rate in the Boston metropolitan area declined to a level of approx. 2.8%, which is lower than the level before the outbreak of the Corona pandemic. The rate of return to work from offices in Boston is approx. 50%, the same as the national average.

The total area of the office market in Boston amounts to 168 million sq.ft. The Boston CBD area office market has a total area of approx. 67 million sq.ft. The Boston office market's results declined during 2022 as a result of macroeconomic developments. By the end of 2022, the rate of empty space in the Boston CBD increased to approx. 11.2%, while in Class A properties the rate of empty space was approx. 9.6%.

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

As of December 2022, the total office space offered for sublease by tenants in the Boston CBD is 3.8 million sq.ft. Rental prices for Class A offices in the Boston CBD have decreased by approx. 1% from the beginning of 2022. In addition, there was a moderate increase in the amount of the benefit packages given to tenants (free rental period and adjustment budgets given to tenants).

As of the end of 2022, the backlog of projects under construction in the Boston CBD amounted to approx. 4.9 million sq.ft. and the pre-leasing rate was 64%.

4. General Environment and Impact of External Factors – Austin [19]

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

The Austin office market has demonstrated relative resilience to the challenging macro conditions in 2022.

The local business climate in Austin has gained momentum in the last two years. The rate of the return to offices in Austin is the highest in the United States and the city enjoyed a 4.7% increase in the number of jobs and a decrease in unemployment rates. The city continues to attract a skilled and quality workforce from Silicon Valley, mainly thanks to the low tax rate, low cost of living and comfortable business climate. Austin has also attracted the headquarters of leading companies in America, such as Tesla, Samsung and Oracle. Other technology companies, such as Apple, Google and Facebook have transferred thousands of employees to Austin. During 2022, 60 headquarters of American companies moved to Austin compared to 90 in 2021. In 2023, 60 more headquarters are expected to move to the region.

The total area of the office market in Austin amounts to 72 million sq.ft., of which 12 million sq.ft. are located in the CBD. 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. By the end of 2022, the rate of empty space in the Austin CBD increased to approx. 15.6%, while in Class A properties the rate of empty space was approx. 12.9%.

From the beginning of 2022, the rental prices for "Class A" type offices in the Austin CBD increased by approx. 4% and in addition, there was a moderate increase in the amount of the benefit packages given to tenants (free rental period and adjustment budgets given to tenants).

As of the end of 2022, the backlog of projects under construction in the Boston CBD amounted to approx. 2.7 million sq.ft. and the pre-leasing rate was 40%.

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

c1. Investment in Carr

1. General Information regarding Carr

Carr Properties Holdings LP (hereinafter: "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter: "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Group at a rate of 52.3%, by JPM at a rate of 38.9% and by Clal Insurance at a rate of 8.77%[20].

Carr Holdings has full ownership and control in Carr Properties Corporation (hereinafter: "**CPC**") which has full control and ownership of 90% in Carr Properties Partnership (hereinafter: "**Carr**" or "**Carr Properties**").

As of December 31, 2022, the Group's weighted rate of holdings in Carr Properties is 47.1%, JPM's is 35.0% and Clal Insurance's is 13.7%[21].

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

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

In November 2019, JPM announced its desire to sell all of its rights, approx. 35%, in Carr.

2. Investment in Carr

During the second quarter of 2022, the Company invested the amount of approx. USD 60 million (NIS 201.5 million) in Carr's capital, which was used to finance the acquisition of the redemption shares from some of non-controlling interests in Carr.

The total cost of the Group's cumulative investment in Carr Holdings as of December 31, 2022 amounts to USD 872 million. The balance of the Group's investment in Carr Holdings as presented in the Group's financial statements based on the equity method, amounts to USD 808 million (NIS 2.84 billion).

3. Dividend Receipts and Capital Reductions from Carr

Regarding dividends and capital reductions received by the Company from Carr and dividend receipts expected from Carr in 2023, see Section 2.3.9 of the Board of Directors' Report.

4. Financial Information regarding Carr Holding's Activity

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

The following are the main Carr Holdings financial data for the years 2020-2022. The data are prepared in accordance with IFRS principles, except for the presentation using the method of proportionate consolidation of assets, liabilities and activities of companies that are not consolidated in the financial statements of Carr Holdings (companies that are presented in the financial statements using the equity method).

[20] The balance is held by six individuals.

[21] The balance of 4.2% is held by others.

	Unit of Measurement	Actual 31.12.2022	Actual December 31, 2021	Actual December 31 2020
Number of income-generating properties	Unit	17	16	13
Value of investment property (not including property in development) (1)	USD thousands	2,835,655	3,218,384	2,894,350
Occupancy rate at end of period (5)	%	87.90%	87.90%	90.53%
Number of properties under construction and in development	Unit	2	2	4
Value of investment property in development (2)	USD thousands	697,253	654,476	995,297
Equity	USD thousands	1,659,154	2,037,867	1,983,793
Equity attributable to Carr Holdings shareholders	USD thousands	1,544,754	1,893,706	1,840,762
Ratio of net financial debt to total balance sheet	%	51.2%	43.1%	44.9%
		2022	**2021**	**2020**
Revenues from rent and management fees (3)	USD thousands	255,599	248,516	252,119
Fair value adjustment of investment property	USD thousands	(540,761)	(3,218)	(2,143)
(4)(3)NOI	USD thousands	148,670	149,934	160,676
(6)Same Property NOI -3 years	USD thousands	76,509	81,699	92,951
FFO (including share of non-controlling interests) (4)	USD thousands	70,988	77,511	92,386
Net profit (loss) (including share of non-controlling interests)	USD thousands	(463,417)	35,266	80,535
Comprehensive income (loss) (including share of non-controlling interests)	USD thousands	(437,552)	60,888	80,349
Comprehensive income (loss) (attributed to Carr Holdings' shareholders)	USD thousands	(408,948)	55,204	74,376
Corporation's Share (Alony-Hetz)				
NOI Corporate Share (Alony Hetz)	NIS thousands	229,021	205,928	235,064
FFO – Corporation's share (Alony-Hetz)	NIS thousands	109,082	110,546	139,903

(1) The value as of December 31, 2022, December 31, 2021 and December 31, 2020 includes a ground lease in the amount of USD 120 million, USD 146 million and USD 136 million, respectively.

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

(3) Including revenues/NOI of the property management company in the amount of USD 5.9 million, USD 5.7 million and USD 5.6 million in 2022, 2021 and 2020, respectively.

(4) In 2022, 2021 and 2020, the NOI and FFO include revenues of a non-recurring nature in the amount of USD 1 million, USD 2 million and USD 12 million, respectively, in respect of termination fees upon the departure of tenants.

(5) Occupancy rates do not include The Elm residential rental property.

(6) In 2022, 2021 and 2020, the Same Store NOI includes revenues of a non-recurring nature in the amount of USD 1 million, USD 2 million and USD 10 million, respectively, in respect of termination fees upon the departure of tenants.

5. Area of Activity

5.1 General

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

Carr's properties are all located in urban areas and close to transportation centers and facilities. The total fair value of income-generating properties, as of December 31, 2022, amounted to USD 2.8 billion (Carr's share), of which USD 2.2 billion was in the Washington D.C. metropolitan area, USD 0.4 billion in Boston and USD 0.2 million in Austin, Texas.

Carr holds full or partial ownership of an asset portfolio as of December 31, 2022, which includes 14 office buildings in the Washington D.C. metropolitan area, two office buildings in Boston, Massachusetts and one building in Austin, Texas with a total rental area of 4.6 million sq.ft. (423 thousand sq.m.) (Carr's share). Carr's properties are leased to 267 tenants and their occupancy rate as of December 31, 2022 was 87.9%.

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

In addition, as of December 31, 2022, Carr owns a property in development in Boston, Massachusetts with a total area of 1 million sq.ft. (Carr's share - 0.8 million sq.ft.) whose value in the financial statements as of December 31, 2022 amounts to approx. USD 0.7 billion (Carr's share). See Section 5.3.2 below.

5.2 Geographic areas where Carr is active

Carr is active in the following three markets:

1. The Washington D.C. metropolitan area

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

2. Boston

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

2. Austin, Texas

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

5.3 Information regarding Carr's properties:

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

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

5.3.1 Information regarding Carr's income-generating properties:

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

As of December 31, 2022 and for the Year 2022 (*):

	Offices									
	Area		Area		Fair Value (**)		NOI(***)		Revaluations (****)	
Carr Properties' Share in Properties	**31.12.2022**		**31.12.2022**		**31.12.2022**		**2022**		**2022**	
	In sq.ft.		**In sq.m.**		**In USD thousands**		**In USD thousand**		**USD thousands**	
Office sector:										
Washington DC Metropolitan Area	3,167,783	77%	294,297	77%	1,940,102	76%	105,019	77%	(406,810)	81%
Boston	732,346	18%	68,037	18%	445,162	17%	22,293	16%	(80,737)	16%
Austin, Texas	211,268	5%	19,627	5%	161,093	6%	8,858	7%	(16,034)	3%
Total income-generating properties in the office sector	**4,111,397**	**100%**	**381,961**	**100%**	**2,546,357**	**100%**	**136,170**	**100%**	**(503,581)**	**100%**
Residential rental sector:										
Washington DC Metropolitan Area	439,827		40,861		289,298		6,580		(37,843)	
Total income-generating property	**4,551,224**		**422,823**		**2,835,655**		**142,750**		**(541,424)**	
Property in development							-		663	
Total in USD thousands							**142,750**		**(540,761)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**9,978,670**		**479,394**		**(1,862,034)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./USD	**2,143,985**		**199,183**		**1,335,817**		**65,538**		**(253,034)**	
Total in NIS thousands	**NA**		**NA**		**4,700,740**		**220,266**		**870,451**	

(*) The data in NIS are presented according to the representative exchange rate on December 31, 2022 – 3.519 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2022 (47.11%) or the average rate of holdings in the period, as the case may be.
(**) The fair value includes a ground lease in the amount of USD 120 million.
(***) The NOI does not include revenues of the property management company in the amount of USD 5.9 milliion. In addition, the NOI in the Washington D.C. metropolitan area includes non-recurring revenues in the amount of USD 1 million for termination fees upon the departure of tenants.
(****) In the reporting period, Carr recorded a net negative revaluation in the amount of USD 541 million (Carr's share) in its financial statements. The negative revaluations of the properties in the reporting period resulted mainly 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 254 million (NIS 876 million)).

As of December 31, 2022 and for the Year 2022 (continued):

Carr Properties' Share in Properties	Offices: Average rental fees (1) per sq. foot per year	Average Rental Fees (1) per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (2)	Gross Yield Rate (3)
	2022		2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
	In USD	In USD	In Percent	In Percentages	Units	Percent	In Percent
Office sector							
Washington D.C. metropolitan area (4)	65.17	58.46	87.65%	88.13%	13	5.42%	
Boston	61.12	54.82	86.04%	86.96%	2	5.03%	
Austin, Texas	69.46	62.31	89.02%	87.96%	1	5.52%	
Average Rate / Total			87.44%	87.9%	16	5.35%	6.00%
Residential rental sector							
Washington DC Metropolitan Area	39.23	35.19	74.82%	88.80%	1	2.28%	

1) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 1 million.
The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. The gaps in the minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. נובעים ממיקום ואיכות הבניינים ומדירוג האשראי של הדיירים.

(2) The average yield rates were calculated according to the actual NOI for 2022 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2022.
(3) The weighted gross yield rate was calculated according to the actual NOI for the fourth quarter of 2022 (after neutralizing areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2022. The weighted gross yield rate based on stabilized NOI is 6.6%.
(4) The average annual rental fee figures in Washington D.C. do not include Signal House, which is not yet stabilized.

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

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

(*) Fair value including a ground lease in the amount of USD 146 million.
(**) The data in NIS are presented according to the representative exchange rate on December 31, 2021 – 3.11 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2021 (44.19%) or the average rate of holdings in the period, as the case may be.
(***) The NOI in the Washington DC metropolitan area includes non-recurring revenues in the amount of USD 2 million for termination fees upon the departure of tenants.
(****) The NOI and revaluations for the properties that were sold are for 49% of the Midtown Center complex from the beginning of 2021 until the date of sale in April 2021, as well as 49% of 100 Congress from the date of purchase of the property in May 2021 to the date of sale of 49% of the rights in September 2021.

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

Carr Properties' Share in Properties	Average Rental Fees per sq.ft. per Year (1)	Average Rental Fees per sq.m. per Month (1)	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties as of	Average Yield Rates (2)	Gross Yield Rate (3)
	2021		2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	In USD	In USD	In Percent	In Percentages	Units	Percent	In Percent
Office sector							
Washington DC Metropolitan Area	65.27	58.54	85.75%	88.26%	12	4.88%	
Boston	58.13	52.14	87.93%	85.74%	2	4.50%	
Austin, Texas	68.39	61.35	91.32%	90.98%	1	3.52%	
Average Rate / Total			85.37%	87.94%	15	4.73%	5.30%
Residential rental sector							
Washington D.C. Metropolitan Area	41.48	37.21	29.42%	58.84%	1	-(4)	

(1) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 2 million.
The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. עומדים על 43.07$-ו 84.58$ לרגל רבוע לשנה ובאזור בוסטון עומדים על 60.2$ ו-56.46$ לרגל רבוע לשנה בהתאמה, בהתאמה. The gaps in the minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. נובעים ממיקום ואיכות הבניינים ומדירוג האשראי של הדיירים.
(2) The average yield rates were calculated according to the actual NOI for 2021 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2021.
(3) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2022 (after neutralizing areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2021.
(4) Not relevant in 2021 in view of the fact that the property is in its first occupancy stage upon completion of its construction.

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

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

(*) Fair value including a ground lease in the amount of USD 136 million.
(**) The data in NIS are presented according to the representative exchange rate on December 31, 2020 – 3.215 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2020 (44.19%) or the average rate of holdings in the period, as the case may be.
(***) The NOI in the Washington DC metropolitan area includes non-recurring revenues in the amount of USD 12 million for termination fees upon the departure of tenants.

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

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

(*) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 12 million.
The minimum and maximum average rental fees in the Washington DC metropolitan area are USD 43.02 per sq.ft. per year and USD 82.28 per sq.ft. per year, respectively. עומדים על $43.02 ו- לרגל רבוע לשנה $82.28 לרגל רבוע לשנה בהתאמה . And in the Boston area they are USD 44.11 and USD 54.51, respectively.

(**) The average yield rates were calculated according to the actual NOI for 2020 (neutralizing non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2020.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 (after neutralizing areas vacated in that quarter and with the addition of NOI from parking in the case of a return to normal activity) standardized for a full year divided by the value of income-generating property as of December 31, 2020. This rate is a weighting of the gross yield rate in respect of the Midtown complex of 4.7% compared to the rest of the asset portfolio, which is 5.3%.
The data in the table presented above does not include properties sold during the year whose average rental fees were USD 36.71 per sq.ft. per year and their average occupancy rate was 92.27%.

5.3.2 Investment property under construction, in planning and development

Carr has several properties in initiation and development.

Carr is developing two projects – one project in Boston is under advanced construction and one project in Austin.

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

One Congress Project – Boston, Massachusetts

Carr holds 75% of the rights in a joint venture for the construction of an office tower in Boston whose designated name will be "One Congress" with rental space of 1 million sq.ft. with a third party partner (Carr's share - 0.8 million sq.ft.) The tower is in advanced construction stages and it is expected to be completed in April 2023.

In April 2022, Carr Properties and the partner 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 to two main tenants.

The parties estimate that the total cost of the project will amount to USD 995 million (Carr's share - USD 746 million), of which USD 757 million has been invested (Carr's share - USD 568 million) as of the date of the report.

The project's value in the Financial Statements as of December 31, 2022 is USD 698 million. Until the end of 2022, revaluations were recorded in respect of the One Congress project in the amount of USD 121 million (Carr's share).

- 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 city building 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 540-550 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%).

The aforementioned information regarding the feasibility of the projects in development, the projected NOI, the date of completion of construction and the possibility of adding a partner is forward-looking information as they depend on external factors and the Company and Carr have no control over them

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

Carr Properties' Share in Properties		Under Construction			Under Construction		
Parameters	Unit of Measurement	31.12.2022	December 31, 2021	December 31 2020	31.12.2022	December 31, 2021	December 31 2020
		Mixed use – Offices, Commerce and Residential			Uses – Offices		
		Washington D.C. Metropolitan Area (*)			Boston (**)		
Number of properties in development at end of year	Units	-	1	2	1	1	1
Total area of land	sq.ft.	-	27,776	144,926	36,026	36,026	36,026
Total land area	sq.m.	-	2,580	13,464	3,347	3,347	3,347
Total development area (planned) for rent at end of year	sq.ft.	-	226,880	1,026,886	754,906	755,422	740,250
Total development area (planned) for rent at end of year	sq.m.	-	21,078	95,401	70,133	70,181	68,771
Total costs invested in the period	USD millions	-	17	193	142	171	89
Total accumulated costs invested as of December 31	USD millions	-	108	595	568	426	255
Amount at which the properties are presented in Carr's financial statements	USD millions	-	108	664	689	546	331
Construction budget in the following year (estimate)	USD millions	-	25	91	160	177	204
Total construction budget (estimate)	USD millions	-	151	679	746	733	675
Total estimated construction budget balance (estimate)	USD millions	-	43	84	178	307	420
Percentage of built up area with signed rental contracts	%	-	56%	44%	100%	58%	58%
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	-	10	19 (***)	47	-	-

(*) As of December 31, 2021 – Signal House project. As of December 31, 2020 – The Wilson & The Elm, and Signal House projects.
(**) One Congress project (Carr's share).
(***) Not including the amount of USD 14 million in respect of revenues expected from the residential rental building in The Wilson & The Elm project.

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

Carr Properties' Share in Properties		In Planning			In Planning		
Parameters	**Unit of Measurement**	**31.12.2022**	**December 31, 2021**	**December 31 2020**	**31.12.2022**	**December 31, 2021**	**December 31 2020**
		Use – offices			**Use – offices**		
		Region – Washington D.C. Metropolitan Area (**)			**Region – Austin, Texas (*)**		
Number of properties in development at end of year	Units	-	-	1	1	-	-
Total land area	sq.ft.	-	-	21,290	35,300	-	-
Total land area	sq.m.	-	-	1,978	3,279	-	-
Total space in development (planned) for rent at the end of the year	sq.ft.	-	-	227,077	767,000	-	-
Total space in development (planned) for rent at the end of the year	sq.m.	-	-	21,096	71,257	-	-
Total costs invested in the period	USD millions	-	-	1	9	-	-
Total accumulated costs invested as of December 31	USD millions	-	-	2	9	-	-
Amount at which the properties are presented in Carr's financial statements	USD millions	-	-	2	9	-	-
Construction budget in the following year (estimate)	USD millions	-	-	-	3	-	-
Total construction budget (estimate)	USD millions	-	-	151	545	-	-
Total estimated construction budget balance (estimate)	USD millions	-	-	149	536	-	-
Portion of the constructed area for which leases have been signed.	%	-	-	-	-	-	-
Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area.	USD millions	-	-	-	-	-	-

(*) As of December 31, 2022 – 300 E. Second project (formerly: Block 16). For additional information regarding the project, see Section 5.3.2 above.

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

5.3.3 Main real estate purchases in the period

Purchases of investment property (Carr's share):

Region and Use	Parameters	Unit of Measurement	2022	2021	2020
Austin, Texas	Number of properties purchased in the period (*)	Unit	-	1 (**)	-
	Cost of properties purchased in the period	USD millions		161	-
Use – Offices	Representative NOI of properties purchased in the period	USD millions	-	9	-
	Area of properties purchased in the period (**)	sq.ft.	-	209,883	-
	Area of properties purchased in the period (**)	sq.m.	-	19,499	-
	Number of properties purchased in the period	Unit	-	-	(***)1
Boston	Cost of properties purchased in the period	USD millions	-	-	242.5
	Representative NOI of properties purchased in the period	USD millions	-	-	12
Use – Offices	Area of properties purchased in the period	sq.ft.	-	-	426,932
	Area of properties purchased in the period	sq.m.	-	-	39,663

(*) The table does not include the lease agreement in connection with 300 E. Second St. For details on this matter, see Section 5.3.2 above.
(**) Acquisition of 51% of the 100 Congress building.
(***) Acquisition of 50% of the rights in the 75-101 Federal building in Boston.

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

Region and Use	Parameters	Unit of Measurement	2022	2021	2020
Washington DC Metropolitan Area	Number of properties sold during the period	Unit	-	2 (*)	2
	Proceeds from the sale of properties sold during the period	USD millions	-	496	218
Use – Offices	Representative NOI of properties sold during the period	USD millions	-	24.0	9
	Area of properties sold during the period	sq.ft.	-	425,729	436,232
	Area of properties purchased in the period	sq.m.	-	39,551	40,527
	Loss recorded as a result of the realization	USD millions	-	(23)(**)	(2)

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

(**) The loss from the sale of Midtown Center in the amount of approx. USD 22.5 million stems from the recognition of past losses recorded directly in equity in respect of interest rate hedging transactions in connection with the loan that financed the Midtown Center (USD 16.3 million, which were classified from capital reserves to profit in 2021) and from transaction costs (USD 6.2 million).

6. Managing Initiation and Development Activity

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

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

7. Property Management and Operation

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

8. Business Strategy and Expected Development in the Coming Year

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

During the coming year, Carr will continue to work to improve its property portfolio while adapting it to the structural changes occurring in the office market in the United States, among other things through the realization of properties, it will work towards the completion and delivery of its initiation project in Boston, promote the urban building plan for its future project in Austin, and in view of the state of the markets, it will strive to locate investment opportunities while examining ways to raise additional capital to expand its activities.

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

9. Taxation

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

10. Tenants (Customers)

12% of Carr's revenues stem from an agreement to rent most of the space in the Midtown Center building to the Federal National Mortgage Association - Fannie Mae.

11. Marketing

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

In 2022, Carr paid leasing commissions in the amount of USD 20 million (Carr's share) (in 2021 – USD 9 million (Carr's share)).

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

The following is data regarding expected rental revenues in respect of Carr's signed rental agreements in Washington DC as of December 31, 2022, by their date of completion[22]:

	Assuming Non-Exercise of Tenant Option Periods		
Period	**Revenues from Fixed Components (*)**	**Number of Contracts Ending**	**Area subject to Agreements Ending**
	In USD thousand	**Unit**	**In sq.m.**
Q1/2023	44,091	8	8,852
Q2/2023	46,188	9	6,638
Q3/2023	49,756	8	3,212
Q4/2023	52,195	7	7,518
Total 2023	**192,230**	**32**	**26,220**
2024	192,618	33	48,626
2025	196,055	39	46,195
2026	190,095	24	19,868
2,027	1,352,521	139	295,477
Total	**2,123,519**	**267**	**436,386**
Total in NIS thousands	**7,472,663**		

(*) The table includes expected revenues in respect of signed contracts at One Congress.

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

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

13. Competition

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

14. Human capital

Carr employs 55 HQ staff as of the reporting date, 6 of whom constitute its senior management as detailed below: CEO, President, VP Finance, VP Operations, VP Investments and VP Initiation. The remaining 49 employees have various subordinate positions.

In addition, Carr employs, as of the date of this report, 85 employees at various sites outside its headquarters in various property management and operation positions. Carr has no significant dependence on any specific employee. Carr has share-based remuneration plans for its employees.

15. Renovations and Adaptations for Tenants

From time to time, Carr carries out maintenance work, renovations and adaptations for tenants in their properties beyond the regular operation of the properties, which is performed by the management companies themselves from their own budgets. The amount of the capital cost (base building CAPEX) to maintain the existing properties amounted to a total of USD 19 million in 2022 (in 2021 – a total of USD 26 million). As a rule, Carr does not purchase raw materials itself, and these materials are purchased by subcontractors who perform the maintenance, renovation and construction work. The amount of investments in tenant improvements, finishing work on new buildings including payments to tenants for tenant improvements upon lease renewals amounted to USD 73 million in 2022 (in 2021 – USD 44 million).

16. Carr's forecast for 2023:

The following is Carr's forecast for its main operating results in 2023, according to its 2023 business plan. The forecast is based on the assumption that no significant changes will occur in the business environment in which Carr operates in the United States. The forecast does not take into account the realization of existing properties and the acquisition of new properties, including the realization of projects in initiation. In addition, the FFO forecast does not take into account the effect of possible real estate revaluations in relation to the recording of expenses in respect of long-term incentive plans (LTIP).

	Forecast	**In Practice**
Item	**2023**	**2022**
NOI (in USD millions)	178	149 (*)
Real FFO (in USD millions)	77	71 (*)

(*) Including non-recurring revenue from termination fees from tenants in the amount of USD 1 million and including the management company's revenues in the amount of USD 5.9 million.

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

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

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

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

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

18. Financing

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

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

1. General Information

As of December 31, 2022, the Company, together with the [23]Oxford Properties Group (hereinafter: "**Oxford**"), holds rights in three companies that own three office buildings in the Boston metropolitan area, two of them in the Boston CBD ("**125 Summer**" and "**745 Atlantic**") and one in East Cambridge ("**Davenport**"). The company has 55% of the capital rights and 50% of the control rights in each of the companies, while Oxford holds 45% of the capital rights and 50% of the control rights in each of the companies.

Regarding the conversion project of the 745 Atlantic office building into a laboratory building for the Life Sciences, see Section 2 below.

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

The Company's investments in the three companies in Boston are considered joint ventures presented in the Company's financial statements according to the equity method. The balance of the Group's investment in the three Boston companies as of December 31, 2022 amounts to USD 215 million (NIS 756 million).

The following is the main financial data for the years 2020-2022 (not including the Company's activity in Boston through Carr – see Chapter C1 above)[24]

Parameters	Unit of Measurement	31.12.2022	The Company's Share (55%)	December 31, 2021	The Company's Share (55%)	December 31, 2020	The Company's Share (55%)
Number of Properties	Units	2		2		3	
Area in sq.ft.	sq.ft.	696,172	382,895	696,172	382,895	870,421	478,732
Area in sq.m.	sq.m.	64,676	35,572	64,676	35,572	80,865	44,476
Fair value of the properties	USD thousands	588,700	323,785	666,400	366,520	765,189	420,854
Actual NOI	USD thousands	23,899	13,144	26,700	14,685	32,684	17,976
Real estate revaluations	USD thousands	(***))85,105)	(46,808)	1,557	856	(21,212)	(11,666)
Occupancy rate on last day of the year	%	89.00%		90.62%		93.05%	
Average occupancy rate	%	88.23%		90.43%		90.61%	
Average rental fees per sq.ft. per year (*)	USD	63.71		66.73		63.36	
Average rental fees per sq.m. per month	USD	57.15		59.85		56.83	
Average yield rate (**)		4.06%		4.01%		4.27%	

(*) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service);
(**) Average yield rates were calculated according to the actual NOI over the course of the year divided by the value of income-generating property as of the end of the year.
(***) The property revaluations in 2022 in the above table do not include a negative revaluation of the 745 Atlantic building, which is in the process of being converted into laboratories in the amount of USD 32.5 million; in 2022, total negative property revaluations were recorded for the three properties in the cumulative amount of USD 118 million (before tax) (the Group's share – USD 65 million, approx. NIS 222 million). The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties.

23 According to publications, Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).

24 As of 2021, the 745 Atlantic building is not presented in the table below classified as an entrepreneurial project for the transformation of the building from an office building to a laboratory building for the Life Sciences.

2. Investment property under construction

The Company and Oxford have a project for the conversion of the 745 Atlantic office building into a laboratory building.

745 Atlantic, Boston

The Company and Oxford have decided to promote an entrepreneurial project to transform the 745 Atlantic building from an office building to a laboratory building for the Life Sciences. During the second quarter of 2022, approvals were received and work began on the conversion of the building, which is expected to be completed at the end of the third quarter of 2023. The cost of the project is estimated at approx. USD 154 million (the Company's share - USD 84 million), of which a total of USD 52 million have been invested up to the date of the report (the Company's share - USD 29 million).

In order to pay off an existing loan on the property and finance the construction costs, during the reporting period, 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 634 million) from an international investment fund (the "Loan"), of which, until December 31, 2022, the property company has withdrawn a total of approx. USD 115 million (approx. NIS 405 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, and the property company has the right 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 3%.

That stated in this Section above regarding the dates for the start and completion of construction and the estimated cost of the project is forward-looking information.

The following is a summary of key data regarding the project in development:

		Under Construction		
Parameters	**Unit of Measurement**	**31.12.2022**	**December 31, 2021**	**December 31 2020**
			Use – laboratories	
Number of properties in development at end of year	Units	1	1	-
Total land area	sq.ft.	19,733	19,733	-
Total land area	sq.m.	1,833	1,833	-
Total space in development (planned) for rent at the end of the year	sq.ft.	174,455	174,455	-
Total space in development (planned) for rent at the end of the year	sq.m.	16,207	16,207	-
Total costs invested in the period	USD millions	49,384	2,640	-
Total accumulated costs invested as of December 31	USD millions	52,024	2,640	-
The sum at which the properties are presented in the Financial Statements	USD millions	160,400	144,700	-
Construction budget in the following year (estimate)	USD millions	67,289	49,384	-
Total construction budget (estimate)	USD millions	153,619	153,619	-
Total estimated construction budget balance (estimate)	USD millions	101,595	150,979	-
Portion of the constructed area for which leases have been signed.	%	0%	0%	-
Expected yearly revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area.	USD millions	0	0	-

3. Main Tenants

47% of total revenues in 2022 in the 125 Summer office building stemmed from Klaviyo (an Ecommerce marketing automation platform company).

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

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

The following is data regarding expected rental revenues in respect of signed rental agreements in the two Boston properties as of December 31, 2022, by their date of completion[25]:

	Assuming Non-Exercise of Tenant Option Periods		
Period	**Revenues from Fixed Components**	**Number of Contracts Ending**	**Area subject to Agreements Ending**
	In USD thousand	**Unit**	**In thousands of sq.ft.**
Q1/2023	9,858	-	-
Q2/2023	10,220	-	-
Q3/2023	10,393	1	1
Q4/2023	10,257	3	23
Total 2023	**40,728**	**4**	**25**
2024	40,751	1	1
2025	41,336	1	22
2026	40,402	4	34
2027 onward	88,554	42	555
Total	**251,771**	**52**	**636**
Total in NIS thousands	**885,982**		

(*) The data in the table are in 100% terms (as noted, the Company's share in the capital is 55%) and does not include expected revenues from renewals of existing rental agreements, including, as noted above, the exercise of options given tenants.
(**) The management does not regularly review expected revenue data under an assumed exercise of options granted to tenants to extend the rental period, and therefore the above data assumes non-exercise of tenant option periods.

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

[25] The expected rental revenue does not include the revenue from the 745 Atlantic building which is in an advanced stage of conversion into laboratories.

D. Investment in London – Brockton

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

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**") (hereinafter: "**Brockton Managers**" or "**Brockton Partners**") in a series of agreements according to which the Company, together with Brockton Managers, established Brockton Everlast Inc. (להלן: "**BE**"), חברה העוסקת במישרין ובעקיפין, באמצעות תאגידים שבשליטתה, ברכישה, יזום, השבחה, הקמה ניהול ותחזוקה של נדל"ן מניב במטרופולין לונדון, קיימברידג' ואוקספורד בבריטניה[26].

As of December 31, 2022 and as of the date of publication of the report, the Company indirectly holds approx. 83.2% of the rights in BE and the balance is held by Menora Mivtachim (13.6%) and the Brockton Partners.

From BE's establishment until the date of publication of the report, the Company has invested GBP 578 million in BE's capital, of which a total of GBP 122 million (NIS 487 million) was invested during 2022.

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")[27]. If and to the extent that the option is exercised, Menora's holding rate in BE will increase to 20%. Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Note 6(d)(4) and 6(d)(5) to the financial statements, respectively.

For details regarding transactions made by BE during the reporting period in Cambridge in the amount of GBP 172 million (NIS 683 million), see Note 4(b) to the financial statements.

The total fair value of BE's properties as of December 31, 2022 is GBP 1.3 billion (NIS 5.5 billion) and the occupancy rate on that date was 96.6%. The properties are leased to 104 different tenants through long-term leases.

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

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

27 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.

2. General Environment and Impact of External Factors – London, UK[28]

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

During 2022, the inflation rate in the UK rose by 10.5%. The Bank of England continued to take measures to curb inflation in a series of interest rate increases so that as of the date of publication of this report it is 4.0%. The Bank of England's inflation forecast for 2023 is approx. 4% and for 2024, it indicates a further decrease to a level of approx. 1.5%.

The predicted GDP growth rate for the full year of 2022 is expected to be approx. 4%. The Bank of England's forecast change in the GDP for the years 2023 and 2024 indicates a decrease of 0.5% in 2023 and a predicted decrease of 0.25% in 2024.

At the end of 2022, the unemployment rate in the UK declined to 3.7% (compared to 4.4% at the end of 2021). The rate of recipients of unemployment benefits is approx. 5.2 million people, which is approx. 1 million higher than the period before the Corona pandemic.

Towards the end of February 2023, an agreement was reached (the application of which is subject to the approval of the British Parliament) between the British government and the European Union on the subject of the trade agreements on the border between Ireland and Northern Ireland, which may lead to the resolution of disputes for the implementation of a series of issues including regulation related to the financial sector's activities.

The GBP exchange rate recovered against most currencies in the last months of 2022, after it had decreased due to the governmental instability during the end of the third quarter of the year. After the resolution of the political crisis and the appointment of the current Prime Minister, the currency recovered and British bond prices fell to a yield level of less than 4%. From an annual perspective, the GDP depreciated against the USD by 7.4%.

In view of fears of an economic recession, the commercial banks reduced the amount of loans to the income-generating property sector. In some cases where there are violations of financial covenants (mainly due to interest coverage ratios) and in situations regarding requests to postpone the repayment date of loans, the lenders require the injection of additional equity (some also as compensation for the increase in the leverage rate due to the impairment of assets) while raising the price of debt. Currently, the scope of the phenomenon is smaller than is observed in the United States, but it is expected to increase during 2023.

28 Sources of information in this section: Bank Of England – Monetary Policy Report, February 2023

The following are the UK's macroeconomic parameters:

			The UK	
For the Year ended	**Units**	**31.12.22**	**December 31, 2021**	**December 31, 2020**
Macroeconomic parameters				
GDP (PPP)	USD Billions	3,776	3,403	3,041
Per capita GDP (PPP)	USD	55,862	50,523	45,329
GDP growth rate (PPP)	%	10.97%	11.91%	-8.18%
Per capita GDP growth rate (PPP)	%	10.57%	11.46%	-8.57%
Inflation rate	%	10.50%	5.40%	0.60%
Yield on long-term domestic government debt	%	3.66%	0.98%	0.20%
Rating of long-term government debt		AA-/Aa3	AA-/Aa3	AA-/Aa3
Unemployment rate	%	3.70%	4.00%	5.20%

Sources of Information:

1. World Economic Outlook Database, October 2022 from the IMF- International Monetary Fund website. Data for 2021 and 2022 are IMF estimates. The data are in international current dollars.
2. Office Of National Statistics (Consumer Price Index Harmonized)
3. Bloomberg, GUKG10 Index, UK Government Bonds Note Generic for ten years, average yield as of the end of each year.
4. Moody's/Fitch rating.
5. Office of National Statistics: Unemployment Rate (from age 16 and up, adjusted for seasonality). Information for 2022 is correct as of January 2023.

3. General Information regarding the Office Sector (including Research Laboratories) – London, Oxford and Cambridge[29]

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

The total area of offices in central London is 252 million sq.ft. During 2022, the demand continued along with the price increases for high-quality prime offices in central London. Their rental prices recorded new peaks with approx. 1.3 million sq.ft. of office space being leased at over GBP 100 per sq.ft. per year.

Total investments in transactions for offices in central London in 2022 reached approx. GBP 12 billion, which is below the decade average at approx. GBP 15 billion. Approx. 80% of this amount stems from foreign investors. Discount rates increased by approx. 0.5% in 2022 in the West End and in the City and reached 3.75% and 4.25%, respectively.

The rate of empty office space in central London at the end of 2022 was approx. 8.5% compared to approx. 7.6% at the end of 2021 and compared to an average of approx. 5.4% in the last decade. The increase in the rates of empty space resulted from the completion of new buildings that were built speculatively without pre-leasing, from an increase in the amount of sub-leasing and from a decrease in active demand from high-tech companies.

29 Sources of Information:

- JLL Q4 2022 London office research
- CBRE Q4 2022 London office research
- Bidwells Arc Market Databook Oxford & Cambridge – January 2023
- Savills Market in Minutes – December 2022

The total take-up of offices in central London was approx. 10.1 million sq.ft. and is approx. 20% higher than in 2021 and similar to the average of the last decade. As of December 2022, the total office space offered for sublease by tenants in central London is 6 million sq.ft.

As of the end of 2022, the total number of projects for the construction of offices is expected to add approx. 16.5 million sq.ft. of new office space by 2025, of which approx. 32% are pre-leased.

In 2022, a record investment of approx. GBP 1.5 billion in the office/laboratory market in Cambridge was recorded. The volume of rentals, on the other hand, decreased compared to 2021 due to a lack of supply in Oxford and Cambridge. The combination of an educated workforce from two of the top universities in the world, continued growth in the life science sector and a limited supply of new space have created an imbalance between demand and supply, which is expected to continue and to support an increase in rental prices.

Cambridge – As of the end of 2022, the total area of offices and laboratories in Cambridge is approx. 10 million sq.ft. The take-up for the year amounted to approx. 500 thousand sq.ft. in 2022 and represents a decrease of approx. 38% compared to 2021. The rate of vacant office space was approx. 9%, while the rate of vacant laboratory space was only approx. 0.2%. In 2022, rental prices increased by approx. 20%. The volume of transactions in 2022 was approx. GBP 900 million, similar to 2021.

Oxford – As of the end of 2022, the total office and laboratory space in Oxford was approx. 8 million sq.ft. The take-up for the year amounted to approx. 360 thousand sq.ft., approx. 20% less than in 2021. The rate of empty office space was approx. 10%, while regarding laboratories, this rate was only approx. 2.6%. In 2022, rental prices increased by approx. 25%. The volume of transactions in 2022 was approx. GBP 550 million, approx. 86% more than the transaction volume recorded in 2021.

4. Financial Information regarding BE's Activity:

	Unit of Measurement	31.12.2022	December 31, 2021	December 31 2020
Number of income-generating properties	Unit	13	10	5
Fair value of real estate investments	GBP thousands	1,081,515	938,125	665,250
Occupancy rate	%	96.6	97.3	95.1
Fair value of land for development	GBP thousands	208,000	232,750	-
Equity	GBP thousands	895,843	693,024	321,417
Ratio of net financial debt to total balance sheet	%	30.7	39.7	50.7

	Unit of Measurement	2022 (*)	2021	2020
Rental revenues	GBP thousands	46,455	34,230	28,751
Fair value adjustment of investment property	GBP thousands	(72,446)	224,639	(9,851)
Net profit (loss)	GBP thousands	(45,412)	228,955	(750)
Comprehensive income (loss)	GBP thousands	(36,998)	231,138	(1,747)
NOI	GBP thousands	42,311	31,156	25,868
FFO	GBP thousands	19,521	15,577	7,909
Same Propery NOI	GBP thousands	33,774	25,904	25,868
Company share in results - BE				
Company share in NOI	NIS thousands	149,197	134,120	109,599
Company share in FFO	NIS thousands	68,391	67,010	33,514

(*) Including net revenue in the amount of GBP 2 million for the end of an arbitration procedure came to an end for updating rental fees (in accordance with the Rent Review mechanism), mainly in respect of one of BE's properties in central London (Waterside house). For information, see Note 4b to the financial statements.

5. Information regarding BE Properties:

As of December 31, 2022 and for the year 2022:

	Area		Area		Fair Value		NOI		Revaluations	
	31.12.2022		31.12.2022		31.12.2022		2022		2022	
	In sq.ft.		In sq.m.		In GBP thousands		In GBP thousands		In GBP thousands	
Central London	613,855	49%	57,029	49%	650,665	60%	30,123	73%	(58,327)	138%
Oxford and Cambridge	636,927	51%	59,172	51%	430,850	40%	11,203	27%	16,183	-38%
Total in thousands	**1,250,782**	**100%**	**116,201**	**100%**	**1,081,515**	**100%**	**41,326**	**100%**	**(42,144)**	**100%**
Total in NIS thousands	**NA**		**NA**		**4,583,028**		**171,539**		**(171,924)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./GBP	**1,040,621**		**96,677**		**899,795**		**35,107**		**(35,086)**	
Total in NIS thousands	**NA**		**NA**		**3,812,970**		**145,724**		**(143,157)**	

(*) The vast majority of the areas are for offices.
(**) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.
(***) Not including NOI attributed to land in development in the amount of approx. GBP 1 million.

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties per Day	Average Yield Rates (**)	Gross Yield Rate (***)
	2022		2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
	In GBP	In GBP	In Percent	In Percentages	Units	Percent	In Percent
Central London	44.05	39.51	98.42%	95.30%	4	3.36%	4.69%
Oxford and Cambridge	29.86	26.78	95.12%	97.83%	9	4.00%	4.19%
Average Rate / Total	37.48	33.62	97.30%	96.59%	13	3.56%	4.48%

The minimum and maximum average rental fees in the Central London area are GBP 22.5 per sq.ft. per year and GBP 64.8 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 19.6 per sq.ft. per year and GBP 39.00 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).
(**) Average yield rates for 2022 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2022.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2022 standardized for a full year divided by the value of income-generating property as of December 31, 2022.

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

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

(*) The vast majority of the areas are for offices.
(**) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.
(***) Not including NOI attributed to land in development in the amount of approx. GBP 0.5 million.

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties per Day	Average Yield Rates (**)	Gross Yield Rate (***)
	2021		2021	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	In GBP	In GBP	In Percent	In Percentages	Units	Percent	In Percent
Central London	40.08	35.95	97.04%	99.08%	4	3.13%	3.01%
Oxford and Cambridge	32.78	29.40	95.29%	94.21%	6	3.66%	4.66%
Average Rate / Total	**37.48**	**33.62**	**96.39%**	**97.29%**	**10**	**3.32%**	**3.56%**

(*) Basic rental fees includes average revenues (straight line rent).
The minimum and maximum average rental fees in the Central London area are GBP 18 per sq.ft. per year and GBP 76.48 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).
(**) Average yield rates for 2022 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2021.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2021 standardized for a full year divided by the value of income-generating property as of December 31, 2021.

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

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

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

	Average Rental Fees (*) per sq.ft. per Year	Average Rental Fees per sq.m. per month	Average Occupancy Rates	Daily Occupancy Rates	Number of Properties per Day	Average Yield Rates (**)	Gross Yield Rate (***)
	2020		2020	December 31 2020	December 31, 2020	December 31, 2020	December 31 2020
	In GBP	In GBP	In Percent	In Percentages	Units	Percent	In Percent
Central London	41.63	37.34	94.53%	94.10%	4	3.89%	3.85%
Oxford	23.19	20.80	97.03%	97.50%	1	4.34%	4.50%
Average Rate / Total	**39.4**	**35.4**	**95.10%**	**95.10%**	**5**	**3.94%**	**3.92%**

(*) Basic rental fees includes average revenues (straight line rent).
The minimum and maximum average rental fees in the Central London area are GBP 22.5 per sq.ft. per year and GBP 64.76 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively.
(**) Average yield rates for 2020 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2020.
(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2020 standardized for a full year divided by the value of income-generating property as of December 31, 2020.

6. Properties purchased during the period

Region and Use	Parameters	Unit of Measurement	2022	2021	2020
Oxford and Cambridge	Number of properties purchased in the period	Unit	3	5	5
	Cost of properties purchased in the period	GBP millions	175.1	123.8	80.3
	Representative NOI of properties purchased in the period	GBP millions	9.42	5	4
Use – Offices	Area of properties purchased in the period	sq.ft.	278,011	182,472	176,442
	Area of properties purchased in the period	sq.m.	25,828	16,952	16,392
Cambridge	Number of properties purchased in the period	Unit	-	4	
Use – Land for Development	Cost of properties purchased in the period	GBP millions	-	113.8	
	Area of properties purchased in the period	Acres	-	14	

(*) In 2020 – Oxford, in 2021-2022 – Cambridge

7. Land for Development

Region and Use	Parameters	Unit of Measurement	2022	2021	2020
Oxford and Cambridge	Fair value of land for development	GBP thousands	208,000	232,750	
	Land area	Acre	14.3	14.3	

During the period of the report, negative revaluations were recorded for land in development in the amount of GBP 26.4 million (NIS 108 million).

8. Order backlog:

Period	Assuming Non-Exercise of Tenant Option Periods Revenues from Fixed Components	Number of Contracts Ending	Area subject to Agreements Ending
	In GDP thousands	Unit	In sq.m. thousands
Q1/2023	12,027	8	11
Q2/2023	11,434	21	64
Q3/2023	11,084	5	32
Q4/2023	11,038	5	5
Total 2023	**45,583**	**39**	**112**
2024	43,377	12	52
2025	41,669	12	62
2026	36,248	21	200
2027 onward	112,004	35	912
Total	**278,881**	**119**	**1,338**
Total in NIS thousands	**1,224,817**		

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

9. Main Tenants:

27% of BE's revenue for 2022 stems from Marks & Spencer, which leases space in the Waterside House building. 10% of BE's revenue for 2022 stems from the London Fire Brigade which leases space in the Union Street building. In 2022, updates to the rental fees of these tenants were made in accordance with the Rent Review mechanism of the Upwards Only type.

10. Management and Operating of BE's Properties:

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

11. Properties with Development Potential:

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

The fair value of the properties in Cambridge as of December 31, 2022 is approx. GBP 550 million (approx. NIS 2.33 billion). Of this amount, approx. GBP 208 million are classified as of the date of the report under investment property in development and land rights (see Section 7 above).

As of the date of the report, on those land reserves, seven buildings have been built with a rental area of approx. 200 thousand sq.ft., which yield an annual NOI in the amount of approx. GBP 1 million.

In view of the BE management's expectations for a significant expansion of business activity in the Cambridge Science Park area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in the area over several years. In order to implement the plan, BE is working to find a strategic investor for its operations in that area.

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

For a summary of data regarding BE's project in the advanced planning stages as of December 31, 2022, see Section 2.3.6 of the Board of Directors' Report.

12. Marketing:

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

13. Competition:

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

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

14. Human Capital:

As of the date of this report, BE has 35 employees and management personnel, as follows:

Department	Number of Staff Members
Management	6
Investment, Development and Property Management	9
Finance and Activity	11
Marketing	3
Support	6

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

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

15. Improvements in Rental Properties and Suppliers:

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

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

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

16. BE's forecast for 2023:

The following is BE's forecast for its main business results for 2023. The forecast is based on the following working assumptions:

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

	2023 Forecast	Actual 2022 (*)
	GBP	GBP
NOI (GBP MILLIONS)	42.2	42.3
FFO (GBP MILLIONS)	16.2	19.5

(*) The NOI and the FFO include net revenue in the amount of approx. GBP 5 million in respect of previous periods for the end of an arbitration procedure came to an end for updating rental fees (in accordance with the Rent Review mechanism), mainly in one of BE's properties in central London (Waterside house).

The information relating to the BE forecast for 2023 is forward-looking information, as defined in section 32A of the Securities Law, 1968 and is based on the BE management's budget, as approved by the BE Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information regarding a future event or matter whose realization is uncertain and not under the sole control of BE and the Company, as there is no certainty that the many variables that make up the budget will materialize as planned.

17. BE's Business Strategy

As mentioned above, BE invests in office and research laboratory buildings for rent in central London, Cambridge aand Oxford in the UK, including the management and maintenance of the properties under its ownership and also the purchase, initiation and development of rental properties in those areas.

During the coming year, BE will continue to work towards the advancement of initiation projects, including the promotion of building plans on most of its properties, and will also examine the possibility of locating a strategic investor to join the initiation plan in Cambridge.

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

18. Corporate Governance in BE and in the BE Group

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

19. Information regarding the Brockton Funds

As of December 31, 2022, the Company holds UK real estate funds from the Brockton Group. Fund II has an investment in a single property, while Fund III has a material investment in FORA/TOG, which engages in the rental and management of workspaces, as well as two other properties. The companies FORA and TOG successfully completed a merger in September 2022. Since the merger, the management has concentrated on the integration of the activities of the two companies, a process which is expected to continue during 2023.

The funds are presented in the Company's financial statements as securities measured at fair value through profit or loss. The balance of the Company's investment in the funds as of December 31, 2022 amounts to approx. GBP 37 million (NIS 158 million). For additional information, see Note 5(1) to the financial statements.

E. Energix

1. General Information regarding Energix

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

Energix engages, by itself and through subsidiaries and partnerships under its full control or under joint control, in the initiation, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States.

During 2022, Energix raised capital in the amount of NIS 676 million (of which the Company invested the amount of NIS 204 million).

As of December 31, 2022 and close to the date of publication of the report, the Company's rate of holdings in Energix was 50.4%. For additional information, see Note 6e to the financial statements.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 855 MW in commercially operated projects, approx. 680 MW in projects in development or pre-construction, approx. 695 MW in projects in advanced initiation stages, approx. 6.3 GW in projects in the initiation stage[30] and approx. 7 GWh in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 4.7 billion.

The total representative yearly income expected in 2023 from the sale of electricity and Green Certificates[31] from all facilities connected to the power grid as of the report date in addition to the facilities that are expected to join the power grid over the course of 2023 is 700-750 million NIS[32] (Energix's share).

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

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

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

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

32 Energix's forecasts for 2023 are based on the following assumptions:

- The forecast results for 2023 in Poland include revenues from hedge transactions or their cancellation, and they are after the effect of the temporary legislation to limit electricity prices.
- The results of operations are based on the Company's systems in commercial operation and the Company's estimates in relation to the date of commercial operation of its systems which, at present, are in development, pre-construction and in advanced initiation.
- The results of the systems in commercial operation (photovoltaic and wind) reflect average output P(50);
- The exchange rates used as a basis for calculating the forecast are PLN 1 to NIS 0.8 and NIS 3.55 to USD 1.

2. Area of Activity

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

(A) **Energix's projects in commercial operation**: The following are projects that have been completed and the electricity generated therein is fed into the relevant electricity grid, as of the date of the report:

State	Technology	Capacity (8)	Source of Revenues	Original Construction Cost In NIS millions	Project Financing Facility / Investment of US Tax Partner (11)	Project Results in 2022 in NIS millions		Energix's Share in Project
						Revenues	FFO	
Israel (2)	Photovoltaic	330MWp	Sale to the electric company at a fixed CPI-linked rate, for a period of 20-23 years from the date of commercial operation	1,200	1,195	130	76	199 MWp through an Israeli joint venture - Energix's share - 70% (91% in cash flow) and all other projects are fully owned (1)
Poland (3,4,9)	Wind	301MW	Electricity - Sale on the Electricity Exchange or in price-fixing agreements. Green Certificates - Sale on the Green Certificate Exchange or in price-fixing agreements.	1,579	655	354	288	100%
USA (6,7,10)	Photovoltaic	224MWp	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to an electric company at market prices with hedging transaction for 6 and 12 years. Green Certificates - Sale at a fixed price for a period of 12-15 years.	586	308	41	29	Regarding 117 MWp – 100%; Regarding 107 MWp – 58%; Share in results and in net cash flow 100%. (5)
Total in commercial operation		855		3,365	2,158	525	393	

1) Energix provides financing for a project in Israel at an interest rate of 8%/10% per year. 70% of the free cash flow for distribution in the venture is paid to Energix for the purpose of repaying the financing and the remaining 30% is divided between the partners according to their shares until the full repayment of the aforementioned loans, after which, the free cash flow will be divided between the partners according to their shares.
2) In the reporting period, the revenues from the winning projects in the third and fourth procedures totaled approx. NIS 25 million. The above information includes projects with a capacity of 23 MW from competitive procedure 4 whose construction has been completed, and they await connection to the electricity grid by the IEC.
3) The Banie 3 and Sepopol wind farms with a total capacity of 126 MWp won in tenders for a guaranteed index-linked tariff (as of the date of the report – PLN 250-268 per 1 MWh) for 15 years in relation to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. Energix has the option of choosing not to enter into the tender arrangement and forgo the guaranteed rate until September 2023 in relation to the two wind farms. A decision on the matter will be made close to this date, depending on the state of the electricity market and electricity prices as of that date, expectations for inflation, etc.
   In the reporting period, the revenues, during the testing period and after receipt of a permanent production license, from the Banie 3 and Sepopol projects, totaled approx. NIS 93 million. During the testing period, the financing expenses in respect of the project loans were capitalized to the cost of the systems. Therefore, the FFO during the testing period, does not include financing expenses for the projects.
4) The Banie stage 4 wind farm with a total capacity of 56 MWp won in a tender for a guaranteed index-linked tariff (as of the date of the report – PLN 275-280 per 1 MWh) for 15 years in relation to the electricity output at an average rate of approx. 80% of the expected electricity generation. Energix has the option of choosing not to enter into the tender arrangement and forgo the guaranteed rate until August 2024. A decision on the matter will be made close to this date, depending on the state of the electricity market and electricity prices as of that date, expectations for inflation, etc.
   In the reporting period, the revenues during the testing period from the Banie stage 4 project totaled approx. NIS 33 million. The financing expenses for the project loan during the testing period were included in the cost of the system, and therefore the FFO during the testing

period does not include financing expenses for the project. As of the date of publication of the report, the project awaits receipt of a permanent production license.

5) Energix injects senior capital into the venture in the United States at a return of LIBOR + 7%, but not less than 8.5% per year. The full free cash flow for distribution in the venture will first be paid to Energix until the full return of the capital that Energix has provided plus the return in it's respect. Subsequent to payment of the capital plus the return, the free cash flow will be distributed to the shareholders (Energix and the partner in the venture) according to their shares in the venture.
In the agreement with the US tax partner, among other things, the rate of cash distribution between Energix and the tax partner was determined for a period of approx. 5 years, after which 95% of the cash flow is expected to be used by Energix. In the table above, Energix's share of the net cash flow is presented net after payment of the tax partner's share.
6) In the reporting period, the revenues from the Virginia 2 projects totaled approx. NIS 23 million.
7) In the Virginia 2 projects, the tax partner's obligation is for 5 of the 6 projects. In the sixth project, Energix uses the tax benefits in the amount of approx. USD 10 million for its own use.
8) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.
9) The revenues in Poland in 2022 include revenues from compensation for the unwinding of price-fixing financial transactions.
10) The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).
11) Energix is in advanced negotiations to obtain additional financing in the amount of approx. USD 75 million for the Virginia 1 and 2 projects, in addition to the tax partner financing.

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

Country	Project	Technology	Capacity (MW) (4)	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Generated (in NIS)	Expected Construction Cost (3)	Project Financing Facility / Investment of US Tax Partner	Projected Commercial Operating Date	Cost Invested as of the Reporting Date	Projected Project Results for the First Year of Operations (5)		Company's Share in Project
										Revenues	FFO	
Israel	ARAN	Wind	104 MW	Sale to the electric company at a fixed CPI-linked rate, for 20 years from the date of commercial operation	0,293	650-750	Up to 650	H1-2024	356	90-98	53-61	80.5%. Share in results and in net cash flow 100% (2)
	First competitive procedure for extra-high voltage systems	Photovoltaic	87 MWp	Fixed CPI-linked rate, for 23 years	0,155 (8)	240-280	Up to 255	H2-2023	135	22-26	10-14	70%. Share in results and in net cash flow 91% (7)
	Second competitive procedure for high voltage systems with combined storage (9)	Photovoltaic with combined storage	60 (including 100 MWh storage)	Fixed CPI-linked tariff, until the end of 2045	0,188	205-245	Not yet determined.	Q1-2024	80	17-21	11-15	100%
Poland	Lubanowo	Photovoltaic	12MWp	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price		30-35	Not yet determined.	Q1-2023	23	6-8	4-6	100%
USA	Backlog in development in Virginia (6) (VA)	Photovoltaic	312MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer. Green Certificates - Long-term agreement for sale at a fixed price		715-755	750-790	During 2023	297	105-115	52-56	Regarding 189 MWp: 100% Regarding 123 MWp: 58%. Share in results and in net cash flow 100% (1)
	Projects in development in Pennsylvania (6) (PA)	Photovoltaic	104MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer. Green Certificates - Long-term agreement for sale at a fixed price		265-305	265-305	Q4-2023	56	38-44	21-25	100%
Total in development and pre-construction			679			2105 - 2370				278 - 312	151 - 177	

1) Energix injects senior capital into the venture in the United States at a return of LIBOR + 7%, but not less than 8.5% per year. The full free cash flow for distribution in the venture will first be paid to Energix until the full return of the capital that Energix has provided plus the return in it's respect. Subsequent to payment of the capital plus the return, the free cash flow will be distributed to the shareholders (Energix and the partner in the venture) according to their shares in the venture.
The above information is based on the assumption that in the agreement to be signed with the US tax partner, among other things, the rate of cash distribution between Energix and the tax partner will be determined for a period of approx. 5 years, after which 95% of the cash flow is expected to be used by Energix. In the table above, Energix's share of the net cash flow is presented net after payment of the expected tax partner's share.
2) According to the set of agreements signed between Energix and ARAN and the revenue expectations, Energix's share of the cash flow is 100% until the full payment of the liabilities to Energix. After the full payment of the liabilities to Energix, the free cash flow will be distributed to the shareholders according to their share.
3) The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).
4) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.
5) Financial data is based on an exchange rate of NIS **3.55** per USD 1 and an exchange rate of NIS **0.8** to PLN 1.
6) Based on the assumption that the tax partner's investment is at a rate of 40% in accordance with the new IRA law.
7) Energix provides financing for a project in Israel at an interest rate of 8%/10% per year. 70% of the free cash flow for distribution in the venture is paid to Energix for the purpose of repaying the financing and the remaining 30% is divided between the partners according to their shares until the full repayment of the aforementioned loans, after which, the free cash flow will be divided between the partners according to their shares.
8) Until the date of commercial operation, the winning rate is linked to the exchange rate and to the CPI. At the time of the win, the rate was NIS 0.156 per 1 KWp installed.
9) The expected revenues are based on the electricity tariff in the arrangement. It should be noted that according to the market regulation, Energix may enter into an engagement with a private supplier instead of the tariff regulation and in this case the price of electricity is expected to increase.

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

State	Project	Technology	Capacity (MW) (4)	Source of Revenues	Tariff for Sale of Electricity per 1 KWh Generated (in NIS)	Projected Commercial Operating Date	Status	Expected Construction Cost	Cost Invested as of the Reporting Date	Revenue Expectations for the First Full Year of Operation (6)	Company's Share in Project
Israel	Second competitive procedure for high voltage systems with combined storage (6)	Photovoltaic with combined storage	120-140 (including 100 MWh storage)	Fixed CPI-linked tariff, until the end of 2045	0,188	2024	In planning and development	425-475	-	36-40	100%
	A 30 MW photovoltaic project combined with 48 MWh storage	Photovoltaic	30MWp (including 48 MWh storage)	Sale to the customer at a fixed CPI-linked rate, for 23 years from the date of commercial operation	0,192	H1-2024	In planning and development	100-120	-	8-10	100%
Poland	Nowa Karczwa project	Wind	90 MW	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price		2024	After building permit. In the approval process for connection to grid	500-540	-	120-130	100%
USA	Advanced initiation projects in Virginia (VA) (2)	Photovoltaic	455MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price		2023-2024	In planning and development	1,050-1,090 (3)	50	149-159	Regarding 364 MWp: 100% Regarding 91 MWp: 58%. Share in results and in net cash flow 100% (1)
Total in advanced initiation:			695 - 715					2075 - 2225			

1) Energix injects senior capital into the venture in the United States at a return of LIBOR + 7%, but not less than 8.5% per year. The full free cash flow for distribution in the venture will first be paid to Energix until the full return of the capital that Energix has provided plus the return in it's respect. Subsequent to payment of the capital plus the return, the free cash flow will be distributed to the shareholders (Energix and the partner in the venture) according to their shares in the venture.
2) Based on the assumption that the tax partner's investment is at a rate of 40% in accordance with the new IRA law. For information, see Section 2.1 below.
3) The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).

4) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.
5) Financial data is based on an exchange rate of NIS **3.55** per USD 1 and an exchange rate of NIS **0.8** to PLN 1.
6) The expected revenues are based on the electricity tariff in the arrangement. It should be noted that according to the market regulation, Energix may enter into an engagement with a private supplier instead of the tariff regulation and in this case the revenue is expected to increase.

(D) **Projects in initiation**: Projects in initiation are the backlog of Energix's projects in various stages of development that may mature into projects in development, for which the Company has an interest in the land and Energix is working to obtain the permits and approvals required for their development:

State	Technology	Capacity (MW) (!)
Israel	Photovoltaic (including combined storage)	500 MWp
	Wind	110 MW
	Storage	500 MWh
USA	Photovoltaic	5,065 MWp
	Storage	6,300 MWh
Poland	Wind	450 MW
	Photovoltaic	200 MWp
	Storage	50 MWh
Total photovoltaic and wind projects in initiation		6,325 MW
Total storage projects in initiation		6,850 MWh

The information presented in the tables above, in relation to projects in development or pre-construction, and projects in advanced initiation includes forward-looking information as defined in Section 32A of the Securities Law. The actual results may differ significantly from the estimated or implied results of all or part of this information.

2.1 Environment and Impact of External Factors – Energix

General

As part of a global trend to reduce greenhouse gas emissions, many countries, including Israel, are encouraging investment in the construction of electricity-generation facilities from renewable energies and developing diverse arrangements for the sale of electricity from these sources. As of the reporting date, more than 150 countries around the world are promoting policies that support the production of electricity from renewable energies,[33] and according to forecasts, in 2050, renewable energies will provide 84% of electricity consumption in Europe and 65% of electricity consumption in the United States[34]. It is estimated that in order to meet the commitments and targets set by the world's countries in the transition from fossil fuels to renewable energies, a cumulative investment of approx. USD 195 trillion is required by 2050[35].

During the reporting period, dozens of other giant international corporations have joined corporations such as Apple, Meta, Microsoft, Google, and others who have set themselves 100% clean energy consumption targets by 2050 under the RE100 initiation[36]. As of the reporting date, more than 390 corporations have joined this initiative with the total demand for electricity from renewable sources of all the corporations participating in the initiative amounting to over 485 TWh.

33 Renewables 2022 – Global Status Report (REN21).
34 New Energy Outlook 2020 - Power Supply Charts.
35 IRENA - Global Landscape Of Renewable Energy Finance (2020).
36 RE100 Annual Disclosure Report 2021 (January 2022).

Accordingly, global investment in the transition to energy sources that emit low carbon dioxide is on the rise: in 2022, over USD 1.11 trillion was invested worldwide in sectors supporting the transition to low-carbon energy use such as electricity storage, electric vehicles, hydrogen and various renewable energies - an increase of approx. 33% compared to last year. The sector that benefited from the highest total investment was the renewable energy sector, which attracted over USD 495 billion in investments[37].

It should be noted that in view of the decrease in electricity production costs from renewable energy,[38] the economic viability of constructing such facilities has increased, even in market conditions without supportive regulation.

In addition, in recent years, the recognition of the need to integrate electricity storage solutions has been strengthened in view of the possibility of using them to combine renewable energy sources efficiently, as well as to assist the stability and availability of the grid. As a result of the legislative updates in the United States, and especially the Inflation Reduction Act, the forecast for the energy storage market around the world has been updated and estimates speak of energy storage systems with a capacity of approx. 1.2 TWh by 2030, an increase of approx. 13% compared to the previous forecast. Despite the expansion of the ITC tax benefits in the United States also for stand-alone storage facilities, over half of the installations are expected to be from a storage model integrated with renewable energy, with an emphasis on solar energy.

The knowledge and experience gained in the world regarding electricity storage using lithium-ion batteries in a variety of applications and the assessments of their dominance in the current decade over alternative electricity storage technologies provides Energix with a variety of activity channels that may be relevant both as stand-alone storage projects and as projects that combine renewable energy sources.

During the reporting period and until the date of approval of the report, several macroeconomic events occurred which also affect Energix's areas of activity:

Increase in electricity prices - During the reporting period, the trend of increasing electricity prices continued in the United States and in Europe, although from the date of the report until the date of approval of the report, a moderation in prices in the free market is evident.

The EU decision to adopt a ceiling for electricity prices for the policy of thte EU companies and the adoption of temporary legislation in Poland: In view of the gas crisis, the high electricity prices in Europe and the European Union's decision in October 2022 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 from December 1, 2022 to December 31, 2023, the physical sale of electricity, and from March 1, 2023 also entering into a financial transaction and/or the sale of the GoO certificates for which the engagement depends on the sale and/or physical generation of electricity, will be subject to a price ceiling in the amount of: (1) PLN 345 per 1 MWh of electricity generated from wind energy, and (2) PLN 405 per 1 MWh of electricity generated from photovoltaic facilities[39] and similar measures are being taken by other EU countries.

Increase in the inflation rate and an upward trend in the interest rate - With the exception of project financing in Israel, Energix's loans are not linked to an index. Energix's revenues in relation to the projects financed in Israel and some of the projects in Poland are linked to the increase in the CPI. Energix's financing transactions are currently at a fixed interest rate or have been fixed in relation to most of the loan principal in transactions to hedge the risk of the increase in the base interest rate. The global trend of an increase in price levels, among other things due to economic and geopolitical events such as the Corona pandemic, the war in Ukraine and the energy crisis, led to a sharp increase in inflation to an annual level of approx. 6.5% in the United States and approx. 5.4% in Israel.

---

37 Energy Transition Investment Trends, 2022 _ Full Report _ BloombergNEF.

38 Although price increases are expected in the short term.

39 On December 16, 2022, the electricity price ceiling was increased by PLN 50 in relation to the original published ceiling - PLN 295 per 1 MWh of electricity produced from wind energy and PLN 355 per 1 MWh of electricity produced from photovoltaic installations.

In addition, the increase in price levels in Poland led to a sharp increase in inflation to an annual level of approx. 14.4% in 2022. Against the backdrop of the increase in inflation, there is also a trend of the world's central banks raising interest rates. An increase in interest rates in Israel and around the world by its very nature could lead to an increase in Energix's financing expenses. In Poland, against the backdrop of the increase in inflation, there is also a trend of increasing interest rates, which are currently at a level of approx. 7.3% per year.

The geopolitical situation between Ukraine and Russia and macro changes in Europe - As a result of the geopolitical crisis between Russia and Ukraine starting at the end of February 2022, attacks by the Russian army are being carried out in Ukraine, which is a neighboring country in the northeast of Poland, and Energix has significant activity in Poland. This geopolitical situation may have consequences for Energix's operations in the short term (for better or for worse) as a result of macro effects such as rising electricity prices, exchange rates and interest rates. At the same time, the fighting in Ukraine emphasizes the importance of energy independence and the importance of renewable energies in Poland considering the imposition of sanctions by some countries on the purchase of electricity and oil from Russia.

As of the date of approval of the report, the aforementioned geopolitical events do not have a material impact on the Company's activities.

The Company's estimates regarding the possible consequences of the above geopolitical situation on the Company's operations constitute forward-looking information, as defined in the Securities Law.

The renewable energy market in Israel

In recent years, the State of Israel has joined a number of other countries around the world that are leading the trend of transitioning to electricity generation through renewable energy, while neglecting traditional energy sources in view of their destructive effects on the environment. This trend has had an obvious effect in the field and in the years 2018-2021 the rate of increase in capacity installed from renewable energies in Israel jumped by an average of 38% per year (compared to a growth rate of approx. 16% between the years 2014-2017)[40]. As of the date of the report, the total capacity installed in renewable energies in Israel is approx. 3.6 GW and constitutes an annual generation capacity of 9.4% of total consumption in Israel. In addition, in the reporting period, 8.1% of the total energy consumed in Israel came from renewable sources[41].

In addition, according to data from the Electricity Authority, electricity consumption from renewable energy at the end of 2025 is expected to be approx. GW 9.6 GW[42] in order to meet the target set by the Government of Israel in Resolution 465, as detailed below. Accordingly, a series of government and regulator decisions have been adopted in Israel, which are updated from time to time in accordance with the policy updates of the Ministry of Energy and the government, including:

(A) The publishing of decisions regarding the setting of targets and the adoption of roadmaps and regulations.

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

40 Status report - Renewable Energy Targets in the Electricity Sector, March 2022
41 See Footnote 12 above.
42 Report on the State of the Electricity Sector for 2020, published by the Electricity Authority, August 2021.

In October 2021, the Ministry of Energy published a roadmap for a low-carbon economy in which it set an overarching target of reducing greenhouse gases from the energy sector by a rate 80% by 2050, compared to 2015. In addition, the data indicate that the activity of the Israeli economy will require approx. 3.5 GW of energy storage by 2030. Following this roadmap, during 2023, the Electricity Authority will publish the first procedure for storage facilities in the transmission grid (extra-high voltage) and will publish competitive procedures for the establishment of storage facilities in the distribution grid (high voltage)[43].

In May 2022, the Ministry of Energy published the road map "for achieving the 2030 energy targets" which includes a multi-year plan of policy measures required by the various government ministries to achieve the energy targets. In addition, the Electricity Authority published a table summarizing the measures expected from a regulatory perspective until 2025, including timetables for implementing the measures. Among the expected measures: publication of competitive procedures for determining a protective rate for ground facilities and dual-use facilities.

In addition, the Electricity Authority published a decision regarding a market model for generation and storage facilities connected or integrated into the distribution grid, according to which starting in 2024, electricity producers from renewable energies will be able to associate the production facility with a private supplier who will sell directly to end consumers. The aforementioned decision is combined with the decision to update the demand hour clusters according to which, starting in 2023, only low and peak clusters will be defined, and the peak hours will be between 17:00 and 22:00/23:00. This update is intended to adapt the clusters and the tariffs to the consumption habits currently existing and it will accelerate the integration of the storage technology that enables the flow of electricity during the night (peak). These decisions open the electricity sector to competition and allow any consumer with a smart meter to purchase green electricity.

(B) Opening the supply segment to competition

On August 5, 2020, the Electricity Authority issued a decision on principles for opening the supply segment in the electricity sector to new suppliers and supply to household consumers, in which a quota of 400 MVA was set, of which 300 MVA will be allocated as a general quota for all types of consumers (the "general quota") and 100 MVA will be allocated as a designated quota for household consumers, all for two years[44]. In order to operate within this regulation, it is required to obtain a supplier license that includes, among other things, a guarantee of NIS 2 million to the Electricity Authority, proof of equity of NIS 50 million and compliance with the threshold conditions set in the Electricity Sector Law and regulations. According to the terms of the regulation, the supplier may only serve consumers with a continuous meter, and it must submit an aggregate consumption plan for its consumers on a daily basis. Under the regulation, the purchase of energy by the supplier will be made directly from the system administrator and it must pay a grid tariff, a system tariff, a half-hour energy tariff and a supplementary tariff.

On September 7, 2022, the Electricity Authority published a decision on the full opening of the supply segment to competition. According to the aforementioned decision, as of January 1, 2023, there will be no more quotas and private suppliers will be able to add electricity consumers without restrictions, with the exception of the possibility of associating production facilities with a private supplier, which will enter into effect on January 1, 2024. As of the date of approval of the report, there are several key players in the market who are interested in acting as electricity brokers/traders and to purchase electricity from private electricity producers.

(C) Adoption of outline plans

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

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

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

On November 6, 2022, the National Planning and Building Council ordered the preparation of a dedicated national outline plan to regulate the planning of agrovoltaic facilities - NOP 1, Change 24 based on the following principles: determionation of the promotion of agrovoltaic facilities, planning requirements and procedures, environmental considerations that must be examined when promoting the plan, etc. In addition, at that meeting, the Council ordered the submission of a national outline plan for energy storage facilities for the comments of the district committees and for the public's criticism.

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

The renewable energy market in Poland

The electricity market in Poland is a developed market and includes four main local electricity grid administrators (owners of the distribution network in the areas of electricity-generation) that are controlled by the Polish government, and an electricity exchange, in which many other players operate. In 2022, the renewable energy market in Poland continued to grow rapidly. At the end of 2022, the installed capacity of photovoltaic facilities in Poland was approx. 10 GW and of wind facilities was approx. 7 GW[45].

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

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

The local regulator also promotes legislative changes that make it possible to expand the activities of the renewable energy sector in Poland. Among other things, in December 2020, the Law for the Promotion and Development of Offshore Wind Projects was passed.

It appears that the expansion of government plans and the announcements of future tenders will significantly increase the photovoltaic field in Poland.

In the first three quarters of 2022, the total investment in renewable energies in Poland amounted to USD 5.7 billion, compared to USD 6.4 billion during 2021[46], and therefore the growth trend in the renewable energy market in Poland has increased.

The expectation for 2023 is that electricity generation using renewable energy sources will continue to grow at a rapid pace, especially against the backdrop of significant geopolitical changes that have taken place on the European continent, and especially in Poland, as a result of Russia's invasion of Ukraine. These changes, accompanied by extreme heat waves in the summer of 2022, led to sharp increases in electricity prices in Poland.

45 Baringa Poland Wholesale Power Market Results 2022Q4.
46 BloomberNEF Energy Transition Investment Interactive Datasets.

Temporary legislation to limit electricity prices in Poland:

During October 2022, against the backdrop of the gas crisis and the high electricity prices in Europe resulting from the war between Russia and Ukraine, the European Union adopted a decision regarding a ceiling for the electricity prices that certain electricity producers in EU countries will receive, including electricity producers from renewable energy, which will not exceed EUR 180 per 1 MWh, as a response to the high electricity prices in Europe.

In the context of the European Union's decision, legislation was adopted in Poland regarding emergency measures to temporarily limit the prices of electricity generated, including from wind farms and photovoltaic facilities in the country. As part of the adopted legislation, it was determined that the sale of electricity directly to the buyer, in relation to the period between December 1, 2022 and December 31, 2023, will be subject to a price ceiling, as updated on December 16, 2022 in the amount of: (i) PLN 345 per 1 MWh of electricity produced from wind energy (ii) PLN 405 per 1 MWh of electricity produced from photovoltaic installations[47]. Also, the price ceiling for projects that have actually entered into the applicability of the tariff arrangement will be the rate they won. Amounts received that exceed the established ceiling will be transferred by the electricity producers to a dedicated fund that will be used by the Polish government to reduce electricity prices to end consumers.

According to the legal advice received by Energix regarding the applicability of the legislation, the legislation applies to the physical sale of electricity, and as of March 1, 2023, also an engagement in a financial transaction and/or sale of the GoO certificates for which the agreement is dependent on the sale and/or physical production of the electricity[48].

It should be clarified that the aforementioned legislation does not apply to the sale of electricity as part of financial transactions that do not involve the actual production of electricity and the sale of green certificates.

It should be noted that since the law was first adopted, the Polish legislator has published several updates to the law and to the regulations governing its applicability, and there may be further changes.

The United States Renewable Energy Market

The United States is one of the world leaders in the generation of electricity from renewable energies, and is ranked as the second country in the world after China, with the highest installed capacity of renewable energy facilities.[49]. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. It is estimated that in 2022, approx. 24 GW of solar facilities were added and the total number of new wind facilities in 2022 is expected to be more than 10 GW[50].

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

Furthermore, in recent years more and more U.S. states are leading the implementation of renewable energy support policies. Therefore, in April 2020, the state of Virginia (where most of Energix's U.S. operations are concentrated) determined that by 2050, the state's electricity producers will be required to meet the target of 100% renewable energy[51]. Such goals were also declared in California and New York.

47 On December 16, 2022, the electricity price ceiling was increased by PLN 50 in relation to the original published ceiling.
48 According to the legislative amendment of February 2023
49 Sustainable Energy in America 2020 Factbook BloombergNEF·
50 US Clean Energy Market Outlook Q4 ,2022
51 Virgina's Legislative System website, HB 1526 Virginia Economy Act - https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526

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

On August 16, 2022, the Inflation Reduction Act entered into effect, which regulates, among other things, the provision of long-term economic incentives to promote climate and energy programs. Under the law, an investment plan totaling approx. USD 500 billion was adopted, of which approx. USD 400 billion will be granted in tax incentives and other benefits to projects for the generation of electricity from renewable energy.

The law significantly expands the offering of tax incentives provided for a wide range of renewable energy sources and allows solar energy producers to choose between a benefit path from the investment cost (Investment Tax Credit) and a benefit path from production revenues for 10 years (Production Tax Credit)[52]. Among the incentives offered by the law:

(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) Subject to compliance with the established conditions and taking into account the date of establishment of the facility, an increase of the ITC tax benefit rate to a permanent rate of 30% for the entire period (instead of 26% and a reduction to 10% until the end of 2025, with a significant reduction over the years) and even the possibility of benefiting from entitlement of up to 50% depending on compliance with the criteria listed in Sections (4) and (5) below;

(3) Enabling trading in the right to the tax benefit, instead of the need for a tax partner (Tax Credit Transferability);

(4) Provision of an additional tax benefit of up to 10% of the total construction cost of renewable energy projects, including with respect to storage facilities that meed the criteria, which are built in combination with equipment manufactured in the United States and meet the threshold determined for the integration of local equipment;

(5) Granting of an additional tax benefit of up to 10% of the total construction cost for projects to be constructed in areas that are defined as "energy communities" that enable optimal utilization of the land, such as the construction of a facility on an abandoned coal mine, or areas designated for economic development, etc.

In the reporting period, a trend can be seen of rising prices of the electricity and the green certificates in the United States, which significantly improves the economic viability of projects in the renewable energy market and the anticipation of future projects. However, close to the date of approval of the report, a moderation in this trend was recorded.

For additional information regarding the relevant regulations for Energix's operations in the United States, see Section 2.2.4.

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

2.2.1 Photovoltaics

2.2.2 General

2.2.2.1 Electricity generation using photovoltaic technology

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

52 Which was available only for wind energy producers prior to the IRA legislation.

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

In the reporting period, Energix began to develop and promote photovoltaic projects in Poland. In this way, Energix expanded it's activity in the photovoltaic field to the three regions in which it operates in Israel, the United States and Poland.

2.2.2.2 Integration of storage technology in photovoltaic facilities

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

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

As part of the business model of Energix's operations, Energix is working on strategic collaborations with its main equipment suppliers. In this context, Energix has a strategic collaboration with First Solar, one of the world's leading manufacturers of photovoltaic panels.

2.2.3 Energix's photovoltaic activity in Israel

At the end of 2022, the installed power of photovoltaic facilities in Israel was 5 GW, a capacity that is expected to increase 3.5 times by 2030 to approx. 17.145 GW[53]. According to the Electricity Authority's estimates, approx. 38% of the installed capacity required to meet government targets for 2025 and approx. 42% of the potential installed capacity to meet 2030[54] targets are found in ground-mounted photovoltaic facilities and therefore, most of the renewable energy potential in Israel lies in photovoltaic facilities[55].

2.2.3.1 Photovoltaic regulations in Israel:

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

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

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

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

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

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

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

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

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

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

Starting in 2020, the Electricity Authority announced that competitive procedures for high-voltage photovoltaic installations to be published thereby will be fixed-rate quotas for photovoltaic electricity-generation facilities combined with storage facilities that will enable the storage of electrical energy and its release at a rate of at least the site's connection size, in terms of real capacity measured in megawatts (MW), for 4 hours (for information regarding the integration of storage technology in photovoltaic facilities, see Section 2.2.2.2 above). Accordingly, in 2020, the Electricity Authority published two tenders for determining a tariff for electricity-generation using photovoltaic technology with combined storage capacity ("**storage tender**"), in which the amounts of guarantees required to ensure eligibility for the tariff were increased and today each bidder is required to deposit a bid guarantee in the amount of NIS 200 per 1 KW and then replace it with a construction guarantee of NIS 600 per 1 KW. It should also be noted that in the last storage tender published (competitive procedure for high-voltage photovoltaic facilities with combined storage no. 2), there was a change in the tariff period which will be paid from the date of commercial operation of each facility until December 29, 2045. The tender also allows the winners to extend the maximum binding date up to 3 times and a total of another 15 months.

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

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

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

In August 2021, in order to maximize the utilization of land resources, the Electricity Authority published a first-of-its-kind procedure for setting a tariff for the establishment of electricity generation facilities using photovoltaic technology in dual-use. In this procedure, the Electricity Authority expanded the options that were valid until then for the use of photovoltaic facilities for dual use, from rooftops and reservoirs to a wide range: landfill, cemetery, interchange, parking lot, parking lot, fences, engineering facility, shading structures, greenhouses, acoustic protection, etc. (hereinafter: "dual areas"). This procedure and similar procedures ended with the allocation of 815 MW. The guaranteed tariff in a win under this regulation has been limited to a period of 15 years, after which the conditions that will be customary in the market will apply. The other conditions of the regulation are essentially similar to those of the high-voltage competitive procedure.

The Electricity Authority also expanded its definition of dual-use facilities to agro-photovoltaic facilities as well. An agro-photovoltaic facility is a photovoltaic facility for electricity generation, which combines agricultural activity throughout the years of the facility's lifespan and enables high synergy between agriculture and electricity generation. As of the date of approval of the report, a pilot has been published in collaboration with the Ministry of Energy and the Ministry of Agriculture, which is expected to serve as a basis for expanding activities in the field. In addition, in November 2022, the final report of the interministerial team was published for the formulation of recommendations for measures required for the establishment of agrophotovoltaic facilities. The report conclusions include, among other things, recommendations regarding the promotion of NOPs that enable the establishment of agrophotovoltaic facilities, examination of additional locations for their establishment, recommendations on proprietary issues such as designated quotas, employment quotas, exemption from restitution of land under certain conditions, etc. It was also recommended that the Ministry of Agriculture have responsibility for supervising and enforcing the continuation of agricultural activity. The recommendations of the interministerial team will be brought for approval to the National Planning and Building Council, to the Israel Land Authority, and as necessary for the government's approval as well.

1. Regulation of the market and granting of the right to switch from competitive procedures to the market regulation mechanism:

On September 7, 2022, the Electricity Authority published Decision no. 63704, which is intended to regulate the activity of the production facilities in the distribution grid, both combined with storage and separately, and in particular their ability to sell electricity directly to private suppliers. The main principles of the decision are to allow the sale of energy from a production facility to a private supplier, under agreements between the market players regarding the terms of the engagement between them for the sale of electricity, starting from January 1, 2024. In addition, the Electricity Authority allows the transfer of facilities established under other regulations or under competitive procedures to switch to the open market model, instead of the conditions of the competitive procedure regulations.

2. Sale of electricity to the system manager in accordance with the wholesale market rules in the transmission grid

On March 6, 2022, the Electricity Authority published a decision whose main purpose is to allow renewable energy facilities, even in combination with storage, to integrate on a regular basis into the transmission grid, without a preliminary procedure and without the need for a tariff set by the Authority, and sell all electricity produced in the facility to the system administrator according to the wholesale market principles. This means that the tariff for the electricity produced at these facilities will be determined according to the half-hour market prices. This decision further determines that facilities that will be built within its framework may also be integrated into additional procedures, including in a procedure planned for determining the protective tariff for producers of renewable energy at extra-high voltage. On April 13, 2022, the Electricity Authority published a first-of-its-kind procedure for determining a protective tariff for the production of electricity from renewable energy in facilities connected to the transmission grid, following the aforementioned decision. On September 15, 2022, the Electricity Authority announced the winners of the procedure with a total capacity of 241 MW and a protective tariff of NIS 0.117 for 10 years, after which the facilities will operate under the wholesale market model.

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

2.2.3.2 Information regarding the projects in Israel

	Connected Projects	Projects in Development / Nearing Development		Projects in advanced development		Projects in Initiation
		Second Competitive Procedure Systems(1)	Photovoltaic Second competitive procedure at high voltage with combined storage(5)	Photovoltaic Second competitive procedure at high voltage with combined storage(5)	Combined storage facility	Photovoltaic with combined storage
Capacity MW	(2)330	87	60 (MWh100)	120-140 (MWh220)	30 (MWh48)	500
Construction cost* (Millions of NIS)	1,200	240-280	205-245	425-475	100-120	
Revenue* (NIS millions per year)	(3)147-155	(4)22-26	(4)17-21	(4)36-40	(4)8-10	
Gross profit* (NIS millions per year)	(3)111-117	(4)16-20	(4)11-15			

7) Projects held through a joint venture in which Energix holds 70%. Energix's share in the results and cash flow of these projects is 91%, taking into account the preferred shareholder loans and the profit distribution waterfall.
8) Of which 23 MWp whose construction has been completed and is awaiting commercial operation.
9) According to results predicted for 2023.
10) Predicted results for the first full year of operations.
11) The expected revenues are based on the electricity tariff in the arrangement. It should be noted that according to the market regulation, Energix may enter into an engagement with a private supplier instead of the tariff regulation and in this case the revenue is expected to increase.

* Based on Energix estimates. This information constitutes forward-looking information as defined in the Securities Law.

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

2.2.4 Energix's photovoltaic activity in the United States

During the reporting period, Energix continued to make consistent progress in advancing and continuing to grow in its U.S. operations as a major growth engine, as it was significantly positively impacted by the accelerated momentum in the renewable energy market. Most of Energix's U.S. operations are focused on the state of Virginia when during the reporting period Energix began to expand to neighboring states, such as Pennsylvania, Kentucky and West Virginia, all of which are in the transmission network managed by PJM [56].

The establishment of Energix's activities in Virginia and in neighboring states, together with the IRA legislation and the competitive advantage created for Energix due to the relationship with First Solar and its ability to purchase panels manufactured in the United States, significantly strengthened the economic viability and investment horizon of Energix's activities in the United States, as its main growth engine in the coming years.

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

General

The market for electricity generation from photovoltaic energy is growing significantly, and as a result the total projected increase in the installed capacity of photovoltaic installations between the years 2022 and 2030 increased in the fourth quarter of 2022 by approx. 63 GW, an increase of approx. 21% compared to the forecasts in the corresponding quarter last year.

The photovoltaic sector in the United States is based on a sophisticated market for the sale of electricity and the sale of green certificates (Renewable Energy Credits - RECs) and in some cases, in some regions of the United States, revenues in respect of availability. In addition, entrepreneurs in the photovoltaic sector are entitled to a federal tax benefit (ITC) in significant amounts, subject to their compliance with the threshold conditions for receipt of the benefit.

Sources of revenue from photovoltaic activity in the United States:

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

(1) **Sale of electricity to local electric companies** – This is done by signing a designated agreement or through a competitive tender[57] published by the local electric company for the purpose of engagement for the purchase of electricity from the project at a fixed long-term price. The electric company that conducts the tender selects from the bidders according to the price and the project quality parameters (location, stage of development, etc.) and the quality of the bidder (experience, financial strength, etc.). This engagement is an actual sale of the electricity produced from the facility to the electric company.

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

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

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

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

Federal tax benefit – Renewable energy entrepreneurs who meet certain conditions defined in the law are entitled to an investment tax credit (ITC) of between 30% and 50% of recognized project costs (calculation of the costs from which the benefit is derived is according to the terms determined in legislation) ("**Tax Benefit**"). Alternatively, the developers may contact a local partner, who has a federal tax liability in the United States ("Tax Partner"). The tax partner usually joins at the stage of connecting the facility to the grid and usually provides up to 50% of the investment cost for the construction of the facility in exchange for most of the tax benefits to which the project is entitled, mainly the ITC, as well as payment of 10%-30% of the project's cash flow over a period that is usually 5-7 years. The developers are responsible for injecting the balance of the investment cost for the construction of the facility (including by way of financing) and they are entitled to the balance of tax benefits and the balance of the project's cash flow. Upon the repayment of the tax partner's investment plus an agreed consideration (by way of the tax benefits, ITC, its share of losses for tax purposes and payment of its share of the cash flow), the tax partner's share in profits and cash flow decreases to 5%, and on that date the developers have the right to acquire the tax partner's rights in the project at market conditions.

Approvals and permits to initiate and establish the project

The procedure for connecting to the grid is carried out with the relevant local electric company in whose territory the facility is located or with the regional electricity grid manager. The procedure for obtaining statutory permits is at the state and district level, with the requirements varying from state to state and district to district.

Energy production, and the distribution and transmission of electricity are subject to federal and state regulation. During the reporting period and as of the date of approval of the report, the distribution grid in the state of Virginia, where the majority of Energix's development activity in the United States is concentrated in the reporting period, is largely controlled by a duopoly of two regional electric companies - Dominion Energy and Appalachain Power Company and the transmission grid in all states where Energix operates, with the exception of Arizona, is managed by the grid operator, PJM. The electric companies manage the grid connection procedure for the project in their territory and according to the size of the facility (distribution/transmission grid). The companies are obliged to allow each project to connect to the grid, but the project is required to pay for the work necessary for making the connection.

Solar projects in the United States require the following main permits: a district-level permit (to change the designation allowing the use of land for the establishment of a solar facility), a state-level permit (mainly regulates environmental aspects), and construction and electrical permits for the commencement of construction work.

Approvals and permits required for construction work and operation

During the reporting period, an American subsidiary, wholly owned by Energix, provided main contractor services for construction work and another subsidiary provided operational services for the projects owned by Energix in the United States (including through the joint venture in the United States, as defined below), and for this purpose, it must comply with the local regulation that applies to contractor work, including licensing corresponding to the type of work, environmental aspects, aspects concerning the employment of workers and work safety laws.

PJM's grid connection process reform – Due to the structure of the process for performing grid connection surveys in PJM, which is essentially a low entry threshold, a backlog of projects has been created that are in line to perform the connection surveys. As a result, PJM adopted a reform to change the connection survey process for facilities to the electricity grid, according to which no additional applications will be allowed during 2023 and additional costs will be imposed on facility connection applicants along with proof of project feasibility. On November 29, 2022, the Federal Energy Regulatory Commission (FERC) approved the reform proposal dated June 14, 2022, submitted by PJM and which will enter into effect in early 2023, in accordance with the principles established in the reform.

Energix estimates that although in the short and medium term some projects may be postponed from 2023 to 2024 and thereafter, in the long term the queue for future projects will be significantly shortened.[58]

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

	Connected Projects	Projects in Development / Nearing Development		Projects in advanced development	Projects in Initiation
	Virginia 1 and 2 projects	Pennsylvania projects in development	Virginia backlog in development	Virginia projects	Photovoltaic
Capacity MW	224	104	312	455	5,065
Construction cost* (Millions of NIS)	(2)586	(2)265-305	(2)715-755	(2)1,050-1,090	
Revenue* (NIS millions per year)	(1)50-56	(3)38-44	(3)105-115	(3)149-159	
Gross profit* (NIS millions per year)	(1)36-42	(3)33-37	(3)88-94		

*** Based on Energix estimates. This information constitutes forward-looking information as defined in the Securities Law.**

(1) According to results predicted for 2023.
(2) The cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits and less the investment of a tax partner in respect of the tax benefit (ITC).
(3) Projected results for the first full year of operations. The project results are presented fully consolidated (100%).
Some of the projects are held through a US joint venture in which Energix holds 58% of the ownership. Energix's share in the cash flow is 100%, taking into account the preferred share capital and the profit distribution waterfall in these projects.

2.2.5 Energix's photovoltaic activity in Poland

In the context of the potential inherent in the photovoltaic market in Poland, combined with the knowledge, professionalism, infrastructure and operations established by Energix in Poland, during the reporting period, Energix worked and is working to develop and promote photovoltaic projects in Poland, and is nearing the completion of construction and the beginning of commercial operation of the first photovoltaic facility in Poland with a capacity of approx. 12 MWp.

58 This information constitutes forward-looking information as defined in the Securities Law.

General

In recent years, there has been a significant acceleration in the development of the photovoltaic market in Poland, which had approx. 4 GW installed at the end of 2020, approx. 7 GW at the end of 2021, and approx. 12 GW at the end of 2022. According to forecasts, this significant growth is expected to continue in the coming years. In 2022, compared to 2016, the capacity of solar **projects** throughout Poland and the electricity they produced increased from 187 MW to 12,000 MW and from 129.3 GWh to 9,290.39 GWh, respectively. The growth trend in the photovoltaic market is expected to continue in the coming years so that the expected installed capacity for 2025 is 20 GW and the expected installed capacity for 2030 is 28 GW. The following is a graph that illustrates the potential and expected growth in the photovoltaic market in Poland in terms of installed PV capacity (GW).

Alternatives for building photovoltaic facilities in Poland

According to the current regulation in Poland, it is possible to build a photovoltaic project for electricity generation independently and to sell the electricity generated in the electricity market at market prices or under the regulation of tenders. A project that is subject to the regulation of tenders must meet threshold conditions for eligibility to participate in the tender and to win it. Under the terms of the tender, each of the facilities that will win in the tender and will be established will be eligible, upon commercial operation, for a guaranteed index-linked tariff for 15 years relative to the electricity output submitted to the tender. The balance of the output will be sold on the free market.

Additional legislation relevant to the photovoltaic sector in Poland

(i) The Real Estate Tax Law (RET) which regulates, among other things, the basis for calculating the tax with regard to photovoltaic facilities.

(ii) Production license – In order to produce electricity from renewable energy sources with a capacity greater than 1 MW, a license is required, which establishes the rules for execution and activity, to which the manufacturer must commit. The license is for a period of between 10 and 50 years.

The following is Energix's activity in the PV sector in Poland:

	Projects in Development	**Projects in Initiation**
	Lubanowo	Photovoltaic
Capacity MW	12	200
Construction cost* (Millions of NIS)	30-35	n/a
Revenue* (NIS millions per year)	6-8(2)	
Gross profit* (NIS millions per year)	4-6(2)	

Forward-looking information as defined in the Securities Law, based on Energix estimates and the high electricity prices for the relevant period and an exchange rate of NIS 0.8 per PLN 1.

The results are predicted for the first year of operation.

2.2.6 Wind energy

General

The field of wind energy is the world's leading field for the generation of electricity from renewable energies, with a global cumulative installed capacity of over 940 GW[59].

In recent years, the global wind market has grown at an average annual rate of over 50 GW, and it is estimated that during the reporting period the growth will be 100 GW and in 2022 - 88 GW[60], as a result of technological innovations that have made it possible to reduce electricity generation costs from wind energy, and growth in investments in wind energy around the world, along with extensive government support programs.

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

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

Operation of a large wind turbine and main components

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

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

Energix's wind activity in the United States

In Israel, a number of areas are identified where there is potential for the utilization of wind energy, but the establishment of wind farms at these sites is subject to conditions and limitations derived from security considerations, environmental protection aspects and planning aspects. In view of this, the establishment of a wind farm in Israel is limited by many barriers, and the field is relatively limited in scope.

As of the date of the report, in Israel there are active wind farms with a capacity of 137 MW and an additional capacity of approx. 293 MW, which is in construction stages[61].

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

The regulation for large wind systems was first published in Resolution 349 of the Electricity Authority dated October 10, 2011 and was updated from time to time. According to the regulation in effect as of the date of the report, the quota for electricity-generation using wind energy is 730 MW, in the form of a commitment by the IEC to purchase electricity at a guaranteed tariff for a period of 20 years, linked to the CPI.

---

59 H2 2022 Global Wind Market Outlook _ Full Report _ BloombergNEF.

60 Q2 2021 Global Wind Market Outlook.

61 According to the 2021 Electricity Sector Report data, with an additional 189 MW in 2023 and with the addition of the ARAN project capacity (104.1 MW)

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

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

On November 28, 2022, the Electricity Authority published a proposed decision to extend the validity of the tariff for wind farms with a capacity exceeding 50 KW until June 30, 2024. However, as part of the validity extension, a variable reduction coefficient will be determined for the tariff according to the financial closing date. According to the proposal in the hearing, financial closure during 2023 will result in a 7.5% reduction in the arrangement tariff and financial closure after January 1, 2024, will result in a 15% reduction in the arrangement tariff in relation to the full rate that the wind farm would have been entitled to had it reached financial closure by the end of 2022.

Regulation of the technological solution

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

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

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

A. Receipt of a conditional license, which requires proof of interest in the land, conducting of a feasibility study by the IEC, proof of equity (at a rate of 20% of the normative cost for the planned project), provision of a bank guarantee and proof of experience in the field.

B. Promotion of a statutory plan and obtaining a building permit for the wind farm.

C. Afterwards, a tariff approval is required, which also includes approval of the deposit of plans / building permit, as well as a binding connection survey from the IEC and the signing of a binding memorandum of understanding for the financing of the project's construction.

D. Upon receipt of the above approvals, financial closure must be reached that includes the signing of a financing agreement and receipt of a building permit, including approval of a statutory plan in the relevant planning and construction institutions.

E. Upon financial closure, the construction process begins and schedules must be complied with for the construction and connection of the facility to the national electricity grid and Authority regulation for receipt of a permanent license.

F. As part of the regulations for medium and large facilities, the Electricity Authority grants a conditional production license, which becomes a permanent production license after all the regulatory milestones are met for the construction of the facility. The production license states several conditions, including the facility's capacity, plan, specifications, required guarantees and the period of the license.

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

Wind farms promoted by Energix in Israel

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

2.2.2.2 Energix's wind energy activity in Poland

The installed capacity of the wind farm in Poland[62] is expected to reach 13.2 GW by 2030 and 21.4 GW by 2050. In recent years, following the publication of legislation in support of renewable energy, including wind energy, the entrepreneurial activity of wind energy in Poland has been renewed even more. For example, in the fourth quarter of 2021 an amendment to the Renewable Energy Sources Law came into effect, which extended the state tenders until the end of 2027.

Wind energy regulations and arrangements in Poland:

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

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

Regulation of green certificates:

The wind farm, which is subject to the green certificate regulation, is entitled to two types of revenue: (1) the sale of electricity produced by the wind farm ("**Revenues from Black Electricity**") and (2) revenue from the sale of "**Green Certificates**", which are granted to electricity producers from renewable energy, including wind farms, in respect of each 1 MWh of electricity generated (hereinafter: "**Revenues from Green Certificates**"). The green certificates constitute an additional revenue component for a period of 15 years from the date of commencement of electricity-generation at the wind farm.

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

Revenues from the sale of electricity: The electricity produced at the wind farm can be sold to the local electricity marketer (who owns the distribution network at the electricity-generation location) or the electricity produced can be sold at the local electricity exchange or in direct agreements with electric companies that trade and supply electricity in Poland and also to other electricity traders who sell electricity to the end consumers.

Revenues from Green Certificates: The green certificates, which constitute an additional source of revenue to the revenues from the sale of black electricity, are traded on a designated exchange in Poland. The price of Green Certificates is not fixed and changes in accordance with supply and demand.

Non-renewable energy producers are required to purchase green certificates or pay a fine as an alternative to their purchase (hereinafter: "**the fine**"), at an annual rate of all electricity produced by them and published by the regulator.

According to the regulations in effect on the date of approval of the report, the amount of the fine is not fixed but will be calculated each year and will be equal to 125% of the weighted average price of the green certificates in the past year, but not more than PLN 300 per certificate. At the same time, it was clarified that it will not be possible to pay the fine as long as there is an inventory of green certificates in the market.

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

Regulation of tariff tenders:

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

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

In addition, the developer whose project wins the establishment of a wind farm may update, on a one-time basis, the distribution of the farm's output throughout the period of eligibility for a guaranteed tariff, as well as the start date of the eligibility for a guaranteed tariff, provided that the establishment period of the wind farm does not exceed 33 months from the date of the win in the tender.

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

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

Additional relevant legislation for wind farms in Poland:

The Real Estate Tax Law (RET), which regulates, among other things, the basis for calculating the tax with regard to wind turbines.

The Distance Act and Building Law, which regulate aspects of the planning and construction of wind farms. In January 2023, after a long period during which it was not possible to develop new wind energy projects in Poland, an amendment to the Distance Act was adopted enabling the statutory planning of new wind farms, provided that the distance between the turbine and the nearest place of residence is not less than 700 meters. Energix estimates that the entry into effect of the amendment will make it possible to continue promoting Energix projects that are in the initiation stages and also to renew the initiation activity for additional wind energy projects.

Production license – In order to produce electricity from renewable energy sources with a capacity greater than 1 MW, a license is required, which establishes the rules for execution and activity, to which the manufacturer must commit. The license is given for a period of between 10 and 50 years.

Dedicated legislation and regulation that applies to Energix by virtue of its role as an electricity distributor (DSO) that manages the electricity grid.

The following is information regarding wind projects in Poland:

	Connected Projects	**Projects in advanced development**	**Projects in Initiation**
	Wind	Wind - Nowa Karczwa	Wind
Capacity MW	301	90	450
Construction cost* (Millions of NIS)	1,579	500-540	
Revenue* (NIS millions per year)	477-487(1)	87-97(2)	
Gross profit* (NIS millions per year)	418-428(1)	4-6(2)	

(1) According to results predicted for 2023.*

(2) Predicted results for the first full year of operations.

***Forward-looking information as defined in the Securities Law, based on the Company's estimates and the high electricity prices for the relevant period and an exchange rate of NIS 0.8 per PLN 1.**

The forecast results for 2023 in Poland include revenues from hedge transactions or their cancellation, and they are after the effect of the temporary legislation to limit electricity prices.

2.2.7 Energy storage

General

Electricity storage using various technologies has existed in the world for a long time, but in recent years the need for it and its use has increased significantly, mainly due to the recognition of its important role in the optimal utilization of renewable energy sources and their efficient integration into the transmission grid.

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

The continuous intensive growth in electricity production from renewable energies creates new challenges for electricity grid managers around the world. In particular, these entities are faced with the need to cover sudden changes in electricity production due to the volatility of renewable energy generation, a rapid increase in the residual load between daytime and evening hours, grid congestion at specific times, and providing a response to changing demand peaks. Storage technology using batteries provides a response to these challenges through the ability to schedule the time when the electricity generated in the photovoltaic facilities is fed into the national electricity grid throughout the hours of the day. In this technology, a battery is installed near the solar field that is charged using the electricity generated in the photovoltaic facilities. And so, during the day, electricity generated in the panels using the sun's rays is fed directly into the national electricity grid, and at night, according to the energy production plan determined in coordination with the system manager, electricity stored in the battery can be fed into the national electricity transmission grid or used for self-consumption.

This storage technology has several advantages: First, the ability to increase production during solar hours beyond the demand for electricity during those hours. Second, the stabilization of the power grid with sudden fluctuations being "balanced" by means of the storage systems. Third, the storage system "bridges" the critical hours of sunset when electricity consumption remains high but the solar generation source is zeroed out, which provides a response both to the need for a rapid increase in production and to the continuous demand peak, thereby eliminating the need for conventional stations for backup. Fourth, the distribution of solar electricity over all hours of the day, thereby easing the load on the electricity grid infrastructures.

It is estimated that the global energy storage market is expected to amount to approx. 1.2 TWh by 2030 (an increase of approx. 13% compared to the previous forecast), with over half of the installations expected to be in a storage model that incorporates additional renewable energy in the same project, with an emphasis on solar energy.

Energix's storage activity

During the reporting period, Energix continued to establish its storage activities by increasing its backlog of projects in the initiation stage, as well as by locating opportunities in the field of storage in its operating territories. In addition, Energix continued to expand the technological knowledge base by analyzing key trends and expanding regulatory knowledge in the various territories. On the technological level, Energix examined various alternatives and decided to focus on electricity storage using LFP-type lithium-ion batteries, mainly owing to the extensive experience that exists in the world and the cost vs benefit compared to the alternatives.

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

In Israel - as of the date of approval of the report, the potential revenues from electricity storage in projects combining photovoltaic energy are within the framework of tenders with a fixed tariff. In addition, in 2020, the Electricity Authority also issued a hearing prior to the publication of a tender, regarding the regulation of stand alone storage facilities. In addition, as part of Competitive Procedure 2 for the construction of photovoltaic facilities combined with storage capacity, Energix won a capacity of 80 MW plus an additional 320 MWh of storage capacity. For information regarding Energix's preparations for the realization of the win in the procedure. Furthermore, as part of the market arrangement, renewable energy facilities, also combined with storage, will be able to integrate into the distribution grid.

On January 31, 2023, the Authority published a hearing to amend Criteria 175-176, in which it was proposed to determine a supplementary tariff to be calculated annually for photovoltaic production facilities that integrate storage facilities without a separate meter. The Authority actually wants to incentivize entrepreneurs in facilities that do not exceed a capacity of 630 KW to increase the capacity that will be fed to the grid through the production facilities by integrating storage facilities. It was determined that only facilities that will flow energy into the grid in excess of 2,500 hours per year will be entitled to the supplementary tariff, and this threshold will be a measure of the fact that a storage facility has been integrated into the production facility. The supplementary tariff will be paid starting January 2024 for the year 2023 and will also apply to existing facilities for which the integration request was submitted from January 1, 2018.

In the United States - Because the renewable energy market in the United States is an open market, there are a number of possible models for income from storage operations in the United States such as availability (Capacity), buying and selling in the electricity market (Arbitrage) and Frequency Regulation. Energix has accumulated 6.3 GWh of projects in initiation, which Energix is developing, while examining a number of possible revenue models. Currently, Energix is in the advanced stages of examining the economic viability of several revenue options in PJM as a preliminary step in the feasibility of the first project. The PJM market enables a variety of revenue channels whose optimal realization requires, among other things, an emphasis on an advanced storage management system (EMS) and therefore Energix is focusing its efforts on studying the field and examining relevant technologies.

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

Information regarding Energix's storage projects in Israel

	Projects in Development / Nearing Development	Projects in advanced development		Projects in Initiation		
	Israel	Israel	Israel	Israel	United States	Poland
	Photovoltaic Second competitive procedure at high voltage with combined storage	Photovoltaic Second competitive procedure at high voltage with combined storage	Combined storage facility	Photovoltaic with combined storage	Storage	Storage
Capacity MW	60 (MWh100)	120-140 (MWh220)	30 (MWh48)	500	MWh6,300	MWh50
Construction cost* (Millions of NIS)	205-245	425-475	100-120			
Revenue* (NIS millions per year) (2)	17-21	36-40	8-10			
Gross profit* (NIS millions per year)	11-15					

(1) All photovoltaic projects with combined storage are also included in the photovoltaic projects in Israel, as detailed in Section 7b.(3) above.

(2) Predicted results for the first full year of operations.

Forward-looking information as defined in the Securities Law.

2.2.8 Supply of electricity to customers and other activities

General - Until 2020, there were 10 private suppliers operating in Israel, with electricity supply licenses, who purchased energy from private electricity producers in physical bilateral transactions, which accounted for approx. 20% of the energy produced in the economy for private consumers. In the context of changes in the electricity sector in Israel, on June 3, 2018, the government decided, as part of the reform of the electricity sector, to open the supply segment to competition (Government Decision 3859). The purpose of opening competition in the supply segment is to improve competition in the energy market by adding the demand side to the competition, transferring the benefits of competition to consumers and encouraging energy efficiency while improving service to consumers.

Obtaining a license for the supply of electricity - A private electricity supplier is an entity that receives a license for electricity supply activity, after meeting the conditions set forth in the law and regulations, and that is authorized to offer household and other consumers to purchase electricity through it. In July 2021, Energix received a supplier license under the Authority's regulation, in effect for five years, and engaged with two small consumers for the purpose of learning the field.

Future activity - Energix is examining possibilities for cooperation with a private supplier or suppliers who will purchase the electricity generated in the renewable energy facilities under its ownership.

3. Suppliers and Raw Materials for the Area of Activity

At the beginning of 2022, the global trend of disruptions in the supply chain and an increase in equipment and shipping costs continued. At the same time, it should be clarified that as of the date of approval of the report, these events did not have a significant effect on Energix's activity, given the fact that most of the main equipment required by Energix for 2022-2023 (and regarding photovoltaic panels even beyond that) was ordered in advance. The equipment suppliers with which Energix operates in all three regions in which it operates are leading companies, such as First Solar and Vestas, with whom Energix has strategic and long-term cooperation and therefore, Energix's exposure to supply chain delays is low. In addition, for the turbine farm project in the Golan Heights, Energix, through the project company, Clean Energy Ltd., ordered wind turbines from General Electric.

Raw materials and suppliers – photovoltaic

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

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

Product warranty in the field of photovoltaics:

- Photovoltaic panels: According to most of Energix's engagement agreements with suppliers of the panels purchased by Energix, Energix receives a 12.5 year product warranty in addition to an output warranty for up to 30.5 years, which starts with a 98% output warranty in the first year, and decreases at a rate of 0.3% per year on a linear basis. In total after 30.5 years the output warranty is 89%.
- Converters: The converter suppliers provide a warranty of between 2-10 years for the converters, and Energix purchases additional warranty periods from them.
- In addition, there are service and maintenance agreements at the end of the warranty period for long periods that guarantee maintenance by the supplier, including the supply of suitable spare parts.
- Trackers purchased by Energix (in the U.S. and Israel) have a warranty period of 10 years for the structures to which the trackers are connected and 5 years for the electrical and control systems.

Raw materials and suppliers - wind energy

The wind farm that Energix is establishing consists mainly of wind turbines, which are supplied and assembled on site by the turbine manufacturer that supplies all the turbine parts: anchor bolts, steel columns, gearbox, a generator for electricity generation and three carbon-fiber-reinforced glass blades. The rest of the work on the wind farm is carried out by BOP contractors: access roads for the transport of the turbine parts, work surfaces for cranes that lift the turbine, a concrete foundation base for the turbine, an electric collection grid for electricity transmission, earthwork to restore the condition to its original state, electricity rooms for the electrical connection between the turbines and for counting the generation. In view of the quality of the BOP work and the fact that among the major turbine manufacturers in the world are companies such as Siemens - Gamesa (Germany/Spain), GE (U.S.), Vestas (Denmark), Nordex (Germany) and Enercon (Germany) and they have similar technical capabilities. Therefore, Energix estimates that it will not be dependent on one supplier or another.

Product warranty – As part of the engagements with the turbine manufacturer in relation to all of Energix's wind farms in Poland and in Israel in commercial operation and in development (as of the date of approval of the report), the turbine manufacturer undertook to provide operation and maintenance services for 20-25 years, under which the turbine manufacturer is responsible for proper operation of the turbines and replacement of defective components at his expense and to a minimum level of availability (which he must meet or be charged a fine).

Raw materials and suppliers – storage

A battery storage system includes batteries that are usually installed inside a container, a converter, management systems and a transformer. Generally, the system components can be purchased directly from the manufacturers or through an integrator that provides a comprehensive solution according to Energix's requirements – "Systems". Usually, the warranty given on the system components and battery performance (degradation and exploitation) can be extended for a period of up to 20 years. During the reporting period, as part of its preparation for the realization of the capacity it won in competitive procedure 2 for the construction of photovoltaic facilities with combined storage capacity, Energix entered into a framework agreement with Aviem Systems Inc. - a company controlled by the Tadiran Group ("Aviem") - for the purchase of a comprehensive storage solution using batteries with a capacity of up to 320 MWh. Under the transaction, Aviem will provide Energix with storage containers with LFP lithium-ion batteries, inverters, transformers, control systems, as well as operating services at no cost for five years. The transaction price includes a linkage mechanism to the lithium price index, and its effect on the price is according to a formula established in the agreement.

Product warranty in the storage sector

Energix's engagement agreement includes a warranty for system components for a period customary for this type of components, a warranty for the system's performance for a period that can be extended, as well as maintenance services for a period that can also be extended up to a total period of 23 years. The warranty given takes into account the degradation of the system, and is derived from the warranty of its various components. In addition, the supplier has committed to the availability of agreed spare parts to ensure the proper operation of the system.

4. Segmentation of Revenues and Product Profitability

	For the Year ended December 31			
	2022		2021	
	NIS thousands	%	NIS thousand	%
Israel (*)	131,4841	24.9%	111,781	41.9%
Poland	354,345	67.2%	128,758	48.3%
USA	41,496	7.9%	26,087	9.8%
Total	**527,325**	**100%**	**266,626**	**100%**

5. Trade receivables

Revenue from third parties in Israel

As of the date of the report, the coMpany's main customer in Israel is the IEC (the essential service provider), which, in accordance with the terms of the relevant regulation, engages with designated corporations owned by the Company in long-term agreements (between 20-23 years, subject to the terms of the regulation). The engagement with the IEC is in accordance with the tariffs established by the Electricity Authority in the previous regulation, and starting in 2017 the engagement is according to the tariff established in the relevant tender (for additional information regarding the tariffs relevant to the Company's facilities, see Section 7.1b(2) above). In view of the status of the IEC and the government support for its obligations and in the electricity sector as a whole, the Company does not believe that the aforementioned dependency is likely to have a material effect on its activities.

The Company's revenues from the IEC in the reporting period amounted to approx. NIS 85 million, which constitutes a rate of approx. 16% of the Company's total revenues and 66% of the total revenues in Israel in the reporting period.

In the reporting period, the Company had a negligible amount of revenue from the sale of green certificates to which it is entitled for the generation of electricity from renewable energy (IRECs).

The sale of electricity and green certificates in Poland

A. General:

Since the electricity market in Poland is a developed market in terms of customers, electricity can be sold in Poland to various entities that are active in the electricity sector and trade in electricity (electricity marketers, brokers and other parties).

b. Customers with which the engagement amount exceeds 10% of total revenue:

During the reporting period, Energix sold to Axpo Trading AG ("Axpo"), a subsidiary of a leading Swiss company that trades in electricity and operates in Poland, all of the physical ("black") electricity it generates in all 5 wind farms owned by Energix in Poland (of which one is still in the trial and testing period), and approx. 86% of the green certificates it was awarded for these wind farms.

According to the electricity sales agreements with Axpo, the electricity will be sold according to the electricity price on the local electricity exchange or according to a fixed price that will be determined as part of a price fixing transaction between the parties, as Energix chooses, less adjustments stipulated in the agreement, including adjustments in respect of the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). In addition, Energix may enter into financial transactions to fix electricity prices and/or reverse transactions to these transactions (through unwinding of existing financial transactions) in relation to the capacity to which Energix is committed, regardless of the actual production. Also, Energix sells the green certificates it is assigned under the previous regulation and/or under the entitlement to green certificates for the generation of electricity from renewable energy (GoOs), as part of electricity sales agreements with a local broker at market prices and/or in price fixing financial transactions in relation to capacities and periods agreed between the parties.

The Company's revenues from Axpo in the reporting period amounted to approx. NIS 330 million, which constitutes a rate of approx. 63% of Energix's total revenues in its consolidated statements.

The sale of electricity and green certificates in the United States

a. General:

Since the electricity market in the United States is a sophisticated market in terms of customers, electricity can be sold in the United States to various entities that are active in the electricity sector and trade in electricity, including by splitting the sale of electricity into physical electricity sales and financial hedging transactions (electric companies, brokers and other parties). In the reporting period, the revenues from Energix's operations in the United States is less than 10% of Energix's total revenues in its consolidated statements.

For information regarding agreements for the sale of electricity in which Energix engaged in connection with its activities in the United States (including by hedging the price of electricity),

6. Marketing and Distribution

Israel - As of the date of approval of the report, Energix's photovoltaic, wind energy and storage activities in Israel do not require marketing and distribution to electricity consumers, as Energix's only customer is the essential service provider, which is required by local regulations to enter into long-term agreements with Energix. Nevertheless, with the opening of the supply segment and regulation of the open market, Energix is examining the possibility of engaging with private electricity suppliers who will purchase the electricity from Energix's facilities, and who in turn will sell the electricity to end consumers. This activity does not require a marketing or distribution system.

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

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

7. Competition

As of the reporting date, many companies in Israel and other markets where Energix operates in the renewable energy sector in general and in photovoltaics and wind energy in particular.

As a rule, according to Energix's estimates, the renewable energy sector is competitive, and as the activity of developers in the renewable energy sector in Israel and Poland is an activity dependent on quotas published by the Electricity Authority or a local regulator or tariff tenders, a restriction may apply to Energix's ability to implement the projects it promotes, to the extent that quotas published by the regulator are used in full by the competition or if Energix dos not win tariff tenders. Energix estimates that as of the date of the report, 5-10 relevant competitors are operating in the market for photovoltaic facilities at high voltage and extra-high voltage in Israel. In relation to the photovoltaic facilities at extra-high voltage connected to the transmission grid, there are fewer competitors due to the high barriers to entry and Energix estimates that it has about five main competitors. Regarding the facilities at high and extra-high voltage, there is a trend of increasing the market share of players with significant equity.

The U.S. photovoltaic market is a market divided into 50 different markets (depending on the state), saturated with manufacturers and consumers, and therefore there is competition regarding long-term agreements for the sale and purchase of electricity. For the reporting period and as of the date of approval of the report, Energix estimates that its share in the photovoltaic field in the United States is not significant.

The integration of storage technology in PV facilities increases the level of complexity of the project and entry barriers into the field.

In relation to wind energy, there is less competition due to the need for significant investments in the projects' development stages and due to the high barriers to their construction. To the best of Energix's knowledge, there are currently a number of companies operating in the Israeli wind market that compete directly with Energix or that have the ability to compete with Energix in Israel.

In the wind market in Poland there are dozens of local and international players competing directly with Energix.

In the reporting period and as of the date of approval of the report, Energix estimates that its share of the wind energy market in Israel and Poland is not significant.

8. Seasonality

Naturally, solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in the spring and summer months, when solar radiation levels are high, the photo-voltaic systems' output increases. In the autumn and winter months, when solar radiation levels are relatively low, the systems' output declines. In the field of wind energy, 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, whether in the photo-voltaic sector and whether in the wind energy sector. In addition, the seasons may have an effect on electricity prices in countries where electricity prices are determined by supply and demand. To the extent that Energix has exposure to electricity prices in these countries, such as Poland, changes in electricity prices may affect the amount of its revenues.

9. Human capital

As of the date of approval of the report, Energix employs, directly or indirectly, 160 employees, of whom 31 are employed by a Polish subsidiary and 59 by an American subsidiary. All Energix employees are employed on personal employment contracts. For the most part, Energix's liabilities for severance pay are covered by the contributions in executive insurance policies and by a reserve for severance pay. Energix does not have a significant dependence on a particular employee.

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

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

10. Financing

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

F. Information regarding the Corporation as a Whole

1. Competition

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

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

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

Main entry and exit barriers in the areas of activity:

Entry barriers:

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

Exit barriers:

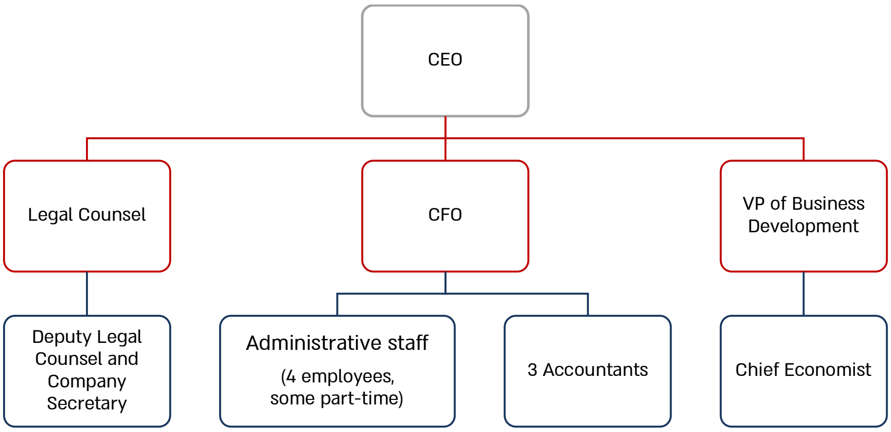
- The exit from the areas of activity is not flexible and the realization of the investments can take a long time.
- Early disposal of financing facilities for the purchase of assets may impose heavy withdrawal penalties.
- Financial covenants of subsidiaries in respect of loans and bonds regarding the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

2. Fixed assets

The Group's fixed assets consist mainly of the area of the Company's offices, the area of Amot's offices and Energix's offices. The fixed assets' depreciated cost as of December 31, 2022 and 2021 is NIS 114 million. Regarding Energix's electricity-generation facilities, see Chapter E above.

3. Human capital

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



3.1 General

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

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

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

3.2 Remuneration Plans for Company Officers and Employees

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

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

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

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

3.3 Officers and Senior Management

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

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

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

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

4. Working capital

For details regarding the Group's balance of cash and non-utilized credit frameworks, see section 2.4.1 of the Board of Directors' Report.

5. Financing

5.1 General

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

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

The following are details of the Group's loans and bonds as of December 31, 2022 as presented in the Consolidated Financial Statements:

	Loan Balance as of December 31, 2022	Weighted Nominal Interest Rate as of December 31, 2022	Weighted Effective Interest Rate as of December 31, 2022
	NIS millions	**%**	**%**
Banking sources			
NIS loans – CPI-linked with fixed interest	544	0.68	0.69
GBP loans – fixed interest (*)	2,010	3.39	4.24
PLN loans – variable interest	69	5.15	5.80
Zloty loans at fixed interest	305	5.33	6.00
	2,928	**3.13**	**3.80**
Non-banking sources			
CPI-linked fixed-interest NIS bonds (**)	8,905	1.93	1.70
NIS bonds – variable interest	1,399	5.49	5.13
NIS bonds – fixed interest	3,970	2.67	2.98
Fixed-interest USD bonds (****)	494	4.21	3.34
PLN bonds – fixed interest (*****)	226	2.05	2.05
NIS loans – CPI-linked	964	2.55	2.63
	15,959	**2.54**	**2.43**
Total	**18,887**	**2.63**	**2.64**
Adjustments (mainly premium and/or discounting of bonds)	145		
Financial debt	**19,032**		

(*) Including variable-interest loans in connection with Swap and Cap transactions made for conversion into fixed-interest loans
(**) Including a fixed-interest bond in connection with a swap transaction made for conversion into a CPI-linked interest-bearing loan.
(***) NIS fixed-interest bonds in connection with cross currency swap transactions.

Variable interest credit details:

Currency in which credit was granted	Credit Balance	Interest	As of December 31, 2022
	NIS millions	%	%
NIS	1,399	Bank of Israel + 2.24%	2.34
PLN	69	Wibor 6M +2.27%	5.15
Total	**1,468**		

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

	31.12.2022	December 31, 2021
	NIS thousands	NIS thousands
Consolidated Statement		
Financial debt (bank credit and bonds)	19,032,317	15,895,765
Net financial debt	17,337,606	14,732,476
Net financial debt to total balance sheet	50.1%	47.8%
Expanded Solo Statement		
Financial debt (bank credit and bonds)	5,513,779	3,916,548
Net financial debt	5,027,172	3,649,557
Net financial debt to total balance sheet	39.2%	30.3%

The following is information regarding the Group's liabilities payable after December 31, 2022:

	Consolidated Statement	%	Expanded Solo	%
Current maturities – 2023	1,659,730	9%	612,158	12%
Second year – 2024	2,156,814	11%	590,541	11%
Third year – 2025	1,709,551	9%	591,025	11%
Fourth year – 2026	2,259,575	12%	592,735	11%
Fifth year onward	11,127,378	59%	2,845,186	55%
Total with no discount due to bonds and others, net	**18,913,047**	100%	**5,231,645**	100%
Adjustments to financial debt (mainly the premium balance and financial derivatives)	**119,270**		**282,134**	
Total financial debt	19,032,317		5,513,779	

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

For the terms of material loans the Group has received from banking corporations and others, their repayment dates and their balances as of December 31, 2022, see Note 12 to the financial statements and Section 5.2 below.

For additional information regarding the Group's credit facilities and their terms as of December 31, 2022, see Note 12 to the financial statements.

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

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

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

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

5.2 Reportable substantial credit[63]

5.2.1 The Company's reportable credit

As of December 31, 2022, the Company's bonds (Series H, I, J, K, L, M and O) constitute reportable credit according to its meaning in Legal Position 104-15 dated October 30, 2011, as updated on March 19, 2017 and February 2, 2023, of the Securities Authority ("Reportable Credit"). For information regarding the Company's tradable bonds, see Appendix E to the Board of Directors' Report – Information regarding the Bonds Issued by the Company, and Note 11(b-f) to the Company's consolidated financial statements.

5.2.2 Financial covenants for the Company bonds – expanded solo[64]

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 December 31, 2022
Net financial debt to value of holdings[65]	%	Less than 80	38.3%
Net financial debt to FFO[66]	Unit	Less than 25	8.33
Minimum equity (Series H, I, J, K, L, M and O)[67]	NIS billions	More than 2.2	7.7

In addition, the bonds include other generally accepted conditions for their immediate repayment, among other things with regard to the following events: (1) Structural change and merger; (2) Liquidation, bankruptcy and asset realization, stay of proceedings and execution; (3) Change in control under certain conditions; (4) Trading halt and suspension of trading in bonds; (5) Cross default; (6) There has been a material deterioration in the Company's business; (7) Downgrading of the Company below the BBB minus rating as defined in the trust deed and/or a rating cessation due to circumstances that depend on the Company, etc.; (8) Cessation of payments; (9) Failure to publish financial statements; (10) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation; (11) distribution of dividends when the equity is lower than a certain threshold, etc. For additional information, see Note 11(b-f) to the financial statements.

63 The aforesaid disclosure is in respect of credit taken by the Company, whose balance in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the Company's total credit. In addition, the aforesaid disclosure is in respect of credit taken by a subsidiary of the Company, whose balance in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the total credit of the subsidiaries (Amot, Energix and BE) (hereinafter - "Reportable Credit") and credit that is not reportable credit per se, but due to the existence of a cross default condition in other credits, the lender in the other credits will have grounds for immediate repayment in other credits due to the non-reportable credit breach whose cumulative amount exceeds the threshold accumulated above. It should be noted that in the event of the activation of the cross default conditions that exist in the Company's bonds, the bonds may be immediately repayable in a total monetary amount of approx. NIS 5.2 billion as of December 31, 2022.

64Calculation of financial covenants for the Company's bonds, was carried out in accordance with the disclosure of the Securities Authority, in the "Concentrated findings on the subject of compliance with financial covenants towards the holders of tradable bonds report" published by the Securities Authority in September 2019.

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

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

67n order for there to be grounds for early repayment, the breach of the financial ratio must exist for four consecutive quarters. For Series H – the minimum equity is NIS 1.2 billion, for Series I and J – the minimum equity is NIS 1.8 billion, 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 criteria presented in the table is the most severe of the series due to the cross default condition in the series.

5.2.3 The subsidiaries' credit that constitutes reportable credit

As of December 31, 2022, Amot's tradable bond series (D, H, F, G and H) constitute reportable credit. The following is concise information regarding Amot's tradable bonds:

Borrower Corporation	Lender	Currency	Balance of Bond Principal as of December 31, 2022[68] (NIS millions)	Principal Payment Schedule	Final Settlement Date	Annual Interest Rate	Contractual Terms	Note in the Financial Statements
Amot	Bonds (Series D)	NIS	1,887	The principal is payable in two payments of 20% each in July of each of the years 2023 and 2014 and in four payments of 15% each in July of each of the years from 2025 to 2028 (inclusive).	7/2028	CPI-linked + 3.2%	See Section 5.2.3 below	See Note 11(j) to the financial statements
Amot	Bonds (Series E)	NIS	868	The principal is payable in two payments of 10% each in January of each of the years 2021 and 2022 and in four payments of 20% each in January of each of the years from 2023 to 2026 (inclusive).	1/2026	3.39%	See Section 5.2.3 below	See Note 11(k) to the Financial Statements.
Amot	Bonds (Series F)	NIS	2,510	The principal is payable in two payments of 10% each in October 2025 and in October 2026, in two payment of 30% each in October 2027 and in October 2028 and in a payment of 20% in October 2029.	10/2029	CPI-linked + 1.14%	See Section 5.2.3 below	See Note 11(l) to the Financial Statements.
Amot	Bonds (Series G)	NIS	1,099	The bond principal (Series G) is payable in four payments of 25% of the principal, each, in January of each of the years from 2029 to 2032 (inclusive).	1/2032	2.44%	See Section 5.2.3 below	See Note 11(m) to the Financial Statements.
Amot	Debentures (Series H)	NIS	2,162	The bond principal (Series G) is payable in four payments of 25% of the principal, each, in January of each of the years from 2029 to 2032 (inclusive).	1/2032	CPI-linked + 0.92%	See Section 5.2.3 below	See Note 11(n) to the Financial Statements.

68 The bond balances represent a liability value without premiums or discounts as of December 31, 2022 after expanding the bond series and redemptions, if relevant.

5.2.4 Financial covenants in connection with Amot's bonds

Amot's bonds include conditions for their immediate repayment in the event of certain events which include, among other things, the following events:

Amot's Series D, E, F, G and H:

Criterion	Ratio as of the Date of the Report	Compliance Status as of the Date of the Report
Amot's equity is higher than the amount equal to NIS 1 to 2.2 billion (depending on the bond series)	8.8	Meeting the condition
The ratio of net financial debt (less the value of investment property in development) to annual standardized NOI exceeds 14 for two consecutive quarters; (net financial debt: Amot's aggregate debt to banking corporations, other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Balance Sheet.	6.4	Meeting the condition
The bond rating is BBB- for two consecutive quarters	Aa2/stable	Meeting the condition
Equity plus net deferred tax liability may not be less than 22.5% of the total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters	55%	Meeting the condition
The value of Amot's unencumbered assets may not be less than NIS 1 billion for two consecutive quarters, or from an amount of 125% of the balance of the bonds, whichever is higher.	The value of the unencumbered assets is approx. NIS 18.3 billion and is higher than the criterion	Meeting the condition
A demand for the immediate payment, that has not been withdrawn, of a material loan or of a bond traded on the Tel Aviv Securities Exchange	There is no such requirement	Meeting the condition
Directives regarding restrictions on the distribution of dividends under certain conditions	The conditions did not exist	Meeting the condition

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

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

- Regarding the signing of a credit facility agreement with the Bank of Israel in January 2023 in the amount of NIS 150 million, see Note 12b(1) to the financial statements.
- Regarding the initial issue of bonds (Series M) and bonds (Series O), and the issuance of bonds by way of an expansion of existing series for a total gross consideration of approx. NIS 2.1 billion during 2022 and until the date of publication of the report - see Note 11(c), 11(d), 11(f), 11(g) and 11(h) to the financial statements.

5.2.6 Credit rating

The total repayment capacity if the Company (issuer) and the Company's bonds are rated by Midroog Ltd.[69] (hereinafter: "**Midroog**") at an Aa3 credit rating with a stable outlook and by Maalot Israel Rating Company Ltd.[70] (hereinafter: "**Maalot**") at a rating of ILAA with a stable outlook.

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

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

Factors that may impair the rating

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

Bonds of Investees

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

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

5.2.7 Derivative transactions in foreign currency

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

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

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

69Bond Series I, J, L, M and O.
70Bond Series I, J, K, L, M and O.

6. Taxation

6.1 Summary of tax laws applying to the Corporation

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

In the years 2020-2022, the corporate tax rate and the capital gains rate in Israel was 23%.

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

6.2 Tax laws applying to the Group's overseas activities

6.2.1 Taxation of the investment in Carr –

Carr chose to be defined as an REIT for tax purposes in accordance with Sections 856 through 860 of the U.S. Income Tax Code of 1986, and its amendments ("the Law"). As a result, it is required to distribute at least 90% of its taxable income to its shareholders. Therefore, the federal tax liability in respect of the taxable income is transferred to its shareholders[71].

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

An American partnership, fully owned by the Company (directly and indirectly) (hereinafter, in this section: "AH Carr") holds 52.3% of the rights to profits in Carr Properties Holdings (in this section - "Carr").

AH Carr is a transparent partnership for tax purposes in the United States, and therefore AH Carr's revenues from Carr are attributed to the AH Carr partners according to the relative share of each partner (approx. 80% - the Company (hereinafter: "the Israeli Partner") and 20% - an American entity fully owned by the Company (hereinafter - the "Foreign Partner").

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

- Regarding dividends deriving from Carr revenues from non-capital gains activity – withholding tax will be deducted in the U.S. at a rate of 30%;
- Regarding dividends deriving from capital gains – withholding tax will be deducted in the U.S. at a rate of 21% and branch tax at a rate of 12.5% in certain cases.
- As long as the corporate tax rate in Israel is lower than the withholding tax deduction in the United States, the Israeli partner will not have to complete the payment of taxes in Israel.

The Israeli partner's share in AH Carr's revenues from the sale of Carr's shares (directly and/or indirectly), which according to U.S. law are classified as capital gains, are not liable for capital gains tax in the U.S.[72] In accordance with Israeli internal law, the Company will be liable for tax in Israel in respect of the profits at the corporate tax rate.

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

---

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

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

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

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

6.2.2 Taxation of the investment in BE

The Company holds approx. 83.2% of the share capital of Brockton Everlast (hereinafter - "**BE**") through fully owned Israeli companies.

Starting March 2020, BE chose to be defined as an REIT for tax purposes in the UK. As a result, BE is required to distribute at least 90% of its taxable income from current activity to its shareholders for tax purposes. Therefore, the tax liability for the distributed current taxable income is transferred to its shareholders[73]. The withholding tax deduction for this distribution is 15%.

In accordance with the REIT principles in the UK, BE is not required to distribute a dividend stemming from capital gains from the sale of real estate assets, and therefore, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds approx. 83.2% of the rights in BE and therefore controls the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends originating in capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

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

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

6.2.3 Taxation of the investment in Boston

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

Since the Israeli companies are not classified as U.S. residents, the dividend revenues paid to them by the American Partnerships (and which originate in dividends distributed to the American Partnerships by the REIT from activity that is not capital gains) – a 30% withholding tax deduction will apply[74].

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

---

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

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

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

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

6.3 Tax laws regarding renewable energy

Energix's activity in Israel

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

Energix's activity in Poland

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

Energix's activity in the United States

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

Energix is entitled, under provisions of the U.S. tax law, to a tax benefit in respect of photovoltaic projects it is building and operating in the United States in the form of an investment tax credit (ITC).

In August 2022, the Inflation Reduction 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. These programs include, among other things:

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

(2) An increase of the ITC tax benefit rate 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, or areas designated for economic development, etc.

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

Real estate taxation

Real estate taxation – as a rule, Energix's activity dos not involve the purchase and sale of real estate properties, but instead it enters into engagements for the rental of real estate for periods of up to 24 years and 11 months in Israel, up to 30 years in Poland and up to 35 years in the U.S., for the purpose of operating electricity-generation facilities. Energix may be exposed to claims from tax authorities and/or local committees for the payment of various fees, surcharges and taxes. In addition, there is real estate taxation in Poland based on the cost of stationary parts in projects, mainly turbine and column bases.

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

See Note 20j

6.5 Accumulated losses for tax purposes

See Note 20g to the financial statements.

7. Environmental Risks and their Management

7.1 Amot – Environmental Risks and their Management

7.1.1 Amot, as owner and/or lessee and/or entrepreneur and/or manager of real estate properties, may be found liable by law for breaches of law, including under the Planning and Building Law, Environmental Laws, Business Licensing Law, Work Safety Laws, Competition Law and Tort Law, in the event that a breach took place with regard to real estate in its possession and/or real estate it leases.

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

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

7.1.4 Amot rents space to cellular companies for the installation and operation of cellular antennas and/or micro-transmitters. According to the agreements signed between Amot and the cellular companies, the responsibility for obtaining the approvals required by any law for the construction and operation of the antennas and/or the micro-transmitters rests with the cellular companies. In addition, the cellular companies undertake to comply with the safety provisions under any law and are responsible for bearing the liability imposed on them by law and indemnifying Amot for any damage caused as a result of their activity in the lease, except for damage caused as a result of an act or omission by Amot. In addition the cellular companies are required to insure, among other things, their legal liability for harm and/or damage that may be caused to third parties due to their activity in the rental property, with the insurance expanded to compensate Amot and the management companies.

Regarding Amot's legal responsibility as owner or lessee of the property on which the antennas and/or micro-transmitters are installed, see Section 7.1.1 above.

7.1.5 As of the date of this report, Amot is not a party to any significant legal or administrative proceeding related to the environment in which Amot or any of its officers is a party. Furthermore, according to Amot's assessment, as of the date of this report, no event or issue exists related to Amot's activity that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact or implications for Amot.

7.1.6 Amot's environmental risk management policy is conducted within the framework of its general risk management policy and focuses on actions to minimize possible negative effects on Amot's activities. Risk management is carried out mainly by Amot's management through ongoing monitoring of regulatory developments related to the Amot Group's activities, including regarding environmental risks. In view of the fact that most of Amot's properties are rented to office and/or commercial businesses, (which are not in the food and/or industrial sectors), Amot's management does not expect substantial exposure for the Group in terms of environmental issues for these properties.

7.1.7 As of the date of the report, no amounts were ruled or material provisions recognized in the financial statements and there were no additional environmental costs applicable to Amot.

7.2 Carr – Environmental Risks and their Management

Carr's environmental risk management policy is managed in accordance with the manner in which its general risk management policy is managed, while focusing on actions minimizing any damage to Carr's activity. Risk management is carried out mainly by Carr's management through ongoing monitoring of regulatory developments related to Carr's activity, including regarding environmental risks. In view of the fact that most of Carr's properties are rented to commercial businesses and/or offices (which are not in the food and/or industrial sectors), Carr's management does not expect substantial exposure for the Group in terms of environmental issues to the extent that such matters relate to these properties.

7.3 BE – Environmental Risks and their Management

Most of BE's assets are rented to commercial businesses (meaning, not in the food and/or industrial sectors) and therefore, BE does not expect substantial exposure in terms of environmental issues with regard to its properties. BE performs environmental tests, as part of due diligence performed in preparation for purchasing a property. All findings are examined carefully so that appropriate measures can be taken to remove or reduce the identified risk, including, readiness to carry out land restoration operations as part of new development work. Taking into account the nature of the properties purchased by BE to date (and the type of properties that are likely to be purchased in the future), the risk of any exposure to environmental risks is estimated as being low. To the best of BE's knowledge, BE is not currently carrying out any actions that caused or may cause environmental damage.

BE or its senior executives are not party to any legal proceedings or claims in connection with environmental risks or risk management and it has not been required to bear any expenses in respect of environmental issues during the reporting period.

7.4 Energix – Environmental Risks and their Management

As of the reporting date and the date of approval of the report and subject to that stated below, the Company knows of no environmental risks that have or are expected to have a significant impact on Energix, or on legal provisions in the field of environmental risks that have significant implications for Energix and its activity. During the period of commercial operation, Energix is required to monitor and track environmental impacts in the vicinity of its projects, and to take corrective action in the event of any negative impact on the environment. In addition, in various countries, Energix is required to submit annual reports with an analysis of environmental impacts.

Energix acts in accordance with all relevant laws to reduce environmental risk and to the best of is knowledge, it is in compliance with all environmental regulations required for the receipt of permits to operate Energix facilities.

Energix's environmental risk management policy is within the framework of its general risk management policy, and focuses on activities that reduce any possible adverse effects on its activity to the minimum possible. Risk management is mainly conducted by the Energix CEO through ongoing monitoring of regulatory developments related to Energix's operations, including with regard to environmental risks. As part of the Group's general risk management, the Energix Board of Directors has decided that the Energix CEO will report regularly to the Chairman of the Board on extant exposure levels.

As of this report, Energix is not a party to any environmentally-related material legal proceeding including any material legal or administrative proceeding) to which Energix or any of its senior executives is a party. Furthermore, Energix has not been a party to any such proceeding in the year preceding this report. As of the reporting date, no amounts were ruled or provisions recognized in the financial statements and there were no additional environmental costs applicable to Energix.

Photovoltaic field

Energix is subject to environmental laws at the local and state levels, depending on the territory where it operates, most of which are usually managed by the Department of Environment Quality in the relevant state. As a condition for obtaining the necessary permits for the construction of electricity-generating projects, the conducting of environmental surveys and various tests are required, including: archeological, biological, historical and environmental surveys, as well as testing for the effects of each project on the environment and complying with environmental directives that apply to each project site.

With regard to agreements for the interest in the land on which projects are built, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land.

In addition, environmental aspects related to Energix's activity in the photovoltaic field may be related to the wear and tear of the components of the photovoltaic systems at the end of their activity.

In Israel, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, imposed various obligations on the owners of electronic equipment and batteries, including the disposal and treatment of electronic waste and batteries. As of the date of approval of the report, the law does not have a significant effect on Energix's operations as it currently stands, and it is not aware of any proceedings taken against it under this law, however it may have an effect in the future as long as the systems and their parts are considered "electronic waste". Furthermore, as part of statutory promotion for the construction of facilities, environmental considerations and the impact of the facilities on the environment are considered, including in terms of land use and impact on the landscape, and the developer is required to submit an environmental landscape survey as a condition for receiving a permit.

Without derogating from the above, as part of Energix's system of agreements with First Solar for the purchase of the panels, First Solar will provide Energix with panel recycling services as part of the panel turnover system it operates. Moreover, Energix has engaged with several Israeli recycling companies, including "Ecology for a Protected Community", which operates a recycling plant where the majority of employees are workers with special needs. As part of this engagement, Energix collects all the damaged panels at the end of the construction of a project and transfers them to the recycling plant. At the end of the process, Energix receives a recycling approval certificate in accordance with the Ministry of the Environment guidelines.

Energix's project at Neot Hovav may have additional aspects as the system in Neot Hovav was built in areas of rehabilitated pools on land that was previously contaminated and underwent a restoration process that was approved and monitored by the Ministry of the Environment. In this regard it should be noted that as part of the agreements between Energix and the Neot Hovav Council, the Council confirmed that Energix would bear no liability regarding the system area rented from the Council, except as a result of Energix violating its commitments regarding the land.

In the United States, Energix performs an environmental survey for each future project. As part of the survey, the various limitations imposed on the area are examined; maintaining a distance, banning the cutting of trees, etc., and an investigation is carried out regarding the existence of endangered animals in the vicinity of the project.

Wind energy

In all matters regarding wind energy, by the very nature and scale of the wind energy electricity-generation facilities, environmental aspects have an impact on this area of activity. As a result, the Ministry of Environmental Protection and/or environmental organizations in Israel and in Poland are actively and closely involved in the development and planning process of wind farms, and supervision of their construction and operation. In every project promoted by Energix, an in-depth examination is made to test the project's impact on aspects regarding the environment and sustainability. The land selection is made in advance on polygons tested and approved in advance as area that minimize and balance in the best possible manner between the quality of wind in the project and minimal environmental harm.

Energix examines and invests great resources in monitoring and conducting bird and bat surveys, noise measurements, examination of the project's impact on the landscape and the optimal design of the turbine deployment, minimizing flickering and compliance with Ministry of Health recommendations. In addition, Energix is required to perform various monitoring operations for its wind turbines, depending on varying requirements in relation to each country aimed at protecting birds, etc.

As part of the Company's land interest agreements for the projects, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land.

It should be noted that there are opponents to the establishment of wind farms, including for environmental reasons, including environmental organizations that may constitute a barrier in the future to the field of wind energy. For details, see Note 7 to the financial statements.

7.5 General – Environmental Risks and their Management

7.5.1 As of the date of this report, the Group is not a party to a significant legal or administrative proceeding related to the environment to which the Company or any of its officers is a party, and as of the date of this report, no amounts were ruled or provisions recognized in the financial statements and no other environmental costs apply to the Group. Furthermore, according to the Group's assessments, as of the reporting date, no event or issue exists related to activity in the Group that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact on the Group.

7.5.2 The environmental risk management of the investees is managed by each investee and focuses on actions to minimize possible negative effects on the activities of that company. Risk management is mainly conducted by each investee's management, while regularly monitoring regulatory developments related to its activity, including with regard to environmental risks.

For additional information regarding the management of environmental risks and environmental impacts on the Group's activities, see Section 3 of the Board of Directors' Report.

8. Restrictions and supervision of the Company's activity

8.1 The Company as such is subject to the Companies Law, 1999, and the regulations thereunder. Furthermore, as the Company is a public company (as are Amot and Energix), it is also subject to the Securities Law, 1968, and the regulations thereunder.

8.2. The Group's real estate activity in Israel and abroad is subject to real estate law, planning and construction law, accessibility law for people with disabilities and environmental law applicable at the location of the properties.

8.3. The Group's activity in the renewable energies field in Israel is subject to legislation relevant to the Electricity Sector through the Electricity Sector Law, 1996 (hereinafter in this subsection - the "Law"), the Electricity Law, 1954, the regulations and rules issued thereunder, as well as decisions of the Public Services Authority – Electricity, including the book of criteria and decisions of the Government of Israel and the Ministry of Energy and Infrastructures. The law has established the rule according to which activity in the field of electricity is not possible (i.e. production, system management, transmission, storage, distribution, supply or trade in electricity) without obtaining a license for that activity, except for several exceptions defined in the law. According to the law, the Electricity Authority issues the electricity production licenses. In addition, the development and construction of renewable energy projects, similar to other infrastructure projects, is carried out in accordance with the provisions of the Planning and Building Law, 1965 and regulations thereunder. In addition, for its activity, Energix is required to arrange its rights in the land on which it builds its facilities. Accordingly, its activity is affected by the land laws applicable at the location of its facilities, including the Israel Land Law, the Ottoman Land Law, the defense regulations, etc. In Energix's activity in the United States and in Poland, Energix is subject to the corresponding local regulation.

8.4. December 11, 2013, the Promotion of Competition and Reduction of Centralization Law, 2013 (in this section - the "Centralization Law" or the "Law") was published in Reshumot (the official gazette). On March 2, 2021, the Committee for the Reduction of Centralization published the list of centralized entities in which the name of the Company and its subsidiaries appeared on both the list of centralized entities and the list of significant real corporations. As the Company has no control core, the companies directly held by the Company (which are a reporting corporation) are considered "first tier" companies, as this term is defined in the law.

Since the Company and the real corporations it holds are significant real corporations, as the term is defined in the law, the Centralization Law imposes restrictions on the amount of investment therein by certain significant financial entities.

In addition, according to the law, when allocating a right, including a license for an area of activity defined as a vital infrastructure, the grantor of the right must take industry competition considerations into account, prior to allocating the rights / granting the license, while consulting with the Antitrust Commissioner. Furthermore, when allocating such a right to a centralized element, the grantor of the rights must consider centralization throughout the economy while consulting with the Committee for the Reduction of Centralization, in the manner detailed in the law.

This may affect Energix, which is defined as a centralized entity in the field of essential infrastructure because the Company, which is a controlling shareholder in Energix, is a centralized element, in the event that Energix requests a production license for the construction and operation of electric power plants with a capacity exceeding 175 MW connecting to the electricity grid. It should be noted that as of the date of publication of the report, Energix does not have and is not developing a project that exceeds this threshold.

8.5 The Group's renewable energy activities are subject to legislation in every country where Energix operates, including, but not limited to, legislation regarding environmental quality, competition and construction laws, land laws and relevant renewable energy legislation.

9. Significant agreements

With the exception of agreements in the Group's normal course of business, any of the following agreements (which are in effect) as well as agreements signed by the Group and are binding or were binding for the Group during the reporting period or thereafter can be considered significant agreements, as follows:

Regarding the shareholders' agreement between the Company and JPM and Clal Insurance in connection with the investment in Carr, see Note 6g to the financial statements.

Regarding the Company's management agreement with Mr. Natan Hetz, the Company CEO, see Note 18a to the financial statements.

Regarding the shareholders' agreement between the Company and Menora and the BE Managers in connection with the investment in BE, see Note 6d to the financial statements.

For agreements regarding the indemnification of the Company's officers, in relation to their activities in the Company, in subsidiaries and in companies in which the Company has holdings, see Note 18c to the financial statements. (2) For indemnification arrangements for officers in Amot, Energix, BE and Carr, see Note 18c to the financial statements.

10. Legal proceedings

See Note 15a and 15b to the financial statements.

11. Goals and Business Strategies

The Company usually makes long-term investments in the areas of income-generating property and in renewable energy through investments in companies in which the Company has a significant influence. As a result of its business approach, the Group intends to continue focusing on developing its existing investments, locating new investments and realizing mature investments.

The Group companies invest cumulatively in hundreds of income-generating properties with an broad variety of tenants that creates a regular, steady and long-term cash flow. The Group also invests in energy projects that generate a long-term cash flow.

The Group has a conservative financial management policy reflected in financial flexibility resulting from maintaining a high level of unencumbered assets, long-term durations of financial liabilities, ensuring that credit facilities are maintained and that leverage is reasonable.

The following are the Company's main business development goals for the coming year:

- Continuing to accompany and monitor all the actions taken by Carr in response to the state of the office sector in the markets in which it operates, including making necessary adjustments due to the structural changes occurring in the office sector in the United States. As a result and including actions taken for the realization of assets.
- The focus of Amot's business in the office sector in central Israel and in investments in logistic centers. Also, accompanying and examining new strategic work carried out by Amot.

- Expanding the activities of Brockton Everest through the promotion of all entrepreneurship plans, including the intention to add a strategic investor to the Life Science and Innovation Technology activity in Cambridge.
- A focus on the implementation of Energix's strategic plan for further expansion of operations in the United States in photovoltaic projects.
- Continuous strategic dialogue between all the Group companies engaged in income-generating property in relation to trends affecting the demand for offices, with reference to the following key factors: the future of the labor and office markets, construction and operation of green buildings and examination of the issue of information systems technology for the management of income-generating properties (PropTech).
- Sustainability, society and the environment – Continue to form a uniform concept related to the issue of ESG (environment, social responsibility and corporate governance).

Naturally, there is no certainty that the Group companies will be able to achieve their goals in 2023, since the realization of the goals depends on many factors that are not under their control.

12. Projected Developments in the Coming Year

The Group will act in the coming year to achieve its business goals as stated in Section 11 above.

13. Financial Information regarding Geographic Regions

For financial information regarding geographic regions in which the Group operates, see Note 21 to the financial statements.

14. Discussion of Risk Factors

See Section 4 of the Board of Directors Report.

March 12, 2023

Names and positions of signatories:

Aviram Wertheim, Chairman of the Board of Directors

Nathan Hetz, CEO

Alony-Hetz Properties and Investments Ltd.

Board of Directors' Report on the State of Corporate Affairs

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Signal House Washington DC

Contents

Ramat Gan, March 12, 2023

Board of Directors' Report on the State of Corporate Affairs for the Year ended December 31, 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 year ended December 31, 2022 (hereinafter: "**the Reporting Period**").

1. Concise description of the Group

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

1. **Main area of activity** – long-term investments in income-generating property companies in Israel and in western countries. As of the publication date of this report, the Group operates mainly in the following markets: Israel, the United States, and the United Kingdom.
2. **Additional area of activity** – investment in renewable energies. The Group has income-generating investments in the fields of photovoltaic energy and wind energy, as well as in the development and initiation of electricity generating facilities in Israel, Poland and in the United States.

1.1 The Group's main investments in income-generating property as of December 31, 2022:

Activity in Israel

Holdings at a rate of 53.79% 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 at a rate of 47.1% in the capital of Carr Properties (hereinafter - "**Carr**") and 50% in the control. An income-generating property company, all of whose properties are located in the United States in the Washington D.C. area, Boston and Austin. For further details, see Section 2.3.5 below.
- Holdings at a rate of 55% of the equity rights and 50% of the control in three property companies in the Boston metropolitan area. Two of the properties are in the Boston CBD and one is in East Cambridge – for further details, see Section 2.3.7 below.

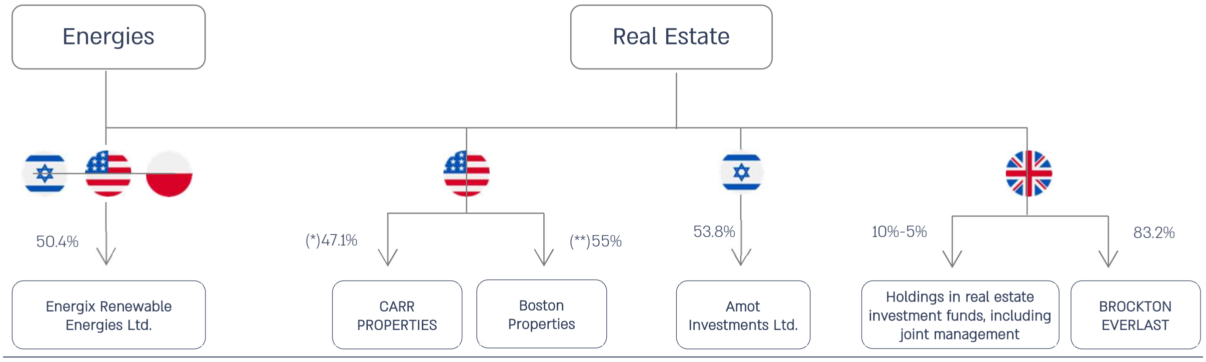
Activity in the UK

- Holdings at a rate of 83.2% in Brockton Everlast Inc. (hereinafter - "**BE**"), a private company engaging in the purchase, development, improvement, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK – for additional information, see Section 2.3.6 below.
- Holdings in three UK real estate funds from the Brockton Group. For additional information, see Note 5 to the financial statements.

1.2 The Group's investment in renewable energies as of December 31, 2022:

Holdings at a rate of 50.39% in Energix - Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange Ltd. Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. For additional information, see Section 2.3.8 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 2022 until the date of publication of the report, the Group companies raised a total of approx. NIS 3.5 billion in bonds and approx. NIS 2.2 billion in equity[1].

Alony-Hetz (the Company expanded solo)	• Investment in investee companies in the amount of approx. NIS 1 billion from the beginning of 2022 until the date of publication of the report. • Capital raising in consideration for a net total amount of approx. NIS 271 million. • Initial issue of bonds (Series M) and bonds (Series O), and the issuance of bonds by way of an expansion of existing series for a total net consideration of approx. NIS 2.1 billion. • Signing of agreements to extend lines of credit in the amount of NIS 300 million. As of the date of publication of this report, all of the Company's lines of credit, in the amount of NIS 550 million, are unutilized. • In the reporting period, the Company's share in investment property revaluation losses of investees amounted to NIS 806 million (before the tax effect) compared to a revaluation profit of NIS 1,419 million (before the tax effect) in the corresponding period. The negative revaluation in the reporting period is mainly due to the increase in the discount rate of investment property in the UK and in the United States following the increase in the long-term interest rate, offset by profit from the revaluation of investment property in Israel as a result of the increase in NOI – for information, see Section 2.3.3 below.
Amot Investments	• 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 publication of the report, the tower is in the populating stage and leases have been signed for an area of approx. 14,800 sq.m., which are expected to yield approx. NIS 15 million per year. • 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. • Capital raising for the net amount of NIS 611 million, of which the Company invested the amount of NIS 159 million. • Issuance of CPI-linked bonds by way of an expansion of existing series for a total net consideration of approx. NIS 1.4 billion. • 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	• 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. • 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 540-550 million. Construction is expected to begin in 2024.

[1] Including an amount of NIS 0.3 billion that the Company invested in Amot and Energix as part of the capital issues.

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%[2].
- 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 172 million (approx. NIS 683 million).

ENERGIX RENEWABLE

- In the reporting period and until the date of publication of the report, connection to the electricity of projects with a capacity of 253 MW so that as of the date of approval of the report the total capacity of projects in commercial operation is 855 MW. In addition, Energix has projects in development or expected to begin construction during 2023 with a capacity of 680 MW.
- Entering into project financing transactions in Israel and in Poland totaling approx. NIS 865 million. In addition, Energix is in advanced negotiations for the receipt of back leverage financing and tax partner financing in the United States in an amount exceeding USD 630 million.
- Capital raising for the amount of NIS 676 million, of which the Company invested the amount of approx. NIS 168 million.

[2] 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	2022	2021	2020	% Change[3]
Revenues from rental fees and management of investment property	NIS thousands	1,219,178	989,381	891,632	23.2
Fair value adjustments of investment property	NIS thousands	685,918	1,715,469	(187,782)	(60.0)
Group share in the profits (losses) of associates, net	NIS thousands	(953,589)	126,719	99,670	
Revenues from sale of electricity and green certificates	NIS thousands	525,437	260,836	261,803	
Net profit for the year	NIS thousands	338,572	2,033,492	465,485	(83.4)
Net profit (loss) for the year attributed to Company shareholders	NIS thousands	(281,467)	1,557,947	302,998	
Comprehensive income (loss) for the year attributed to Company shareholders	NIS thousands	(53,496)	1,406,070	56,119	
FFO attributable to Company shareholders[4]	**NIS thousands**	**612,952**	**488,607**	**495,433**	**25.4**
Total balance sheet	NIS thousands	36,314,037	31,956,592	26,500,374	13.6
Equity (including non-controlling interests)	NIS thousands	13,591,420	11,829,564	9,912,830	14.9
Financial debt (bank credit and bonds)[5]	NIS thousands	19,032,307	15,895,765	13,394,404	19.7
Net financial debt[6]	NIS thousands	17,337,606	14,732,476	11,179,623	17.7
Ratio of net financial debt to total balance sheet[7]	%	50.1	47.8	46.0	
Main Financial Results – Expanded Solo[8]					
Total balance sheet	NIS thousands	13,311,610	12,323,090	10,791,514	8.0
Equity attributed to Company shareholders	NIS thousands	7,709,979	7,638,174	6,401,866	0.9
Financial debt (bank credit and bonds)[5]	NIS thousands	5,513,779	3,916,548	3,680,979	40.8
Net financial debt[6]	NIS thousands	5,027,172	3,649,557	3,078,047	37.7
Net financial debt ratio to balance sheet total[7]	%	39.2	30.3	30.2	
Earnings per share data					
Basic earnings (loss) per share	NIS	(1.60)	8.98	1.75	
Comprehensive income (loss) per share – basic	NIS	(0.30)	8.11	0.32	
FFO per share[4]	**NIS**	**3.48**	**2.82**	**2.87**	**23.6**
Current dividend per share[9]	NIS	1.26	1.22	1.16	3.3
NAV per share	NIS	42.90	43.89	37.04	(2.3)
NNAV per share[10]	NIS	48.53	50.88	44.16	(4.6)
Price per share at end of period	NIS	35.80	57.93	44.90	(38.2)

3 2022 compared to 2021.
4 The FFO calculation did not include exchange rate differentials and linkage differentials for the bonds and the CPI-linked loans, since the Company's management believes that those expenses do not reflect cash flows from ongoing operating activities.
5 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
6. Financial debt presented net of cash balances. The Company's financial debt (expanded solo) as of December 31, 2022 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 77 million.
7. Net financial debt as a percent of total balance sheet, less cash balances. The Company's net financial debt (expanded solo) as of December 31, 2022 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 77 million.
8. In the expanded solo balance sheet, the investment in Amot, Energix and BE is presented on an equity basis instead of the consolidation of their statements with the Company's statements (the remaining investments are presented unchanged in the statement presented in accordance with IFRS principles).
9. The above dividend amount does not include an additional dividend for the years 2021 and 2020 in the amount of NIS 0.44 per share and NIS 0.2 per share, respectively.
10 When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

	Unit	2022	2021	2020	% Change[11]
Investment in Israel – Amot Investments Ltd. (rate of holdings - 53.8%)[12]					
Number of income-generating properties[13]	Unit	114	112	110	
Value of investment property (without property in self-construction)	NIS thousands	16,623,08 6	14,678,447	12,718,390	13.2
Weighted capitalization rate deriving from investment property	%	6.20	6.08	6.52	
Occupancy rate at end of period	%	94.4	98.0	97.2	
Value of investment property in development	NIS thousands	2,341,725	2,447,443	1,222,883	(4.3)
Ratio of net financial debt to total balance sheet	%	41.9	42.9	43.0	
NOI[14]	NIS thousands	930,996	779,818	734,204	19.4
FFO[15] per share	NIS	1,604	1,389	1,315	15.5
NAV per share	NIS	18.68	17.17	15.42	8.8
Price per share at end of period	NIS	20.65	25.28	17.99	(18.3)
Investment in the United States - Carr Properties Corporation (rate of holdings - 47.1%)[16]					
Number of income-generating properties	Unit	17	16	13	
Value of investment property (without property in self-construction)	USD thousands	2,835,65 5	3,218,384	2,894,350	(11.9)
Occupancy rate at end of period	%	87.90	87.90	90.53	-
Number of properties in development and planning	Unit	2	2	4	-
Value of property in development[17]	USD thousands	697,253	654,476	995,297	6.5
Ratio of net financial debt to total balance sheet	%	51.2	43.1	44.9	
NOI[18]	USD thousands	148,670	149,934	160,676	(0.8)
FFO[18]	USD thousands	70,988	77,511	92,386	(8.4)
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings - 83.2%)					
Number of income-generating properties	Unit	13	10	5	
Value of investment property	GBP thousands	1,081,515	938,125	665,250	15.3
Occupancy rate at end of period	%	96.6	97.3	95.1	
Value of land for initiation	GBP thousands	208,000	232,750	-	(10.6)
Ratio of financial debt to total balance sheet	%	30.7	39.7	50.7	
NOI[14]	GBP thousands	42,311[19]	31,156	25,868	35.8
FFO[15]	GBP thousands	19,521 [18]	15,577	7,909	25.3
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings - 50.4%)					
Installed capacity from connected photovoltaic systems (MWp) – Energix's share	Unit	554.0	395.2	222.8	40.2
Installed capacity from connected wind systems (MW) – Energix's share	Unit	245.2	134.2	119.2	82.7
Balance of connected electricity-generating facilities – according to book value	NIS thousands	2,910,128	1,914,928	1,635,328	52.0
FFO from projects[20] – Energix's share	NIS millions	364	179	181	
Price per share at end of period	NIS	11.08	13.25	14.66	(16.4)

11. 2022 compared to 2021.
12. The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter – "**Amot's Pro Forma Reports**"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 coming into effect.
13. As of this periodic report, Amot's properties are presented by complex rather than by individual property.
14 Net Operating Income.
15. Funds from operations.
16 The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
17 The value as of December 31, 2020 does not include the Clarendon 2025 project located in the Washington D.C. metropolitan area with a value of approx. USD 19 million (Carr's share – USD 16 million), which was classified as held for sale as of December 31, 2020 and realized in 2021.
18. Including NOI from property management. In addition, in 2022, 2021 and 2020, the NOI and FFO include revenues of a non-recurring nature in the amount of USD 1 million, USD 2 million and USD 12 million, respectively, in respect of termination fees upon the departure of tenants.
19. The NOI and the FFO include net revenue in the amount of approx. GBP 5 million in respect of previous periods for the end of an arbitration procedure came to an end for updating rental fees (in accordance with the Rent Review mechanism), mainly in one of BE's properties in central London (Waterside house).
20 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

For details regarding the business environment in which the Group operates, see Section A(6) of the chapter Description of the Corporation's Business.

2.2 Statement of Financial Position

Statement of Financial Position Item	31.12.22 NIS millions	December 31, 2021 NIS millions	Notes and Explanations
Cash and cash equivalents	1,695	1,163	For Statement of Cash Flows – see Section 2.6 below.
Investment property	23,772	21,376	Most of the increase is due to the acquisition of new properties and the investment in properties in development in the amount of NIS 1.6 billion, as well as from fair value adjustments of investment property in the reporting period in the amount of NIS 0.7 billion – see Section 2.3.3 below. For additional information regarding the Group's investment property – see Note 4 to the financial statements.
Investments in companies accounted for according to the equity method and securities measured at fair value through profit and loss	4,286	4,611	The following are the main changes: • A decrease in respect of the Group's share in the losses of associates in the amount of NIS 954 million. • A decrease in investments in respect of the realization of investments and the repayment of loans in the amount of NIS 133 million. • An increase due to the effects of exchange rates (mainly the USD) in the amount of NIS 504 million. • An increase in respect of investments carried out in associates in the amount of NIS 258 million (of which, NIS 202 million in Carr). For details regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in companies accounted for according to the equity method, see Notes 5 and 6 to the financial statements, respectively. In addition, see Section 2.3 below.
Electricity-generating facilities – connected and in development	5,206	3,765	Most of the increase is due to investments made by the Group in photovoltaic projects in development in Israel, the United States and Poland by Energix. For details on electricity-generating facilities, see Notes 7 and 8 to the financial statements.
Other assets	1,355	1,042	Most of the increase is due to an increase in the balance of short-term deposits.
Total assets	36,314	31,957	
Loans and bonds	18,566	16,113	The following are the main changes: • Raising of bonds and receipt of long-term loans in the amount of NIS 3.3 billion. • Repayment of bonds, long-term loans and short-term credit in the amount of NIS 1.5 billion. For details regarding the main changes in the Group's financial debt – see Section 2.4.3 below.
Other liabilities	4,157	4,014	
Total liabilities	22,723	20,127	
Equity attributed to shareholders	7,710	7,638	For details regarding the main changes in equity attributable to shareholders – see Section 2.7.2 below.
Non-controlling interests	5,881	4,192	
Total equity	13,591	11,830	
Total liabilities and equity	36,314	31,957	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of December 31 2022

	Currency	Number of Shares	Balance in NIS thousands	Adjusted Value in NIS thousands	Adjusted Value Measurement Basis
Amot	NIS	252,718,672	4,698,814	5,218,641	Stock market value - tradable
Energix	NIS	276,060,936	1,136,147	3,058,755	Stock market value - tradable
CARR	USD	-	2,844,673	2,844,673	Equity method
BOSTON	USD	-	756,482	756,482	Equity method
BROCKTON EVERLAST	GBP	-	3,169,275	3,169,275	Equity method
BROCKTON FUNDS	GBP	-	157,639	157,639	Equity method
Other[21]			499,322	499,322	
Total			13,262,352	15,704,787	

2.3.2 Investments in the reporting period

During the reporting period, the Company invested the amount of approx. NIS 1 billion in its investees and in securities measured at fair value through profit or loss, as detailed below:

	2022	
Amot	159	See 2.3.4 below.
Carr	202	See 2.3.5 below.
Brockton Everlast (*)	487	See 2.3.6 below
Brockton Everlast – provision of bridging loan (net of repayment)	(87)	
Boston	57	
Energix	204	See Section 2.3.8 below.
Brockton Funds	4	
	1,026	

[21] Mainly including cash in the amount of NIS 409 million and a short-term bridging loan to BE, whose balance as of the date of the report is NIS 77 million.

2.3.3 Property revaluations

The following is a concentration of investment property revaluations recorded by the Company's investees in the reporting period:

Geographic Region	Currency	Investee's Share In millions				Company's Share In NIS millions
		Revaluation of Income-Generating Properties	Revaluation of Properties in Initiation, Development and Construction	Amortization of acquisition costs	Total	**Total**
Israel (Amot) (1)	ILS	929	87	(18)	998	538
UK (BE) (2)	GBP	5	(74)	(3)	(72)	(246)
USA (Carr and AH Boston) (3)	USD	(629)	(29)	-	(658)	(1,098)
Company's share before the tax effect						**(806)**
Tax effect						129
Company's share after tax						**(677)**

(1) Israel (Amot) – The positive revaluation of the income-generating properties in the reporting period was mainly due to the increase in the NOI (including the effect of the increase in the CPI in the period).

(2) UK (BE) – The negative revaluation of assets in the reporting period is mainly due to the increase in the discount rate of the projected cash flow of the assets and from the revaluation of assets in the planning stages in view of the expected increase in construction costs and bank financing.

(3) USA (Carr and AH Boston) – The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties.

The Company anticipates that to the extent that long-term interest rates in the US and in the UK continue to rise, the trend of decreases in the value of the income-generating properties, which began in the US and in the UK, will continue also during 2023 – for information, see Section A.6 of the Description of the Corporation's Business.
The information constitutes forward-looking information as defined in Section 32A of the Securities Law.

For a sensitivity analysis of the effect of a 0.25% change in the Weighted Cap Rate on the value of real estate assets, see Note 1b.

2.3.4 Investment in real estate in Israel – through Amot

General:

As of December 31, 2022, Amot's properties, owned or leased, include 114 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 218 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiation amounting to 56 sq.m. above-ground (Amot's share). The occupancy rate of all of Amot's properties as of December 31, 2022 is 94.4% (compared to 98% as of December 31, 2021). The change in the occupancy rate is mainly due to the classification of the Amot Holon campus as income-generating property. The occupancy rate represents space for which there are signed contracts, some of which are in the process of being populated.

Additional investments in Amot in the reporting period:

In the reporting period, Amot raised capital for an immediate net amount of NIS 611 million. Of that amount, the Company invested the amount of NIS 159 million.In that context, Amot issued options (Series 11), which expired on December 22, 2022 without having been exercised for shares.

Amot's business development in the reporting period and subsequent to the balance sheet date:

- The Amot NOI amounted to NIS 931 million in the reporting period, compared to NIS 780 million in the corresponding period last year, an increase of approx. 19%. The increase is due to the acquisition of new properties, properties whose construction has been completed and an increase in revenue in existing properties.

- During 2022, Amot signed 407 new leases, including option exercises and contract renewals amounting to 150 thousand sq.m. in annual rental fees in the amount of NIS 164 million. The spaces were leased at average rental fees (weighted average) per sq.m. higher than the rent generated by these properties until that date by approx. 11%.

- **Amot Holon Campus** - At the beginning of 2022, the construction was completed on an office building that includes a gross approx. 60 thousand sq.m. above ground for marketing (Amot's share - 47 thousand sq.m.) and a 5-story underground parking lot (Amot's share - 77.8%). The tower is in the population stage. In view of the above, in the first quarter of 2022, Amot reclassified the office building from 'property in development' to 'income-generating property', in the amount of NIS 470 million. As of the date of publication 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%).

- **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.

- **ToHa2 project, Tel Aviv - Negotiations for a lease transaction** - In November 2022, Amot and its partner 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.

For information regarding additional transactions in which Amot engaged in the reporting year and thereafter in connection with investment property, property in development and rights in property, see Note 4b to the financial statements.

The following is a summary of data regarding projects in stages of construction as of December 31, 2022:

Property Name	Location	Main Use	Rate of Holdings	Thousands of Marketable Above-Ground sq.m., 100%	Estimated Completion Date	Project Value in Amot's Books as of December 31, 2022	Estimated Construction Cost, including Land and Parking Basements (*)	Expected NOI upon Project Occupancy (*)
						Amot's Share – in NIS millions		
Amot Modi'in[22]	Modi'in	Offices	75%	9	2023	57	75	5
HaLehi Complex	Bnei Brak	Offices	50%	100	2025	302	720	59
K Complex [23]	Jerusalem	Offices	50%	93	2027	123	700	51
Beit Shemesh Logistic Center	Beit Shemesh	Logistics	60%	50.5	2024	76	208	16
Park Afek	Rosh HaAyin	Offices	50%	8.4	2024	3	33	3
ToHa2	Tel Aviv	Offices	50%	160	2026	637	1,550	140
Total				**420.9**		**1,198**	**3,286**	**274**

(*) Mid-range forecast.

[22] During 2020, Amot classified the logistic center portion from 'property in development' to 'investment property' in the amount of NIS 187 million (Amot's share).

[23] Subject to the completion of additional rights in the K Complex in Jerusalem

The information in this Section 2.3.4 regarding the estimated end of construction date, estimated construction cost, expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, security situation, demand for offices, changes in the City Building Plan that are subject to the approval of the authorities, etc.

The information is based on the Amot management's assessments assuming full occupancy, the realization of which is not under Amot's control.

The following is a summary of data regarding projects in stages of planning and development as of December 31, 2022:

Property Name	Location	Main Use	Thousands of Marketable Above-Ground sq.m., 100%	Rate of Holdings	Thousands of Above-Ground sq.m. for Marketing	Estimated Construction Cost, including Land and Parking Basements in NIS millions (*)
				Amot's Share		
The 1000 Complex	Rishon Lezion	Offices	19	100%	19	270
Platinum Stage B[24]	Petach Tikva	Offices	20	100%	20	220
Amot Shaul – Stage A	Kfar Saba	Offices	35	50%	17.5	170
Total			**74**		**56.5**	**660**

(*) Mid-range forecast.

The information included in this section regarding the construction costs and construction completion dates constitutes forward-looking information as defined in Section 32a of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

Fair value adjustment of investment property

For property revaluations recorded by Amot in the reporting period, see Section 2.3.3 above.

For additional information regarding the investment in Amot, see Chapter B of the Description of the Corporation's Business and Note 6(c) to the Financial Statements.

2.3.5 Investment in Carr

Additional investments in Carr in the reported period:

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. 47.1% of the equity rights in Carr. For additional information, see Note 6g.

Carr's business development in the reporting period and subsequent to the balance sheet date:

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 to two main tenants.

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 540-550 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.

[24] Subject to the completion of the purchase of additional construction rights in order to build a matching tower to Platinum Stage A.

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%).

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. The cost of the hedge transaction amounted to USD 11.5 million.

Property Name	Location	Main Use	Rate of Holdings	Thousands of Above-Ground sq. ft. for Marketing, 100%	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in Carr's Books as of December 31, 2022 (a)	Balance for Completion of Construction Costs as of December 31, 2022	Expected NOI upon Project Occupancy (b)	Rate of Rentals
						Carr's Share – in USD millions				
One Congress	Boston CBD	Offices	75%	1,007	April 2023	746	568	178	47	100%
East 2nd 300	Austin, Texas	Offices	100%	767	Mid-2027	545	9	536	40-45	-
Total				**1,774**		**1,291**	**577**	**714**	**87-92**	

The following is a summary of data regarding projects in stages of construction and planning as of December 31, 2022:

(A) The cost does not include real estate revaluations. The cumulative revaluations recorded as of December 31, 2022 amount to a total of USD 121 million (Carr's share).

(B) The expected NOI data for at the time of occupancy refer to the NOI in the first year of cash flow stabilization, after the end of the free rental period, and does not take escalation bump-ups into account.

The information in the above table regarding the estimated end of construction date, estimated construction cost and the expected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, the demand for offices and for rental housing.

Fair value of investment property

For property revaluations recorded by Carr in the reporting period, see Section 2.3.3 above.

For additional information regarding the investment in Carr, see Chapter C1 in the Description of Corporate Business and Note 6(g)

2.3.6 Investment in BE:

Additional investments in BE in the reported period and subsequent to the balance sheet date:

From BE's establishment until the date of publication of the report, the Company has invested GBP 578 million in BE's capital, of which a total of GBP 122 million (NIS 487 million) was invested during 2022.

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**")[25]. 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 6d to the financial statements (Subsections 4 and 5, respectively).

As of December 31, 2022 and as of the date of publication of the report, the Company, indirectly, held 83.2% of the rights in BE.

[25] 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.

BE's business development in the reporting period and subsequent to the balance sheet date:

Cambridge Science Park - During the reporting period, BE completed a transaction 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[26] for a consideration of approx. GBP 172 million (approx. NIS 683 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.

For the purchase of the above-mentioned building assets, the Company invested a total of GBP 84 million (approx. NIS 333 million) in BE's capital and also provided BE with a bridging loan, the balance of which, as of the date of the report, is GBP 18 million (approx. NIS 77 million).

For information regarding bank credit taken by BE against a lien on some of the aforementioned assets, see Note 12.e to the financial statements.

As of December 31, 2022, the value of all the BE properties at the Cambridge Science Park is GBP 550 million (approx. NIS 2.3 billion).

In view of the BE management's expectations for a significant expansion of business activity in the Cambridge Science Park area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in the area over several years. In order to implement the plan, BE is working to find a strategic investor for its operations in that area.

Completion of the arbitration procedure for the updating of rental fees at Waterside House - 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 2022, BE recognized net revenue in the amount of approx. GBP 6 million in respect of the period from the beginning of the procedure until the date of its conclusion (Back Rent) (of which approx. GBP 5 million is in respect of previous years). 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.

The following is a summary of data regarding a project in advanced planning stages as of December 31, 2022:

Property Name	Location	Main Use	Rate of Holdings	Thousands of Above-Ground sq. ft. for Marketing, 100%	Estimated Start Date	Estimated Completion Date	Estimated Construction Costs, including Land	Project Cost in BE's Books as of December 31, 2022 (a)	Balance for Completion of Construction Costs as of December 31, 2022	Expected NOI upon Project Occupancy
Devonshire Quarter	City of London	Offices	100%	461	H1/2024	H1/2028	650-700	120	530-580	33-42

(A) The cost does not include real estate revaluations. The cumulative revaluations recorded as of December 31, 2022 amount to a total of GBP 35 million (Carr's share).

The information detailed in this Section 2.3.6 above regarding the completion of the transactions, the expected construction costs and the expected NOI in occupation is forward-looking information as defined in Section 32A of the Securities Law as it is influenced by factors that are not dependent on BE.

Fair value of investment property:

For property revaluations recorded by BE in the reporting period, see Section 2.3.3 above.

For additional information regarding the investment in BE, see Chapter D of the Description of the Corporation's Business and Note 6(d)

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

2.3.7 Investment in AH Boston

Conversion of the 745 Atlantic building from offices to laboratories - The Company and Oxford have decided to promote an entrepreneurial project to transform the 745 Atlantic building from an office building to a laboratory building for the Life Sciences. During the second quarter of the year, approvals were received and work began on the conversion of the building, which is expected to be completed at the end of the third quarter of 2023. The cost of the project is estimated at approx. USD 154 million (the Company's share - USD 84 million), of which a total of USD 52 million have been invested up to the date of the report (the Company's share - USD 29 million).

In order to pay off an existing loan on the property and finance the construction costs, during the reporting period, 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 634 million) from an international investment fund (the "**Loan**"), of which, until December 31, 2022, the property company has withdrawn a total of approx. USD 115 million (approx. NIS 405 million). For additional information regarding the loan and regarding the hedge transaction that was carried out in relation to this loan, see Note 6h.2 to the financial statements.

That stated in this Section above regarding the dates for the start and completion of construction and the estimated cost of the project is forward-looking information as defined in Section 32A of the Securities Law.

For additional information regarding the investment in AH Boston – see Chapter C.2 of the Description of Corporate Business and Note 6h

2.3.8 Renewable energy investment through Energix

Raising capital

In January 2022, Energix raised capital in a public offering for a consideration in the amount of NIS 337 million, of which the Company invested the amount of approx. NIS 168 million. In addition, in August 2022, Energix carried out a private placement to an institutional investor for a consideration of NIS 339 million.

Energix's business development in the reporting period and subsequent to the balance sheet date:

- In the reporting period and up to the date of approval of the report, Energix's total project backlog in commercial operation in Israel, the United States and Poland increased by approx. 42%, and as of the date of approval of the report it is 855 MW. In addition, Energix has projects in development or expected to begin construction during 2023 with a capacity of 680 MW, so Energix estimates that it will have a backlog at the end of 2023 of approx. 1,370 MW of projects in commercial operation or at the completion of construction, an increase of 60% compared to the end of 2022. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.3 GW and storage projects in initiation with a capacity of approx. 7 GWh.
- **Revenue of over half a billion NIS and an increase in net profit for 2022 almost threefold:** In the context of the increase in electricity prices, an amendment to the electricity sales agreements in Poland during 2022 and an increase in the project backlog in commercial operation, Energix's revenue for 2022 amounted to a total of approx. NIS 527 million, which reflects an approx. twofold increase compared to the corresponding period last year. The net profit attributed to Energix shareholders amounted to NIS 237 million in 2022, reflecting a 200% increase. Energix's revenue for the fourth quarter of 2022 amounted to a total of NIS 195 million and the net profit attributed to the Energix shareholders for the fourth quarter of 2022 amounted to a total of NIS 106 million, reflecting an increase of 150% and 360% compared to the corresponding period last year, respectively.
- During the reporting period, Energix entered into project financing transactions totaling approx. NIS 865 thousand in Israel and in Poland, and is in advanced negotiations for the receipt of back leverage financing and tax partner financing in the United States in an amount exceeding USD 630 million. Energix's financing transactions are used to finance the construction of projects and/or the repayment of excess capital, and will be used for the construction of additional projects.
- In the reporting period, Energix entered into an agreement (and an update to the agreement) with First Solar, one of the world's leading photovoltaic panel manufacturers, for the purchase of panels with a total capacity of over 2 GWp. The purpose of the purchase of panels is to ensure a regular and ongoing supply of panels for Energix's operations until 2026, which is expected to allow it, among other things, a 10% increase in the ITC tax benefit in the United States and the creation of a relative advantage for Energix in the US photovoltaic market.

United States

- As of the date of the report, Energix is in the midst of construction on projects with a capacity of approx. 416 MWp in Virginia and Pennsylvania. Subsequent to the date of the report, Energix purchased a photovoltaic project located in Virginia in advanced initiation from a leading renewable energy company in the United States with a capacity of approx. 65 MWp for a consideration of USD 7.5 million. In addition, during the reporting period and as of the date of approval of the report, Energix signed electricity sales agreements and agreements for the sale of green certificates that will be issued for the generation of electricity for all projects under construction and nearing construction, with a capacity of approx. 416 MWp, on an "As Generated" basis for a period of 12-25 years, and it also signed agreements for the sale of electricity on an "As Generated" basis for projects in advanced initiation with a capacity of 125 MWp for a period of 15-20 years.

- In August 2022, the Inflation Reduction 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 in significant amounts. The law's entering into effect provides prospects for investment in renewable energies in the United States, with a tax benefit of at least 30%, for another 10 years. Energix also estimates that it will enjoy an additional tax benefit of at least 10% in relation to projects whose construction will begin between the years 2023-2026, which is mainly on the basis of the panels that will be provided to it as part of its collaboration with First Solar, which will enable it to meet the criteria for projects established with equipment manufactured in the United States. In view of the above, Energix estimates that projects that will start construction in the years 2022-2026 will be entitled to an ITC tax benefit at a rate of at least 40%, and some of them will be entitled to an additional 10% for investments in areas designated for economic development.
- As of the date of the report, Energix is in negotiations: (1) for the receipt of Back Leverage financing 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 it provided; (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.

Poland

- 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), which as of the date of approval of the report, is in the final stages of the run-in period prior to commercial operation. 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 no later than September 2023.
  As of the date of publication of the report, Energix is also nearing completion of the construction work in preparation for commercial operation of its first photovoltaic project in Poland with a capacity of approx. 12 MWp.
- 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 setting a ceiling for revenues from the sale of electricity in relation to the period from December 1, 2022 to December 31, 2023 (which, as of the date of approval of the report, is PLN 345 per 1 MWh of electricity generated from wind energy, and PLN 405 per 1 MWh of electricity generated from photovoltaic facilities. In addition, the electricity price ceiling in relation to projects that were actually included under the tender arrangement will be at the level of the electricity price that was promised to these projects as part of the win in the tariff tender.
- Subsequent to the date of the report, in January 2023, after a long period during which it was almost not possible to develop new wind energy projects in Poland, an amendment to the Distance Law was adopted enabling the statutory planning of new wind farms, provided that the distance between the turbine and the nearest place of residence is not less than 700 meters. Energix estimates that the entry into effect of the amendment will make it possible to continue promoting its projects that are in the initiation stages and also to renew the initiation activity for additional wind energy projects. Energix is continuing to work to expand the backlog of wind and PV projects in initiation and development in Poland. This activity, together with the amendment of the Distance Law, are expected to accelerate the renewal of its activity in the initiation, development and establishment of new wind farms.

Israel

- As of the date of approval of the report, Energix has completed the construction work on all 17 projects it established under the third and fourth competitive procedures published by the Electricity Authority with a total capacity of 137 MWp, of which 15 projects with a capacity of 114 MWp have commenced commercial operation. In addition, Energix began the construction work on the extra-high-voltage Julis project with a capacity of approx. 87 MWp following the approval of the plan for the construction of the project by the National Infrastructure Committee and the government. In addition, Energix is preparing for the start of construction of photovoltaic projects for the generation and storage of electricity with a capacity of approx. 60 MWp (including 100 MWh of storage) under competitive procedure 2 for facilities with combined storage.
  In this context, Energix has completed the purchase of the main equipment for the projects nearing construction, including an engagement in a framework agreement with a wholly owned subsidiary of Tadiran Group Ltd. for the supply of energy storage systems at a total cost of up to USD 85 million.
- In the reporting period, Energix began preparations for the ARAN project's construction (a wind farm in the northern Golan Heights with a capacity of approx. 104 MW), 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 (as of the date of approval of the report, in the amount of NIS 0.2902 per 1 KWh), for 20 years, linked to the CPI. Upon 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 during the reporting period, Energix made a first withdrawal from the financing facility in the amount of approx. NIS 18 million.

That stated in Section 2.3.8 above, in connection with projects under construction and planning, is forward-looking information as defined in Section 32A of the Securities Law, based on the assessments of Energix's management and for reasons that are not under Energix's control, it may not be realized and/or not in the manner described above.

For additional information regarding Energix's business development in the reporting period and subsequent to the balance sheet date, see Chapter E of the Description of the Corporation's Business and Notes 7 and 8 to the financial statements.

For additional information regarding the investment in Energix, see Chapter E in the Description of the Corporation's Business and Note 6e.

2.3.9 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2022 and the projected receipts of dividends for 2023:

	2022 Actual	2023 Forecast in NIS millions	Additional Information in the Financial Statements
Amot	350	344	Note 6c.3
BE	67	59	Note 6d.3
Energix	55	127	Note 6e.3
AH Boston	51	21	Note 6h.3
Total cash dividend	523	551	
[27]Carr – Dividend Reinvestment Plan	98	113	
Total dividend	621	664	

The dividend receipt forecast for 2023 is calculated in accordance with the declared dividend distribution policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

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

The information on dividend receipts for 2023 constitutes forward-looking information in accordance with Section 32A of the Securities Law, 1968, in view of the fact that there is no certainty that the authorized bodies of the investees will actually approve the dividend distributions, and this is at their sole discretion.

2.3.10 Management fee receipts

The following are the management fees received by the Company (expanded solo) in 2022 and the projected receipts of management fees for 2023:

	2022 Actual In NIS millions	2023 Forecast In NIS millions	Additional Information in the Financial Statements
Amot	11	11	Note 6c.4
Energix	8	8	Note 6e.5
Total	19	19	

[27] As part of the Company's choice to participate in Carr's DRIP program, the dividend amount to which the Company is entitled in Carr will remain after its receipt and reinvestment.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of December 31, 2022, the Group has cash balances in the amount of approx. NIS 1.7 billion (of which the Company's expanded solo balance is NIS 409 million).

In addition, as of December 31, 2022 and as of the date of publication of the report, the Group has unutilized lines of credit in the amount of approx. NIS 1.8 billion (of which the Company's expanded solo lines of credit – NIS 550 million).

2.4.2 Unencumbered assets

As of December 31, 2022, the Company's assets (expanded solo) are not encumbered. The balance of the Company's assets (expanded solo) (not including cash and other current assets) is in the amount of NIS 12.8 billion (a market value of NIS 15.2 billion). As of December 31, 2022, Amot has a balance of unencumbered assets in the amount of approx. NIS 18.6 billion.

2.4.3 Financial debt

As of December 31, 2022, the Group's net financial debt amounted to NIS 17.3 billion, constituting 50.1% of the Group's assets, compared to a net financial debt of NIS 14.7 billion, constituting 47.8% of Group assets as of December 31, 2021.

As of December 31, 2022, the Company's net financial debt (expanded solo) amounted to NIS 5 billion, constituting 39.2% of all Company assets (expanded solo), compared with a net financial debt of NIS 3.6 billion, constituting 30.3% of Company 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 as of December 31, 2022 and as of the date of publication of the report amounts to 33% and 34.4%, respectively.

The following are data regarding the Company's financial debt (expanded solo) as of December 31, 2022:

	Financial Debt Ratio at Fixed Interest (*)	Average Duration of Debt at Fixed Interest (in years)
The Company (expanded solo)	73%	4.4
Amot	100%	5.5
Energix	98%	7.7
BE	100%	2.1
CARR	72%	3.6
AH Boston	100%	3.1

(*) Including CPI-linked financial debt at fixed interest In addition, it includes variable-interest loans that were converted into fixed-interest loans through interest-hedging SWAP transactions and CAP options.

During the reporting period and subsequent to the balance sheet date, the Company (expanded solo) performed the following:

- In the reporting period and subsequent to the balance sheet date, the Company signed agreements to extend existing credit facilities. For additional information, see Note 12b.
- During the reporting period and subsequent to the balance sheet date, the Company raised debt in the total amount of approx. NIS 2.2 billion (before issue expenses) as detailed below:
  1. By way of an expansion of existing bond series in the amount of approx. NIS 1,158 million PV for a consideration of NIS 1,150 million (before issue expenses) and at an effective annual interest rate of 3.1%;
  2. By way of an initial issuance of bonds (Series M) and bonds (Series O) in the amount of approx. NIS 539 million PV for a consideration of NIS 539 million (before issue expenses) and at an effective interest rate of 4.94% and 2.56%, respectively;
  3. Subsequent to the balance sheet date, by way of an expansion of existing bond series in the amount of approx. NIS 491 million PV for a consideration of NIS 486 million (before issue expenses) and at an effective NIS interest rate of 5.1% and a CPI-linked effective interest rate of 2.7%.

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

Amot:

- During the reporting period, Amot raised debt through the expansion of existing bonds in a total amount of NIS 1,436 PV for a total (net) consideration of NIS 1,390. The bonds bear a weighted CPI-linked effective interest rate of 2.35% and have a weighted average duration of 6.5 years.

BE:

- Further to Section 2.3.6 above, as part of its engagement for the purchase of buildings 1 and 2 at the Cambridge Business Park (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, in consideration for the payment of approx. GBP 8 million (approx. NIS 33 million) to the seller, 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 3.18%.
- In addition, during the reporting period, BE initiated the early repayment of a loan in the amount of approx. GBP 64 million (approx. NIS 262 million).

Energix:

- During the reporting period, Energix engaged with a consortium of two foreign lenders in an agreement for the receipt of financing for additional wind projects in Poland in the total amount of up to PLN 290 million and at semi-annual Wibor interest plus a margin of 1.7%-2.4%. In addition, Energix engaged with a consortium of Israeli lenders organized by Discount Bank of Israel Ltd. in an agreement for the receipt of financing for the Israeli project in a total amount of up to NIS 650 million and at an interest rate according to the yield rate of an CPI-linked government bond with the same average duration plus a margin of 2.4%-2.6%.

Financing transactions of associates: For information regarding the financing transactions of Carr and the Boston Partnerships in the reporting period, see Sections 2.3.5 and 2.3.7 above.

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

For information regarding the Group's reportable substantial credit, see Chapter F, Section 5.2 in the Description of the Corporation's Business.

For additional details regarding the Group's liabilities, see Notes 11 and 12 to the financial statements.

2.4.4.Raising capital

In September 2022, the Company issued approx. 5.3 million ordinary shares of NIS 1 PV in consideration for the total net amount of approx. NIS 271 million, through a shelf offer report.

2.4.5 Working capital deficit

The working capital deficit as of December 31, 2022 amounted to a total of NIS 232 million in the consolidated statements (NIS 352 million in the Company's expanded solo statements). As of December 31, 2022, the Group has unutilized lines of long-term credit in the amount of approx. NIS 1.8 billion (NIS 550 million in the expanded solo), and a high balance of unencumbered assets (see Sections 2.4.1 and 2.4.2 above). In this light, the Company's Board of Directors believes that the existence of a working capital deficit stemming from the Group's policy of holding unutilized long-term credit facilities, instead of cash and deposits, does not indicate a liquidity problem.

2.5 Operating results

In the reporting period, the Group recorded a net profit of approx. NIS 339 million, compared to a net profit of approx. NIS 2 billion attributed to Company shareholders in the corresponding period last year. The share attributed to Company shareholders amounted to a loss of NIS 281 million in the reporting period, compared to a profit of NIS 1.6 billion attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of approx. NIS 552 million, compared to comprehensive income of approx. NIS 1.8 billion attributed to Company shareholders in the corresponding period last year. The share attributed to Company shareholders amounted to a loss of NIS 53 million in the reporting period, compared to a profit of NIS 1.4 billion 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.

For details regarding property revaluations recorded by the Group in the reporting period, see Section 2.3.3 above.

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 income, with the neutralization of profits (or losses) from the sale of properties and securities, depreciation and amortization and deferred taxes. This index presents the Company's cash production capability from regular and ongoing activities in the reporting period.

In 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 reported net profit for evaluating the results of the Group's operations.

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

	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Share of Company shareholders in net profit for the period	**(281,467)**	**1,557,947**	**302,998**
Adjustments to profit and loss:			
Fair value adjustment of investment property	(685,918)	(1,715,469)	187,782
Company share in property revaluations and other non-FFO items in investees	1,117,433	42,687	125,297
Profit from decrease in rate of holdings, from acquisition and realization of investees	(20,391)	(17,396)	(200,953)
Profit from securities	1,351	(48,101)	19,094
Others (mainly depreciation and amortizations)	108,427	119,566	89,381
Accumulated linkage differences and exchange rate differences	369,399	116,158	(30,403)
Deferred taxes and current taxes from the realization of securities and real estate, net	(111,843)	275,841	134,834
Share of non-controlling interests in the above adjustments to FFO	115,961	157,374	(132,597)
FFO	**612,952**	**488,607**	**495,433**
The following are the sources of the FFO:			
Revenues			
Investment property NOI	1,071,118	884,439	817,010
NOI from the sale of electricity less development costs	451,570	211,132	215,609
Carr's share in FFO without real estate revaluations	109,082	110,546	139,903
AH Boston's share in FFO without real estate revaluations	31,605	35,441	43,244
Energix, Brockton Everlast and Amot associates' share in FFO	23,155	20,850	10,324
PSP's share in FFO without real estate revaluations	-	2,569	31,495
Other revenues	2,281	5,789	5,142
Total revenues	**1,688,811**	**1,270,766**	**1,262,727**
Expenses			
Real financing, net	(343,245)	(286,318)	(300,932)
Administrative and general	(164,257)	(128,559)	(111,462)
Current taxes	(64,279)	(49,111)	(59,816)
Share of non-controlling interests attributed to current operations	(504,078)	(318,171)	(295,084)
Total expenses	**(1,075,859)**	**(782,159)**	**(767,294)**
FFO	**612,952**	**488,607**	**495,433**
FFO per share (NIS)	**3.48**	**2.82**	**2.87**

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

	For the Year 2022 in NIS thousands	For the Year 2021 NIS thousands	For the Year 2020 NIS thousands	Q4 2022 NIS thousands	Q3 2022 NIS thousands	Q2 2022 NIS thousands	Q1 2022 in NIS thousands
Revenues and profits							
Revenues from rental fees and management of investment property	1,219,178	989,381	891,632	343,685	301,940	293,240	280,313
Fair value adjustment of investment property	685,918	1,715,469	(187,782)	178,977	50,078	333,301	123,562
Group share in the profits (losses) of associates, net	(953,589)	126,719	99,670	(662,078)	(233,793)	(100,735)	43,017
Net profits (losses) from investments in securities measured at fair value through profit and loss	(1,351)	43,822	(15,250)	(6,621)	(67)	4,464	873
Profit (loss) from decrease in rate of holding, from purchase and realization of associates	20,391	17,396	200,953	(486)	(460)	2,972	18,365
Revenues from sale of electricity and green certificates	525,437	260,836	261,803	194,558	129,005	110,361	91,513
Other revenues (expenses), net	2,089	8,264	(553)	784	375	360	570
	1,498,073	3,161,887	1,250,473	48,819	247,078	643,963	558,213
Costs and expenses							
Cost of investment property rental and operation	146,800	104,404	74,622	38,921	36,329	38,384	33,166
Development, maintenance and operation costs of electricity-generating facilities	56,141	39,247	37,565	12,608	16,723	12,567	14,243
Depreciation and amortizations	112,398	84,947	82,598	31,130	30,932	27,920	22,416
Administrative and general	179,082	172,369	125,024	49,381	44,131	45,923	39,647
Financing expenses, net	712,644	402,476	270,529	182,824	136,028	230,639	163,153
	1,207,065	803,443	590,338	314,864	264,143	355,433	272,625
Profit before taxes on income	291,008	2,358,444	660,135	(266,045)	(17,065)	288,530	285,588
Income tax expenses (income)	(47,564)	324,952	194,650	(35,878)	(29,088)	(2,225)	19,627
Net Profit (Loss) for the Period	**338,572**	**2,033,492**	**465,485**	**(230,167)**	**12,023**	**290,755**	**265,961**
Distribution of net profit for the period:							
Share of Company shareholders	**(281,467)**	**1,557,947**	**302,998**	**(458,411)**	**(101,978)**	**123,915**	**155,007**
Share of non-controlling interests	620,039	475,545	162,487	228,244	114,001	166,840	110,954
	338,572	2,033,492	465,485	(230,167)	12,023	290,755	265,961

Comparison of 2022 operating results and 2021 operating results:

Revenues from rental fees and management of investment property – amounted to NIS 1,219 million in the reporting period, compared to NIS 989 million in the corresponding period last year, an increase of 23%. Most of the increase stems from Amot (approx. NIS 189 million) mainly due to the additional revenues from the acquisition of new properties and from properties whose construction has been completed, as well as from an increase in revenues from existing properties. The balance of the increase stems from revenues from new properties acquired by BE during 2021 and 2022 and from the end of an arbitration procedure for the updating of rental fees (according to the Rent Review mechanism) at one of BE's properties - see Section 2.3.6 above.

Fair value adjustments of investment property – In the reporting period, the Group recorded a profit from fair value adjustments of investment property in the total amount of NIS 686 million, as follows:

- Fair value adjustments of Amot's properties - A profit of NIS 982 million is mainly due to an increase in the NOI from the properties.

- Fair value adjustment of BE properties - The loss in the amount of NIS 296 million is mainly due to the increase in the discount rate of the projected cash flow of the assets and from the revaluation of assets in the planning stages in view of the expected increase in construction costs and bank financing.

In the corresponding period last year, positive property revaluations were recorded in the amount of NIS 975 million, in respect of BE's properties and positive property revaluations in the amount of NIS 740 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 781 million was recorded in the reporting period, compared to a profit of NIS 54 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 541 million (the Company's share in the loss before tax - NIS 876 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 188 million was recorded in the reporting period, compared to a profit of NIS 75 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 118 million (the Company's share in the loss before tax - NIS 222 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 2.3.7 above).

Net profits (losses) 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 44 million and stems mainly from the fair value adjustment of the Brockton Funds in the amount of approx. NIS 25 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 from 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 525 million compared to NIS 261 million in the corresponding period last year, an increase of NIS 265 million. The increase in revenues is mainly due to new facilities connected in Poland, the United States and Israel (approx. 161 million) and 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 91 million).

Financing expenses – There was a NIS 310 million increase in financing expenses in the reporting period compared to the reporting period last year. Most of the change (approx. NIS 270 million) stems from the effect of the CPI in the reporting period, which declined by a rate of 5.3%, compared to an increase at a rate of 2.4% in the corresponding period last year.

Tax expenses – There was a decrease of NIS 373 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):

	For the Year 2022 in NIS thousands	For the Year 2021 NIS thousands	For the Year 2020 NIS thousands	Q4 2022 NIS thousands	Q3 2022 NIS thousands	Q2 2022 NIS thousands	Q1 2022 in NIS thousands
Net Profit (Loss) for the Period	**338,572**	**2,033,492**	**465,485**	**(230,167)**	**12,023**	**290,755**	**265,961**
Profit (loss) from investment in Carr (1) (2)	181,802	(10,686)	(135,706)	(26,581)	30,695	134,743	42,945
Profit (loss) from investment in PSP	-	(2,147)	10,919	-	-	-	-
Profit (loss) from investment in AH Boston (1)	39,205	(14,240)	(34,748)	(3,231)	664	33,798	7,974
Profit (loss) from investment in BE (1) (3)	13,514	(61,018)	(30,408)	75,775	(79,673)	42,004	(24,592)
Classification of profit from realization of investment in long-term securities designated for realization to the Statement of Income (before tax)	-	(1,628)	(36,335)	-	-	-	-
Profit (loss) from other investments (4)	(16,089)	(74,571)	(40,354)	45,369	(57,783)	10,369	(14,044)
Tax effects	(4,777)	(24,291)	1,998	7,921	(30,420)	22,970	(5,248)
Other comprehensive income (loss) for the period	213,655	(188,581)	(264,634)	99,253	(136,517)	243,884	7,035
Total comprehensive income (loss) for the period	**552,227**	**1,844,911**	**200,851**	**(130,914)**	**(124,494)**	**534,639**	**272,996**
Allocation of comprehensive income (loss) for the period:							
Share of Company shareholder	**(53,496)**	**1,406,070**	**56,119**	**(420,343)**	**(178,268)**	**352,820**	**192,295**
Share of non-controlling interests	605,723	438,841	144,732	289,429	53,774	181,819	80,701
	552,227	1,844,911	200,851	(130,914)	(124,494)	534,639	272,996

(1) Profit (loss) from investment in respect of foreign currency – The profit (loss) represents the increase (decrease) in the Company's investments due to changes in the NIS against the investment currencies in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions and cross-currency swap transactions in USD, designated as hedges for investments. In the reporting period, there was a devaluation of the NIS by a rate of 13.2% and 0.8% against the USD and the GBP, respectively. In the corresponding period last year, there was an appreciation of the NIS by a rate of 3.3% and 4.3% against the USD and the GBP, respectively.

(2) The net profit (loss) from the investment in Carr also includes the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr (profit in the amount of NIS 37 million in the current period compared to a profit of NIS 14 million in the corresponding period last year).
In addition, in the corresponding period, a profit was recorded 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 (loss) from the investment in BE also includes the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE (profit in the amount of NIS 30 million in the current period compared to a profit of NIS 9 million in the corresponding period last year).

(4) In the reporting period and in the corresponding period last year, mainly the effect of exchange rates on Energix (depreciation of the NIS against the USD and the PLN in the current period compared to the appreciation of the NIS against the USD and the PLN in the corresponding period) and a loss from electricity price-fixing transactions in the United States.

2.6 Cash flows

	2022	2021	2020
	NIS millions	NIS millions	NIS millions
Total cash provided by operating activities	**629**	**666**	**754**
Cash flow used for investment activity			
Investment in investment property and fixed assets	(1,159)	(3,455)	(1,139)
Investment in electricity-generating systems	(1,131)	(1,194)	(628)
Investment in Carr	(202)	-	(151)
Investment in Boston properties	(57)	(39)	(28)
Proceeds from the realization of PSP (net of tax), including tax refund	20	187	1,359
Proceeds from repaid hedging transactions	36	117	25
Realization of (investment in) tradable securities	-	119	(49)
Acquisition of consolidated companies	(298)	(121)	-
Investment in Brockton Funds, net	(4)	(26)	(2)
Repayment (provision) of loans	127	(88)	10
Net decrease (increase) in deposits (including pledged deposits)	(407)	(6)	137
Other	26	(35)	-
Total cash used in investing activities	**(3,049)**	**(4,541)**	**(466)**
Cash flow deriving from financing activity			
Receipt of loans (long-term loans and utilization of short-term bank credit)	244	2,138	428
Proceeds from the issuance of bonds and bond options	3,037	2,263	2,300
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit)	(1,544)	(1,563)	(1,705)
Capital raised by the Company	295	29	4
Capital raised by Amot (net of the Company's investment in the issue)	487	47	18
Capital raised by Energix (net of the Company's investment in the issue)	534	437	598
Capital raised by BE (net of the Company's investment in the issue)	569	-	-
Purchase of shares from non-controlling interests	(38)	(10)	(22)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(652)	(471)	(457)
Total cash provided by financing activities	**2,932**	**2,870**	**1,164**
Total increase in cash balances in the period	**512**	**(1,005)**	**1,452**
Other influences	**24**	**(17)**	**(9)**
Cash and cash equivalents and designated deposit at end of period	1,729	1,193	2,215
Less - designated deposit	(34)	(30)	-
Cash and cash equivalents at end of period	**1,695**	**1,163**	**2,215**

2.7 Equity

2.7.1 Equity per share

	As of December 31 2022	As of December 31 2021
	NIS millions	NIS millions
Equity	13,591	11,830
Less non-controlling interests	(5,881)	(4,192)
Equity attributed to Company shareholders	**7,710**	**7,638**
NAV per share	**42.90**	**43.89**
NNAV per share	**48.53**	**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 72 million. The main changes are as follows:

- Increase due to the issuance of capital (including the exercise of employee and director options) in the amount of NIS 285 million.
- Increase in capital reserves due to the profit created in the capital offering of associates in the amount of NIS 135 million.
- Net loss attributed to Company shareholders in the amount of NIS 281 million - see additional details in Section 2.5.2 above.
- Other comprehensive income attributable to Company shareholders in the amount of NIS 228 million - see additional details in Section 2.5.3 above.
- A reduction in capital due to dividends paid in the amount of NIS 298 million.

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

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of December 31, 2022 (in NIS millions):

	Assets	Liabilities	Assets, net	%
USD	3,617	(2,848)	769	10%
GBP	3,410	(2,242)	1,168	15%
Other (Primarily Polish Zloty)	228	(26)	202	3%
Excess assets over liabilities in foreign currency	7,255	(5,116)	2,139	28%
Excess assets over liabilities in NIS	6,057	(486)	5,571	72%
Equity as of December 31, 2022	**13,312**	**(5,602)**	**7,710**	**100%**

- In 2022, the Company's capital increased by approx. NIS 195 million, net (before the tax effect) due to changes in the NIS against the foreign currencies in which the Group operates (mainly changes against the USD).

For details regarding the Company's currency exposure policy, see Section 4.2.1 below.

2.7.4 Dividends

In March 2023, the Company's Board of Directors made a decision regarding the dividend policy for 2023 according to which a total dividend of NIS 1.28 per share will be paid in 2023, which will be paid in 4 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). In addition, at its meeting in March 2023, the Company's Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.18 per share (NIS 32 million).

For details on dividends distributed by the Company in 2022 – see Note 16d.

2.8 Remuneration of Senior Employees

On October 6, 2021, the General Assembly approved a remuneration policy for Company officers for the years 2022-2024, in effect from January 1, 2022 (hereinafter - the "**Remuneration Policy**"). The remuneration policy replaced a remuneration policy that had been in effect in the years 2019-2021.

The Remuneration Committee and the Board of Directors at their meetings of March 6, 2023 and March 12, 2023, respectively, discussed and determined the Company's annual bonus for the VPs in respect of 2022 and the economic value of the capital bonus to be granted to each of the VPs in 2023 according to the remuneration policy.

The Remuneration Committee and the Board of Directors examined, with respect to each VP separately, all the criteria determined in the remuneration policy, and stated, among other things, that:

(A) The bonuses offered are for the benefit of the Company in the long term.

(B) The total remuneration of each one of the VPs, including the remuneration of the VP of Business Development and the CFO, including the variable components, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), is in accordance with the remuneration policy[28] and constitutes a fair consideration for the contribution of each VP to the Company's operations and its results.

(C) They do not believe that the bonuses detailed above will have an effect on employment relationships in the Company.

For information regarding the remuneration terms for 2 Company officers (VPs), see Regulation 21 in the Additional Information on the Corporation chapter of the Periodic Report.

Remuneration of the Company CEO -

On October 6, 2021, the General Assembly approved a management agreement with a company owned by Mr. Nathan Hetz, the Company CEO, in accordance with the remuneration policy for a period of three years beginning January 1, 2022. For additional information, see Note 18a.

Remuneration of the Chairman of the Company's Board of Directors -

On October 6, 2021, the General Assembly approved a management agreement with a company owned by Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, in accordance with the remuneration policy for a period of three years beginning January 1, 2022, and for as long as he serves as Chairman of the Company's Board of Directors. For additional information, see Note 18b.

Remuneration of officers -

Regarding the terms of office and employment of the seven officers with the highest remuneration among the senior executives of the Company or of companies under its control, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) 1970 (of which three are officers of the Company itself), see Regulation 21 in the Additional Information on the Corporation chapter in the Periodic Report.

Regarding the granting of option warrants to Company officers and employees, see Note 16e. Regarding the granting of option warrants to directors, see Note 18c.2 to the financial statements.

[28] With the exception of an immaterial exception in relation to one officer - see Footnote 7 in the chapter for Additional Information regarding the Corporation.

3. Sustainability and Social Responsibility – Environmental Risk Management, Environmental Responsibility and the Environmental Impact on the Group's Activities (ESG)

The Group operates in all its branches around the world, out of awareness of its responsibilities and the environmental consequences resulting from its activities, out of a commitment to minimize the environmental impacts of its activities, with an emphasis on sustainability. The Group recognizes that proper environmental risk management may provide it with a business advantage that will benefit it, its employees and its customers and increase trust in the community. Therefore, the Group works to integrate environmental considerations into the business and management decision-making system of the Group companies.

From 2006, the Company has been given an ESG rating by Maala. As of the reporting date, the Company is rated at the **platinum rating level**.

In 2021 and 2022, the Group companies published ESG reports in accordance with accepted international standards. The Company is expected to publish its ESG report for the first time during the first half of 2023.

The aspects of sustainability and social responsibility applied in the Company can be characterized in several areas, as will be explained below, while the Company's management believes that the impression and the main impact of the Group on the environment and community is in the characteristics of the income-generating properties developed by the Group companies, as detailed in the "Environment" section below.

1. Environment -

Green construction, or sustainable construction, refers to an environmentally responsible and resource-efficient process throughout the life cycle of a building. Green buildings are designed to reduce the overall impact of the built up environment on human health and the natural environment through the efficient use of energy, water and other resources, and by reducing pollution. The Group promotes the integration of green building methods in all of the Group companies' planning, development and improvement programs, in accordance with the accepted, strict and advanced international sustainability standards that exist in the green construction industry that ensure the preservation of the environment and the health of the Group's customers, such as:

- Building Research Establishment Environment Assessment ("BREEAM")
- Leadership in Energy and Environmental Design ("LEED")
- WELL Building standard and National Australian Built Environment Rating System UK ("NABERS UK")

Some examples:

A. The Leadership in Energy and Environmental Design Standard (hereinafter: "LEED") – The LEED standard, which was drafted by the U.S. Green Building Council, includes five main categories as follows: sustainable sites; efficient use of water; energy and atmosphere; materials and resources; and the environmental quality within a building.

All projects initiated and in development by the Group are planned in accordance with the most stringent LEED standards, LEED Platinum or LEED Gold.

Amot - It should be noted that the Amot Atrium project, which was built by the Group in Ramat Gan, has received the LEED Platinum standard. After that, the "ToHa1" project in which the Group is a partner also received that standard. In 2021, two Amot buildings were LEED-certified - the Amot Holon Campus received the LEED Platinum rating and Amot Modi'in received the LEED Gold rating.

In addition, Amot has projects that are, as of the date of the report, under construction with sustainability standard targets as follows: Park Afek Rosh HaAyin - LEED Gold, HaLehi Complex Bnei Brak - LEED Platinum and the K Complex Jerusalem - LEED Platinum.

Carr - In the reporting period, the Group, through Carr, completed the construction of the Signal House building in Washington, D.C., USA and as of the date of publication of the report, the Group, through Carr, is in the advanced stages of construction of the One Congress building in Boston, USA. The standard targets of the above two buildings are: LEED Gold for the envelope and for the core, Energy Star, FITWEL V2 and UL Verified Healthy Buildings. The buildings have been / will be equipped with energy saving systems (efficient curtain walls, real-time energy intelligence systems, etc.), electrified heating systems to reduce carbon emissions, ventilation and air filtration systems, natural light systems and no-contact access to maintain tenants' health.

B. Energy Reset Construction and Reduction of Carbon Footprint "Net Zero Carbon" - Energy reset buildings during the operation period are structures that produce for themselves the energy they consume. That is, they do not consume energy from external sources or the total energy they produce is equal to the total energy they need. The taller the building, the greater the challenge of resetting it energetically. When a new building is built, the "consumption" of carbon per sq.m. is measured and this is offset against investments in "green" projects.

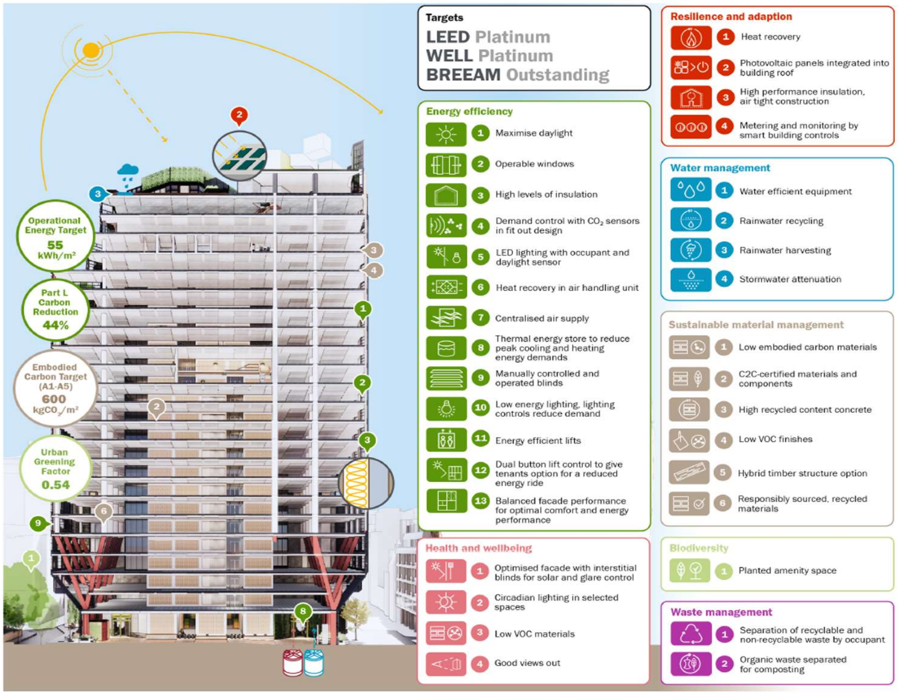
The Group works, in Israel and abroad, to reduce the carbon footprint of its properties, as a vision for achieving the "Net Zero Carbon" standard, as follows:

Amot - Part of being a pioneer in green construction, and in order to preserve its leadership in the field, Amot decided to carry out the Beit Havered project in Givatayim. The project includes the renovation of an outdated property, making it innovative, green and energy-efficient. In addition, an office project in the Modi'in industrial zone was selected by the Ministry of Energy as a test case for an energy reset building in Israel.

BE - The Group operates in the UK, through BE, to ensure that the entire asset portfolio achieves net zero carbon emissions by 2030. In this context, BE is currently completing a full measurement of the carbon signature of its properties in accordance with the Greenhouse Gas Protocol standard and in addition, it conducts an assessment of the expected carbon emissions of properties in initiation and planning according to the Whole Life Carbon (WLC) standard.

In the properties planned for construction, BE set a planning target according to which the carbon emission for the construction of a building in development will not exceed 600 kilos of carbon per sq.m. for rent, according to the standard of the London Energy Transformation Initiative (LETI) and energy utilization during the operating period not exceeding 55 KW per sq.m. leased for one year (55 KWh/m2/yr GIA).

As of the date of publication of the report, BE is in advanced planning procedures for an office building in the City of London, the Dovetail Building, which will meet the standards: BREEAM Outstanding rating, Well Platinum and LEED Platinum[29].



Overview of our key ESG targets for The Dovetail Building

In addition, as of the date of publication of the report, BE is in the initial planning procedures of buildings at the Cambridge Science Park, whose planning objectives include, among other things: zero carbon emissions upon completion and operation and emission targets during construction between 475 and 600 kgCO2e/m2 GIA, energy use (for the entire building) between 200 and 250 KWh/m2 GIA and elimination of waste and improvement of resource efficiency through recycling in the range of 30%-50%.

C. **The Israeli standard for green building (5281)** – The standard includes several categories for review, including: energy, water, materials, waste, health, transportation and more, as well as a number of indicators for defining a green building. The standard is divided according to common building types, including residential buildings. offices, educational institutions, commerce and public buildings. In this context, it should be noted that the "Amot Platinum" office tower in Petah Tikva is the office tower that received the highest score in Israel in this category.

D. Along with the compliance with the most stringent environmental standards in construction, the Group currently uses advanced construction technologies, such as the following:

1.) Double Skin Facade – A technology for the exterior cladding of buildings, using a double glass wall with a total thickness of over 25cm. (which provides thermal and acoustic insulation) and an automatic shading system that follows the angle of the sun and allows maximum natural light to enter the building without direct radiation (the system is controlled by an automatic control system).

2.) Use of recycled materials – The Group companies make sure to use materials with recycled content, in accordance with the stringent requirements of the LEED Platinum standard.

[29] Among the planning objectives of the building: reduction of carbon emissions by 44% in relation to the UK Building Regulations Part-L 2013 standard and with the aim of reaching the target of zero carbon emissions; achieving a factor of 0.53 according to Urban Greening (well beyond the 0.3 required by the standard); 50% reduction of water use in accordance with the BREEAM WAT 01 standard; meeting LETI targets for energy efficiency during construction - the carbon emissions from the construction of a building in development will not exceed 600 kilograms of carbon per sq.m. for rent; meeting LETI targets for energy efficiency in the operational stage - 55 KW per sq.m. leased per year; and replacement of fresh air at a capacity of 20 liters / per second / per person.

3.) The buildings are equipped with efficient and environmentally friendly air systems that measure the indoor air quality, systems for water utilization for reuse and charging stations for electric vehicles are installed. The Group's companies are working to improve the performance of the electromechanical systems in their properties, such as the replacement of air conditioning systems, which constitute a significant energy consumer in their properties.

4.) **Recycling of condensate water from air conditioners** – In the projects established by Amot, the condensate water is recycled and transferred after treatment to the irrigation systems and to fill the toilet tanks.
Recycling of irrigation water and storage of surface runoff for irrigation needs – Amot promotes gardening systems detached from the ground. These systems are economical in irrigation water and prevent seepage of fertilizers into the groundwater. Some of the detached bed systems are excess water reservoirs. The reservoirs have an increased capacity to absorb part of the surface runoff.

In summary and for convenience, the following is a list of the Group's projects that are or are preparing to meet the sustainability standards detailed above:

The Company	The Property	Location	Development Stage as of the Reporting Date	Types of Standardization
Amot Investments Ltd.	Amot Holon Campus	Holon, Israel	Income-generating property	LEED Platinum
	Amot Modi'in	Modi'in, Israel	Finishing work	LEED Gold
	Vered House	Givataim, Israel	Income-generating property	LEED Platinum
	Park Afek	Rosh HaAyin, Israel	Building permit received	LEED Gold
	HaLehi Complex	Bnei Brak, Israel	Performance stages	LEED Platinum
	K Complex	Jerusalem, Israel	At the end of digging and excavation work	LEED Platinum
	ToHa2	Tel Aviv, Israel	Under construction	LEED Platinum
	Amot Atrium	Ramat Gan, Israel	Income-generating property	LEED Platinum
	ToHa1	Tel Aviv, Israel	Income-generating property	LEED Platinum
Carr Properties	One Congress	Boston, United States	Under construction	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	Signal House	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	The Wilson & The Elm	Bethesda, United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	4500 EAST WEST	Bethesda, United States	Income-generating property	LEED Platinum Energy Star certification, WELL Health-Safety Rating, UL Verified
	MIDTOWN CENTER	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	100 CONGRESS	Austin, Texas	Income-generating property	LEED Gold, Energy Star certification
	75-101 FEDERAL STREET	Boston, United States	Income-generating property	LEED Gold, Energy Star certification
	1700 NEW YORK AVE	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, FITWEL v2 (pending) UL Verified Healthy Buildings
	1701 DUKE STREET	Alexandria, United States	Income-generating property	Energy Star certification, WELL Health-Safety Rating, UL Verified
	THE HUB	Washington D.C., United States	Income-generating property	LEED Silver, Energy Star certification, WELL Health-Safety Rating, FITWEL v2 (pending) UL Verified
	2001 PENN	Washington D.C., United States	Income-generating property	Energy Star certification, WELL Health-Safety Rating, UL Verified

	901 K STREET	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, Fitwel Certification UL Verified
	1875 K	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	COLUMBIA CENTER	Washington D.C., United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	CLARENDON SQUARE	Arlington, United States	Income-generating property	WELL Health-Safety Rating, UL Verified
	200 STATE	Boston, United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
	2311 WILSON	Arlington, United States	Income-generating property	LEED Gold, Energy Star certification, WELL Health-Safety Rating, UL Verified
Brockton Everlast	The Dovetail Building	London, UK	In advanced planning	BREEAM Outstanding rating, Well Platinum -ו LEED Platinum
	Buildings in the Cambridge Science Park	Cambridge, UK	In initial planning	BREEAM Outstanding rating, Well Platinum -ו LEED Platinum

All stated in this section above, regarding projects in planning, development and construction of Group companies, including in relation to the Group companies achieving the sustainability targets they have set for themselves, is forward-looking information, as defined in Section 32A of the Securities Law, that is not under the complete control of the Group companies, and also depends, among other things on the manner in which the properties will be utilized by the tenants.

2. Renewable energy –

The Group is engaged, through Energix Renewable Energy Ltd., in the development, construction and operation of electricity-generation systems from solar and wind energy in Israel, the United States and Poland. The Group, through Energix, has set itself the goal of becoming a private electricity producer, taking an active and leading role in the green energy revolution. The Group emphasizes the creation of additional added value, which is reflected in the Triple Win strategy: contribution to the environment, contribution to the community and added value to the Group's activities, such as establishing projects in the periphery, while investing in infrastructure and creating hundreds of jobs that contribute to the community in which the project is built and to the environment. Such projects help the economic development of the region by creating an additional source of income for landowners and sources for paying taxes and property taxes that strengthen local and/or regional councils in the periphery.

In addition, Amot generates electricity using photovoltaic systems and uses them for the needs of its customers, and purchases electricity from companies that generate electricity using wind turbines and solar energy.

It should be noted that the Group, through Energix, actively supports and participates in the financing of the establishment of visitor centers for education and to expose the younger generation to the sustainability field, with an emphasis on the environment and preservation of the earth's resources.

3. Corporate governance -

The Group conducts itself in accordance with procedures and high standards of corporate governance, strict ethical standards in the business conduct and supports a high level of transparency. Among the Group's core values: fair business conduct, managers' responsibility for their employees, maintaining individual confidentiality and privacy, safeguarding employees' rights and family values.

The Company has an ethical code that presents the above core values, and its policy on social, environmental and community issues, which is published on the Company's website.

It should be noted that 4 of the 7 directors who serve on the Company's Board of Directors are independent directors (including external directors).

4. Proximity to public transportation and promotion of alternative electric transportation -

The Group works, in its various branches around the world, to develop projects close to public transportation in order to reduce the use of polluting private transportation, and encourages the use of non-polluting tools by creating designated areas for bicycle parking, installation of charging stations for electric vehicles, etc., in new projects and projects in development.

In this regard, Amot recently announced the establishment of a network of charging stations for electric cars at its properties throughout the country. Amot considers this an important expansion of the basket of services it provides to its thousands of customers and their employees who will now benefit from high accessibility to charging stations and attractive charging costs. Moreover, in recognition of the importance of the issue, the charging stations will be available for use by the general public at a reduced price, and not only for the residents of the towers. As of the end of 2022, there are 127 charging stations at Amot's various properties. Amot has committed to meet the supply of 100% of the future demand for the establishment of charging stations for electric vehicles in its properties.

5. Social responsibility -

The Group considers itself as an integral part of its community and with this in mind, the Group supports many charities, which share its values, such as: reducing inequality, helping and promoting young people, organizations and initiatives related to health and child education and more. The following are several examples of the Group's activities in this area:

- **Contribution to the community -** During 2022, the Group in Israel made contributions in the amount of approx. NIS 7 million.
- **Volunteering -** The Group companies encourage their employees to contribute to the community by volunteering and initiate organized volunteering days for employees who are interested. The Group's employees volunteer, among other things, in the education of Beduin youth, in agriculture, protection of agricultural fields, preparation of food packages, the Israel Police and more.
- **Reduction of inequality in minority groups -** The Group, through Energix, creates collaborations with the Bedouin community in the south of Israel, including holding enrichment workshops and seminars, and also with the Druze community in the north of the country, including providing scholarships for pre-military preparatory schools.
- **Gender equality -** 45% of the Group's employees in Israel are women. 31% of the Group companies' employees in Israel are women and 39% of the Group companies' directors in Israel are women.
- **Accessibility -** Most of the group's properties are fully accessible to people with disabilities, in recognition of the importance of equal rights for people with disabilities.
- **Environmental development -** The group works to develop ancillary facilities in its various projects for the benefit of its customers and the public, such as: open and shaded gardens (by building tall buildings and clearing the land resource for the public), ornamental pools, green roofs, some of which are open to the general public, conference halls, restaurants and cafes (even when it is not economically viable for the Group).
- **Capital remuneration -** The Company considers the great importance of its employees identifying with its goals and accordingly, the Company employees enjoy capital remuneration. Each year, the Company allocates, without consideration, non-tradable option warrants that can be exercised for the Company's shares, on preferential terms, from a long-term perspective.

The Group intends to continue to operate, out of a commitment to environmental and social responsibility, while integrating environmental considerations and environmental risk management into the business and managerial decision-making system of the Group companies, in order to benefit the environment, society and community in which the Group operates.

4. Market risk exposure and management

Mr. Nathan Hetz, the Company's CEO, is responsible for the risk management. For details in his regard, see the reporting according to Regulation 26 in the report on Additional Information on the Corporation.

4.1 Description of market risk to which the company is exposed::

The Group's business results and the value of its properties are affected by the following factors:

- The Company's management estimates that the appearance of a severe global recession, to the extent it occurs, will affect the Group's income from its income-generating property activities in Israel and in the markets in which it operates. These effects may be reflected in a slowdown and/or a decline in demand with the possibility of a decrease in prices and/or a decline in the value of the income-generating properties. A decline in share prices and/or in the value of income-generating property may, among other things, have an adverse affect on the compliance with financial ratios, lead to an increase in financing prices, difficulty in obtaining financing sources and difficulty in the recycling of existing loans.
- Amot, Carr, the Boston property companies and BE operate in the income-generating property market in Israel, the U.S. and in the UK (respectively) and are exposed to risks including: economic slowdown, decline in demand for rental space (including possible implications of a transition to a hybrid work model that combines work at the office and from home), decrease in rental prices, excess speculative construction, an increase in the cost of raising capital, an impairment of the strength of major tenants and an increase in the prices of construction inputs, including delays in the supply chain to projects in development and an increase in equipment and shipping costs.
- Most of the Group's continuing operations are carried out through the holding of shares in the companies holding income-generating property in Israel, the U.S. and the UK. Consequently, the changes in interest rates (and in their risk margins), the exchange rates and the demand for real estate in the above countries may have a material impact on the Group's business results. In addition, the volatility of the stock markets in which the shares of some of the Group's companies are traded may have an effect on the ability to realize them and on their future value, if and when the Group seeks to realize these investments as well as on the financial covenants related to the value of collateral connected with the loans taken by the Group.
- The Group is dependent on the capital market and the banking system from which it raises capital and debt. The Group's activity in the capital market is subject to fluctuations due to the influence of macroeconomic factors in Israel and abroad and regulatory changes on which the Group has no influence. These fluctuations affect the rates of securities traded on the stock exchange, the amount of the credit sources provided by the banking system and the extent of the public's activity in the capital market. These fluctuations may affect the Group and the options it will have at its disposal for raising the financing sources that will be needed to continue its operations.
- The Company has CPI-linked NIS financing sources (mainly bonds). As a result, the Group is exposed to changes in the CPI. As of December 31, 2022, the Company's net exposure (expanded solo) to the CPI amounted to NIS 0.5 billion (excess liabilities over assets). Because the Company considers its investment in Amot, and part of its investment in Energix (the CPI-linked part), as CPI-linked investments from an economic perspective (for the long term), the Company has excess assets over CPI-linked liabilities in the amount of NIS 4.6 billion as of December 31, 2022.
- The Group is exposed to changes in the short-term and long-term interest rates in the markets in which it operates, which has an effect on loans, transactions in derivatives and on the value of investment property.
- The Group has investments and sources of financing denominated in foreign currency. Therefore, the Group is exposed to changes in the exchange rates of these currencies against the NIS.
- The Group, through Energix, is exposed to the risk of a decline in the price of green certificates or a decline in the demand for them, and as a result, it is exposed to a reduction in the flow of revenues from the Group's projects in Poland and in the U.S. The Group is also exposed to changes in electricity prices in Poland and in the U.S.
- The Group's revenues from the sale of electricity are exposed to changes that may occur in the Israeli, American and Polish regulatory environments, among other things, regarding tariffs set for the sale of electricity, to the various conditions Energix must meet in order to receive the licenses for the construction of renewable energy facilities, the regulatory conditions in Poland, changes in the Polish Renewable Energy Law, and changes in the American tax regime, such as a reduction in the tax benefits granted to photovoltaic facilities.
- The Group's revenues from the sale of electricity are significantly affected by weather conditions. At wind farms, revenues are affected by the strength of the wind and photovoltaic systems are affected by the intensity of solar radiation (radiation level and hours of radiation), temperature conditions and other climatic parameters. In addition, extreme weather conditions can also lead to delays in project construction or in extreme cases, to the temporary shutdown of electricity-generation systems.
- For information regarding possible consequences of the changes in the legal system in Israel, see Chapter 6a. of the Description of the Corporation's Business.

The following are the risk factors described above and their impact, according to the Company's management, on its business results:

	Degree of Risk Factor's Impact on the Company's Activity	
	Major	**Moderate**
Macro-economic risk factors:		
Interest risks	X	
Changes in exchange rates	X	
Lack of growth and severe economic recession	X	
Changes in the value of tradable securities	X	
Regulatory changes in banking, capital markets and taxation	X	
Change in employment rate	X	
Changes in inflation rates		X
Industry risk factors:		
Change in the demand for rental space	X	
Changes in rental prices	X	
Excess speculative construction	X	
Increase in capital raising cost	X	
Financial strength of tenants		X
Increase in construction input costs, including delays in the supply chain for projects in development and rising equipment and shipping costs		X
Changes in electricity prices and in the price of green certificates in Poland		X
Changes in the regulatory environment in Israel, Poland and the U.S. regarding Energix's activity in these countries		X
Cyber risk		X
Weather conditions, seasonality and climate change		X

For details regarding interest, inflation and currency exposure risks, see Note 22 to the financial statements.

4.2 The Corporation's policy for market risk management

4.2.1 The Company has a policy of partially hedging the currency exposure for its investments, as follows: 35%-45% of the Company's capital will be "allocated" (through hedging as required) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio (according to market value on an expanded solo basis), but the Company's management will have the authority to increase or decrease exposure in each currency.

Regarding the exposure of the Company's equity to the various currencies, see Section 2.7.3. above.

Regarding financial derivative positions, see Note 22 to the financial statements.

4.2.2 The Group has a conservative financial management policy that is reflected in financial flexibility resulting from maintaining a high level of unencumbered assets and long-term average durations of financial liabilities, while carefully maintaining unutilized credit facilities (except for short-term facility utilization as needed) and reasonable leverage ratios.

4.2.3 In order to hedge the exposure to rising interest rates, the Group usually takes credit at a fixed interest rate and/or hedges the exposure through the conversion of debt with a variable interest rate to debt with a fixed interest rate by using SWAP-type hedge transactions and CAP options. For details regarding the main changes in the Group's financial debt, see Section 2.4.3 above.

4.2.4 The Group companies invest, on a cumulative basis, in hundreds of income-generating properties with an extensive variety of thousands of tenants that generates a regular, steady and long-term cash flow.

4.2.5 The Group companies with a significant development component, engage with construction contractors in contracts that include structured engineering milestones, including mechanisms to protect against increases in project costs.

4.3 Means of monitoring and implementing the Corporation's market risk management policy

The Company's CEO and CFO regularly monitor developments in relevant markets. In the event of unusual developments in the currency and interest markets, they study the data, and from time to time reach decisions to perform actions in the derivative markets in order to protect against interest and exchange rate risks.

The Company's Board of Directors receives reports on developments in the market risk management, if any, on a quarterly basis.

4.4 Cyber risk

The Company has various information systems. The Company estimates that the amount of damage that could be caused it as a result of a cyber attack is not high. Nevertheless, the Company is assisted from time to time by information security consultants and implements tools and systems designed to protect against cyber threats, loss of information, the risk of information hijacking and destruction by malicious parties, and works to back up information and the ability to recover quickly in a cyber event.

During the reporting period, the Company continued to work to strengthen the information security system, in order to reduce the danger of hostile elements infiltrating its internal information systems and computer network. At the same time, it should be clarified that there can be no certainty regarding the ability of Energix to completely prevent cyber attacks.

The Company's cyber risk management policy is managed by an information systems manager who reports to the Company's CFO. As part of the Company's cyber risk management policy, the Company periodically performs a comprehensive cyber risk survey, based on which a plan is formed to reduce exposures, procedures are updated, and additional protection tools are implemented as needed. The Company conducts an ongoing activity to raise awareness among employees.

In addition, the Group companies operating in the field of income-generating property have various databases that contain both confidential and personal information in relation to their customers. Failure and/or an information security event in relation to the systems used by the Group companies and in which such information is stored, may affect their ongoing activities, their customers, the provision of the services provided by them and their reputation. However, the Group estimates that the extent of the damage that may be caused to it by a cyber attack is not high. Nevertheless, each of the Group companies works to secure the information accumulated in their systems and, for that purpose, is assisted by information security consultants. The Group companies work to implement technological and organizational measures, including work procedures for the purpose of securing information from unauthorized discovery and/or use and/or loss of information, including dealing with cyber attacks and recovery in the event of an attack.

Amot –

Starting in 2021, Amot has carried out a comprehensive procedure that includes a mapping of its technological systems and an assessment of the extent of its exposure to information security events and cyber incidents and of the risks it may incur as a result of such events. In addition, Amot has established procedures detailing the ways to act and deal with such events. In order to carry out the procedure and for the ongoing updating of the procedures, including practicing, Amot was assisted by external consultants for information security and privacy protection matters. Also, audit work was carried out by Amot's internal auditor to examine the cyber risks and information security risks to which Amot is exposed and the extent of its ability to deal with them.

Following the procedure, Amot estimates that the degree of damage that it can incur by information security events and/or a cyber attack is not high. However, Amot, with the assistance of its consultants in the field, have prepared a multi-year systemic work plan that establishes a methodology for dealing with cyber risks and information security events, according to which it has acted and acts on an ongoing basis, to implement technological and organizational measures designed to prevent the risks and/or enable it to deal with them with minimal damage, among other things: (1) A procedure was adopted for handling information security events that details the manner of conduct of the various parties in Amot, with the assistance of its external consultants in the field, for handling various types of cyber events, including recovery procedures; (2) An information security manager who is an external consultant specializing in the field of information security was appointed. The information security manager together with the manager of Amot's information systems and under the supervision of Amot's management, are responsible for the implementation of the information security policy adopted by Amot; (3) There are ongoing controls and supervision of the quality of risk management while striving for improvement and updates as required; (4) Identification and assessment of the risks inherent in a substantial new activity and in new products is carried out, including in an engagement with suppliers of new technological systems; (5) Amot carries out a preliminary examination of its suppliers who are involved in the processing of the information and/or in the access to its systems and databases, as well as their signing of appropriate confidentiality and information security appendices; (6) Amot's technological information security measures were increased and there was a transition to technological systems that enable increased protection as well as recovery from a disaster, systems were implemented that monitor anomalies in the technological systems and procedures regarding backups were increased. (7) Regular training and controls are carried out for Amot employees regarding the use of the information systems, and the technological systems, as well as targeted surprise exercises to detect faults, refine procedures and create regular practice for the correct conduct of information security event controls; (8) Periodic reports and updates are made to the members of the Audit Committee and to Amot's Internal Auditor regarding Amot's activities in the field.

Energix –

Energix, which operates in the field of renewable energy, makes regular use of information technology systems, communications and data processing systems. Any damage to such systems may expose Energix to delays and disruptions in the supply of electricity generated at its facilities and/or cause damage to the information in its possession and/or damage to its reputation. In addition, Energix also has various databases that are located in various technological systems, which it uses for its ongoing operations. Energix implements a variety of protective measures to protect its information systems and electricity generation against cyber attacks, is assisted by the Information Systems Manager, Information Security Manager (CISO) and other external professional consultants, from time to time, to protect its various systems from cyber attack and to maintain rapid recovery capability in the event of an attack, including the implementation of the required protection tools in accordance with the latest technological developments, and the guidelines of the Ministry of Energy and the Securities Authority, which are renewed from time to time.

Energix's cyber risk management policy is managed by the VP Information Systems who reports to Energix's CFO. As part of its information security activity, among other things, a periodic cyber risk survey is conducted on the basis of which a plan is prepared to reduce exposures, methodologies are incorporated to manage cyber risks and examine their probability, an annual work plan is prepared to deal with cyber risks and there is ongoing activity to raise awareness among employees. Energix has procedures for dealing with cyber risks, including an event response procedure that includes an initial response team. During the reporting period, Energix continued to work to strengthen its information security system, including the implementation of a system for collecting and analyzing logs that helps to identify security breaches, a system that warns of suspicious activity on the network, as well as a system for detecting and protecting against threats while surfing the Internet and protecting against identity theft. At the same time, it should be clarified that there can be no certainty regarding Energix's ability of Energix to completely prevent cyber attacks.

In addition to the above, Energix purchases an insurance policy against cyber events that provides, among other things, insurance coverage for extortion events, system failures, and more. Also, despite the many actions taken by Energix to prevent cyber attacks, the occurrence of such an event may have a material effect on Energix's activity. In addition, Energix may be required to bear the costs of protecting information systems as well as repairing damage caused by such attacks to the extent they occur including, for example, establishing internal defense systems, implementing additional safeguards against cyber threats, protecting against litigation as a result of a cyber attack, payment of compensation or taking other corrective action against third parties.

BE–

Brockton Everlast, which operates in the income-generating property sector in the UK, uses information systems to manage its activities, store files and carry out accounting.

The risks to which BE is exposed are, among other things, unauthorized access to sensitive information, rerouting of financial transactions, leakage of sensitive information, loss of funds and damage to reputation. It should be clarified that BE does not have automated transaction systems currently operating and therefore does not have systems connected to the Internet that expose interfaces that could be attacked. BE has an information security policy that aims to ensure the existence and enforcement of strategies for reducing cyber risks. According to this policy, all access to email and file storage is protected by secure user accounts by name, two-factor authentication with access blocked from unknown geographic locations, enhanced authentication powered by artificial intelligence, a Sentinel engine that continuously monitors connection attempts and automatically blocks unauthorized potential attempts and more. All financial transactions in BE are carried out manually without automatic processing. In addition, BE has a documented password policy that has been approved by senior management and with which all BE information systems must comply. BE performs regular cyber security audits using automated verification tools. The audit systems operate continuously. Low risk findings and action plans are reviewed monthly and implementation plans are examined after review. During 2022 and until the date of the report, no cyber event occurred and no high risk or high impact problems on BE activity.

CARR –

Carr, which operates in the income-generating property sector in the United States, regularly uses information systems to manage the headquarters activities and its assets. Cyber events, such as an extortion event, may cause financial damage, as well as damage to its reputation. Carr has a comprehensive organizational cyber protection program that is audited every year, which implements a wide range of tools and software to protect against cyber events, penetration tests to detect security weaknesses, and initiated activities to increase employee awareness of cyber risks. During 2022 and until the date of the report, no cyber events occurred at Carr.

The risks mentioned in Section 4 above are the risks that, according to the Company management's estimates, may have a specific impact on the Company due to the nature and scope of its activities. It should be noted that other risks that are not necessarily specific to a company of the this type may have an influence on the Company, including risks of war, hostilities, regulation risks, changes in fiscal policy, economic crises and geopolitical crises in countries in which the Group operates.

5. Aspects of Corporate Governance

5.1 The Company Board of Directors; Board Members with Accounting and Financial Capabilities

As of the date of publication of this report, the Company's Board of Directors has 7 directors, 5 of whom have accounting and financial expertise.

4 members of the Board of Directors (2 of which are external directors) are independent directors (as the term is defined in the Companies Law).

During 2022, 11 meetings of the Company's Board of Directors were held, with the average attendance of members of the Board of Directors at 92%.

The Company considers Messrs. Aviram Wertheim, Nathan Hetz, Prof. Zvi Eckstein, Mia Likvernik and Shlomi Shuv, who serve on the Company's Board of Directors, as having accounting and financial expertise, based on their education and business experience as specified in Regulation 26 in the Additional Information on the Corporation.

For details regarding the minimum number of directors with accounting and financial capabilities appropriate for the Company, see Section 9a of the Corporate Governance Questionnaire attached to the Periodic Report.

5.2 The Company's accountant - for details regarding the Company's accountant, see Appendix D.

5.3 The Company's internal auditor – for details regarding the Company's internal auditor, see Appendix C.

5.4 Internal enforcement plan

On May 21, 2012, the Company adopted an internal enforcement plan regarding securities, which was updated in August 2013. On November 20, 2019, the Company adopted a new internal enforcement plan regarding securities that replaced the previous plan as of that date. The above two enforcement plans were prepared and implemented in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15, 2011.

5.5 Charitable Donations

According to the Company's policy on donations, it regularly allocates up to 1.4% of the Group's annual profits (not including the real estate value adjustment and capital gains component) for contributions to the community that are mainly dedicated for mainly intended for supporting, educating and helping disadvantaged youths.

Within the framework of this policy, in 2022 the Group contributed a total of NIS 7 million to non-profits and organizations with the aforementioned goals (2021: NIS 6.7 million and 2020: NIS 6.2 million).

To the best of the Company's knowledge, and according to a review conducted, there are no links between entities to whom the amount of contributions in 2022 exceeded NIS 50 thousand, and the Company and/or a Director and/or the CEO, except:

1. During 2022, the Group donated NIS 95 thousand to the Hetz Vamatara Association. The Hetz Vamatara Association is an association founded by the daughters of Mr. Nathan Hetz, a Company director and CEO, in which Ms. Adva Sharvit, a Company director, serves as CEO. The Association operates a bicycle riding center for at-risk children and youths.
2. The Lasova Association, to which the Company has donated for over 20 years, in order to maintain three youth homes (Hetz-Kadima)[30], and the Society for the Advancement of Education in Tel Aviv-Yafo[31], both of which sent groups of at-risk youths to activities at the Hetz Vamatara Association for a payment of 35% of the cost of the activity.
3. Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, is a member of the "Masa Israeli" (I Belong Israel) organization[32].

6. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 25 to the financial statements.

7. Dedicated disclosure for bondholders

For details regarding bonds issued by the Company and regarding the rating reports, see Appendix E below.

30 In 2022, the Company donated NIS 1,267 thousand to the Lasova Association

31. In 2022, the Group donated NIS 260 thousand to the Society for the Advancement of Education in Tel Aviv-Yafo.

32 In 2022, the Group donated the amount of NIS 150 thousand to the Masa Israeli.

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

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

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

Appendix A – Financial Information, Expanded Solo

Appendix B - Balance Sheet of Linkage Bases for Monetary Balances

Appendix C - Details of the Company's Internal Auditor

Appendix D - Details of the Company's Accountant

Appendix E - Details of Bonds Issued by the Company

Appendix F – 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 December 31	As of December 31
	2022	2021
	in NIS thousands	in NIS thousands
Current assets		
Cash and cash equivalents	409,110	113,137
Loan to a consolidated company	77,497	153,854
Other accounts receivable	36,216	151,062
Total current assets	522,823	418,053
Non-current assets		
Securities measured at fair value through profit and loss	157,657	157,341
Investments in Investees	12,618,087	11,653,879
Others	13,043	93,817
Total non-current assets	12,788,787	11,905,037
Total assets	**13,311,610**	**12,323,090**
Current liabilities		
Short-term credit and current maturities of long-term liabilities	613,681	481,587
Other accounts payable	261,071	245,586
Total current liabilities	874,752	727,173
Non-current liabilities		
Bonds and long-term loans	4,588,141	3,620,795
Deferred taxes	71,438	335,818
Others	67,300	1,130
Total non-current liabilities	4,726,879	3,957,743
Equity	7,709,979	7,638,174
Total liabilities and equity	**13,311,610**	**12,323,090**

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

	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Group share in the profits (losses) of associates, net	(371,066)	1,657,741	306,656
Profit (loss) from decrease in rate of holdings, from purchase and realization of associates	2,293	5,030	200,953
Net profit (loss), relating to investments in long-term securities intended for sale	(7,018)	43,265	(15,250)
Other revenues, net	18,766	19,172	14,134
	(357,025)	1,725,208	506,493
Expenses			
Administrative and general (including contributions)	35,210	39,464	32,757
Financing expenses, net	142,218	99,091	96,659
	177,428	138,555	129,416
Profit (loss) before taxes on income	(534,453)	1,586,653	377,077
Income tax expenses (income)	(252,986)	28,706	74,079
Net profit for the period	**(281,467)**	**1,557,947**	**302,998**

2. The Company's liabilities (expanded solo) maturing after December 31, 2022:

	Debentures	Bank Loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current Maturities	604,659	7,499	612,158	12
Second year	590,541	-	590,541	11
Third year	591,025	-	591,025	11
Fourth year	592,735	-	592,735	11
Fifth year	593,226	-	593,226	11
Sixth year onward	2,251,960	-	2,251,960	44
Total repayments	5,224,146	7,499	5,231,645	100
Others			80,140	
Balance of liabilities related to foreign currency forward transactions			201,994	
Total financial debt (taking into account foreign currency forward transactions)			5,513,779	

(*) Including the effect of cross currency swap transactions with a financial body in Israel totaling approx. NIS 273 million, so that the bonds (Series I) in the stated amount were "converted" into a liability of USD 80 million. For additional information, see Note 11c. to the financial statements.

(**) The table does not include bonds issued by the Company subsequent to the balance sheet date by way of an expansion of existing bond series. For details, see Section 2.4.3 above.

For information regarding the Company's total financial debt (expanded solo) as of December 31, 2022, see Section 2.4.3 above.

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

As of December 31, 2022 (In NIS thousands)	Unlinked NIS	In CPI-linked NIS	In USD	In GBP	Other (mainly PLN)	Total	Adjustments – non-monetary items	Total
Current assets								
Cash and cash equivalents	399,485	-	9,243	248	134	409,110	-	409,110
Loan to a consolidated company	-	-	-	77,497	-	77,497	-	77,497
Other accounts receivable	13,356	-	587	5,744	-	19,687	16,529	36,216
Total current assets	412,841	-	9,830	83,489	134	506,294	16,529	522,823
Non-current assets								
Securities measured at fair value through profit and loss	18	-	-	157,639	-	157,657	-	157,657
Investments in associates	-	-	-	-	-	-	12,618,087	12,618,087
Others	9,932	-	-	-	-	9,932	3,111	13,043
Total non-current assets	9,950	-	-	157,639	-	167,589	12,621,198	12,788,787
Total assets	422,791	-	9,830	241,128	134	673,883	12,637,727	13,311,610
Current liabilities								
Short-term credit and current maturities of long-term liabilities	381,200	232,481	-	-	-	613,681	-	613,681
Payables and credit balances	237,559	11,554	162	-	33	249,308	11,763	261,071
Total current liabilities	618,759	244,035	162	-	33	862,989	11,763	874,752
Non-current liabilities								
Bonds and long-term loans	4,340,947	247,194	-	-	-	4,588,141	-	4,588,141
Deferred tax liabilities	-	-	-	-	-	-	71,438	71,438
Others	66,203	-	880	-	-	67,083	217	67,300
Total non-current liabilities	4,407,150	247,194	880	-	-	4,655,224	71,655	4,726,879
Total liabilities	5,025,909	491,229	1,042	-	33	5,518,213	83,418	5,601,631
Excess assets over liabilities (liabilities over assets)	(4,603,118)	(491,229)	8,788	241,128	101	(4,844,330)	12,554,309	7,709,979
Financial derivatives	4,896,564	-	(2,683,431)	(2,213,133)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**293,446**	**(491,229)**	**(2,674,643)**	**(1,972,005)**	**101**	**(4,844,330)**	**12,554,309**	**7,709,979**
Allocation of non-monetary assets (liabilities), net - by linkage basis	714,440	5,054,086	3,443,841	3,140,257	201,685	12,554,309	(12,554,309)	-
Excess assets over liabilities (liabilities over assets)	**1,007,886**	**4,562,857**	**769,198**	**1,168,252**	**201,786**	**7,709,979**	**-**	**7,709,979**

Appendix C - Details of the Company's Internal Auditor

Auditor's name: Yisrael Gewirtz of Fahn Kanne Control Management Ltd.

Start of term in office: May 23, 2017.

Appointment: The appointment of the current internal auditor (who is an internal auditor from the same firm as the Company's previous internal auditor) was approved by the Audit Committee at its May 16, 2017 meeting and by the Company's Board of Directors at its May 23, 2017 meeting. The firm of Fahn Kanne Control Management Ltd. was selected (at the August 18, 2010 meeting of the Board of Directors) from a number of candidates whose candidacy was examined by the Audit Committee, while assigning a great deal of significance to the fact that Fahn Kanne Control Management Ltd. is a reputable and experienced company with a large number of employees with expertise in internal audits.

Auditor's qualifications: The Auditor has a degree in Accounting and Economics from Bar Ilan University and certification in Risk Management Assurance (CRMA). The Auditor is a CPA and a CIA (Certified Internal Auditor).

The auditor provides internal auditor services as an external entity through Fahn Kanne Control Management Ltd. The above company, which is a subsidiary of Fahn Kanne & Co. (Grant Thornton Israel), is a company engaged in control and auditing services for over 30 years, which employs approx. 80 dedicated employees: accountants, internal auditors (CIA), information systems auditors (CISA) and embezzlement auditors (CFE).

Scope of employment: In 2022, the internal auditor invested 310 hours in the audit work he carried out in the Company. The internal auditor serves as the internal auditor at the consolidated company Energix – Renewable Energies Ltd., where he is directed by the Energix Audit Committee, while Amot Investments Ltd. has a separate internal auditor directed by the Amot Investments Ltd. Audit Committee.

Audit plan and audit reports submitted and discussed in the reporting period:

In recent years, the internal auditor's audit plan is an annual plan, and is derived from a multi-year plan.

The annual audit plan is approved by the Audit Committee after discussion of the Auditor's proposal. The annual planning of audit tasks, setting of priorities and audit frequency are affected by the following factors:

The exposure to risk of activities and operations, the probability of the existence of managerial and administrative deficiencies, findings from previous audits, subjects in which audits are required by administrating bodies, legally mandated subjects, according to internal or external procedural directives and the need for maintaining recurring cycles.

The work plan is received and approved by the Audit Committee at the end of each year for the following year or at the beginning of each year for the current year.

On March 14, 2019, the Audit Committee approved a multi-year work plan, based on a risk survey, for the years 2019-2022. The plan was updated on December 26, 2019.

On November 8, 2021, the Audit Committee approved the work plan for 2022, which includes the following subjects:

(a) Internal Enforcement Plan; (b) Information Systems - Backups; (c) Insurance and (d) Wages (including executive wages).

On November 16, 2022, the Audit Committee approved the multi-year work plan for 2023-2026, including and subject to a new risk survey to be carried out, as well as the work plan for 2023, which includes the following subjects: (1) a risk survey; (2) the work of the Board of Directors and its committees; (3) securing of means of payment; and (4) the control system in an investee - BE.

The internal auditor may not deviate from the work plan determined, at his sole discretion.

In the period from January 1, 2022 until the publication of this report, the following internal auditor reports were submitted in writing to the Company and the Audit Committee and discussed:

Subject of Report	Date of Submission in Writing to the Company	Date of Discussion in Audit Committee	Work Hours Dedicated	The report refers to the Company's activity / the report refers to the activity of investees outside of Israel
Information systems - backups and recovery from disaster	May 2022	May 17, 2022	80	The Company's activity in Israel
Internal enforcement plan	June 2022	10.8.2022	70	The Company's activity in and outside of Israel
Insurance	July 2022	10.8.2022	80	The Company's activity in and outside of Israel
Wages (including executive wages)	October 2022	16.11.2022	80	The Company's activity in and outside of Israel

Significant corporate holdings – the audit plan addresses the management of the Company's holdings in corporations that constitute significant holdings controlled by the corporation, with the exception of the consolidated companies Amot Investments Ltd. and Energix Renewable Energies Ltd., which maintain a separate internal auditors.

Professional standards – The internal auditor is in compliance with all conditions determined in Section 3(a) of the Internal Audit Law, 1992 ("**the Audit Law**"). The internal auditor, according to his statement, conducts the internal audit in accordance with accepted professional standards, as stated in Section 4(b) of the Audit Law. The Auditor is complies with Section 146(b) of the Companies Law, 1999 and Section 8 of the Audit Law.

The Auditor's organizational supervisor – The Company's CEO.

The scope, nature and continuity of the internal auditor's activity and work plan – To the best of the Company Board of Directors' knowledge, the nature and continuity of the Auditor's activities and work plan are reasonable under the circumstances and are able to achieve the goals of the corporation's audit.

Free access for the internal auditor – The internal auditor is provided free access as stated in Section 9 of the Audit Law, 1992, which includes constant and direct access to the corporation's information systems, including financial data.

Remuneration - The Auditor's fees for 2022 amounted to approx. NIS 79 thousand. Remuneration for the audit work is according to the internal auditor's working hour budget. There are no concerns that the remuneration detailed above, which derives from the auditor's actual work hour budget, may influence the application of the auditor's professional judgment.

Appendix D – Details of the Company's Accountant

The following are the fees for the Company's auditing accountants and and for its significant consolidated companies (in NIS thousands):

Company Name	Accountants	2022 Audit and Tax Services	2022 Other Services	2021 Audit and Tax Services	2021 OtherServices
Alony-Hetz Properties and Investments Ltd.	Brightman Almagor Zohar & Co.	672	53	601	99
Amot Investments (Ltd.)	Brightman Almagor Zohar & Co.	707	170	790	450
Eilot Companies Group(*)	Ziv Haft Accountants	590	50	470	100
Energix Renewable Energies Ltd.	Brightman Almagor Zohar & Co.	700	203	708	325
Energix Renewable Energies Ltd.	Deloitte Poland	341	-	200	-
Energix Renewable Energies Ltd.	Deloitte USA	520	-	466	-
Brockton Everlast Inc. (**)	Deloitte UK	1,298	33	1,155	51
	Total fee	**4,828**	**509**	**4,390**	**1,025**

(*) In 2022 - Including audit of management companies.
(**) The fees are paid in GBP. The translation into NIS is according to the average exchange rate for the period.

The Financial Statements Examination Committee examined the planned scope of work of the Company's auditing accountant and his wage for 2022, taking the Company's size and the complexity of its statements into consideration. The Company's Board of Directors approved the wage of the Company's auditing accountant for auditing activity in 2022. The Financial Statements Examination Committee was satisfied, immediately prior to the Company Board of Directors' approval of the 2022 Periodic Report, that the extent of the work of the auditing accountant and his wage in the reporting year are sufficient for performing auditing and reviewing work appropriate for the financial statements in the reporting year.

Appendix E - Details of Bonds Issued by the Company

The following are details regarding the Company's bonds as of December 31, 2022 (in NIS thousands)[33]

	in NIS thousands	Bonds (Series H)[34]	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
1	Initial issuance date	February 26, 2012	December 1, 2015	December 1, 2015	August 11, 2019	August 11, 2019	September 12, 2022	September 12, 2022
2	Notational Value Upon Issue	246,113	275,000	275,000	200,932	400,730	290,176	248,542
3	Par value as of December 31, 2022	207,910	1,118,035	1,399,383	180,839	1,744,992	290,176	248,542
4	Linked par value as of December 31, 2022	231,469	N/A	N/A	N/A	N/A	N/A	249,934
5	Value in the financial statements as of December 31, 2022 (at amortized cost)	232,481	1,142,986	1,411,905	178,688	1,693,586	287,483	247,194
6	Stock exchange value as of December 31, 2022	241,114	1,130,893	1,424,712	160,494	1,538,211	277,437	238,973
7	Accrued interest as of December 31, 2022	8,748	36,087	6,525	4,033	27,759	4,359	1,946
8	Interest Rate / Fixed Annual Margin	4.45%	3.85%	2.24% above Bank of Israel interest rate, as it will be from time to time	2.66%	2.41%	4.94%	2.56%
9	Materiality of the Series [35]	No	Yes	Yes	No	Yes	Yes	No
10	Principal payment dates	8 annual payments: the first payment at a rate of 5.5% of the principal will be repaid on February 24, 2016, and seven payments of 13.5% of the principal, each, will be repaid on February 24 of each of the years 2017-2023.	8 annual payments: the four (4) first payments of 10% of the principal each will be paid on February 28 of each of the years 2020-2023; and four (4) payments of 15% of the principal, each, will be repaid	Four (4) annual payment of 25% of the principal, to be paid on February 28 of each of the years 2024-2027.	6 annual payments, in cash or in Company shares, according to the Company's absolute discretion - see Section 13 of bonds, in the following years and at the following rates: (1) 10% of the PV	6 annual payments in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in	10 equal payments at a rate of 10% each on February 28 of each of the years 2028-2037 (inclusive).	10 equal payments at a rate of 10% each on February 28 of each of the years 2028-2037 (inclusive).

33 Not including bonds issued by Amot Investments Ltd. and Energix Renewable Energies Ltd.
34. As of the date of publication of the report, the bonds (Series H) were repaid in full.
35. The bond series is material if the amount of the Company's liabilities in it's regard as of the end of the reporting year constitutes 5% or more of the Company's total liabilities as of the same date.

	in NIS thousands	Bonds (Series H)[34]	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
			on February 28 of each of the years 2024-2027.		principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;		
11	Principal payment dates	February 24 of each of the years 2013 to 2023 (inclusive).	February 28 of each of the years 2016-2027 (inclusive).	Four payments per year, on February 28, May 31, August 31 and November 30 of each of the years 2016-2027 (inclusive)	February 28 of each of the years 2020-2031 (inclusive) The interest will be paid either in cash from February 22, 2022 or in Company shares, at the absolute discretion of the Company (see Section 13 below).	February 28 of each of the years 2020-2031 (inclusive)	February 28 of each of the years 2023-2037 (inclusive)	February 28 of each of the years 2023-2037 (inclusive)
12	Linkage base (principal and interest)	CPI for January 2012	Unlinked	Unlinked	Unlinked	Unlinked	Unlinked	CPI for July 2022
13	Conversion right	None	None	None	As of February 28, 2022, the Company may, at its absolute and exclusive discretion, pay the principal and/or the interest, with its shares, all as detailed in Section 7 of the Bond.	None	None	None
14	Main conversion conditions	N/R	N/A	N/A	The Company's absolute discretion	N/A	N/A	N/A
15	Guarantee for payment of the liability	None	None	None	None	None	None	None
16	Early redemption	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for	(1) In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines; or (2) at the Company's initiative upon the occurrence of certain	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock

	in NIS thousands	Bonds (Series H)[34]	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
		for immediate repayment, as detailed in Section 6.2 of the deed of trust.	immediate repayment, as detailed in Section 6.2 of the deed of trust.	events that constitute grounds for immediate repayment; or (3) according to a decision by the Company's Board of Directors, as detailed in Section 6.2 of the deed of trust.	exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.
17	Liens in favor of bondholders	None[42]	None[41]	None[40]	None[39]	None[38]	None[37]	None[36]
18	Limitations on the creation of additional liens	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series H).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series I).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series J).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series K).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series L).	The Company will not create floating liens on all of its assets and all existing and future rights (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series M).	The Company will not create floating liens on all of its assets and all existing and future rights (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series O).
19	Limitations regarding the authority to issue additional bonds	None	None	None	None	None	None	None

36 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series O) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

37 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series M) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

38 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series L) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

39 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series K) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

40 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series J) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

41 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series I) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

42 The Company may, under certain circumstances, provide liens in favor of the bondholders (Series H) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.3 of the deed of trust.

	in NIS thousands	Bonds (Series H)[34]	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
20	Lien validity period	N/A	N/A	N/A	N/A	N/A	N/A	N/A
21	Bond conditions for changing, releasing, replacing or canceling a lien	In this regard see Section 5.3 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust	In this regard see Section 5.4 of the deed of trust
22	Changes in the bond conditions regarding liens during the reporting period	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred
23	The manner in which the changes were approved	N/A	N/A	N/A	N/A	N/A	N/A	N/A
24	Did the Company, during and at the end of the reporting year, comply with all the conditions and obligations according to the deed of trust	Yes	Yes	Yes	Yes	Yes	Yes	Yes
25	Have the conditions for the immediate repayment of the bonds or the realization of the guarantees been met	No	No	No	No	No	No	No
26	Description of the breach (if any)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	Was the Company was required to take various actions by the trustee	No	No	No	No	No	No	No
28	Name of Trust Company Name of Series Supervisor Address Telephone	Reznik Paz Nevo Trusts Ltd. Yossi Reznik, C.P.A. 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200
29	Holders' Meetings	No holders' meeting was held.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 19, 2017, a holders' meeting was held to approve the trustee's term of service.	On July 14, 2021, a holders' meeting was held to approve the trustee's term of service.	On July 14, 2021, a holders' meeting was held to approve the trustee's term of service.	According to the provisions of the law, a bondholders meeting as not yet been held	According to the provisions of the law, a bondholders meeting as not yet been held

	in NIS thousands	Bonds (Series H)[34]	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
30	Rating							
	Rating Company	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot
	Rating on the issue date	N/R	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating as of December 31, 2022 [43]	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating Company	Midroog	Midroog	Midroog		Midroog	Midroog	Midroog
	Rating on the issue date	A1 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook
	Rating as of December 31, 2021 [44]	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook

Up-to-date rating reports [45]

- For an up-to-date Midroog rating report, see the immediate report published by the Company dated April 14, 2022 (Ref.: 2022-01-040224) and the rating report dated January 19, 2023 (Ref.: 2023-01-009396).
- 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 the immediate report published by the Company dated August 19, 2023 (Ref: 2023-01-009450).

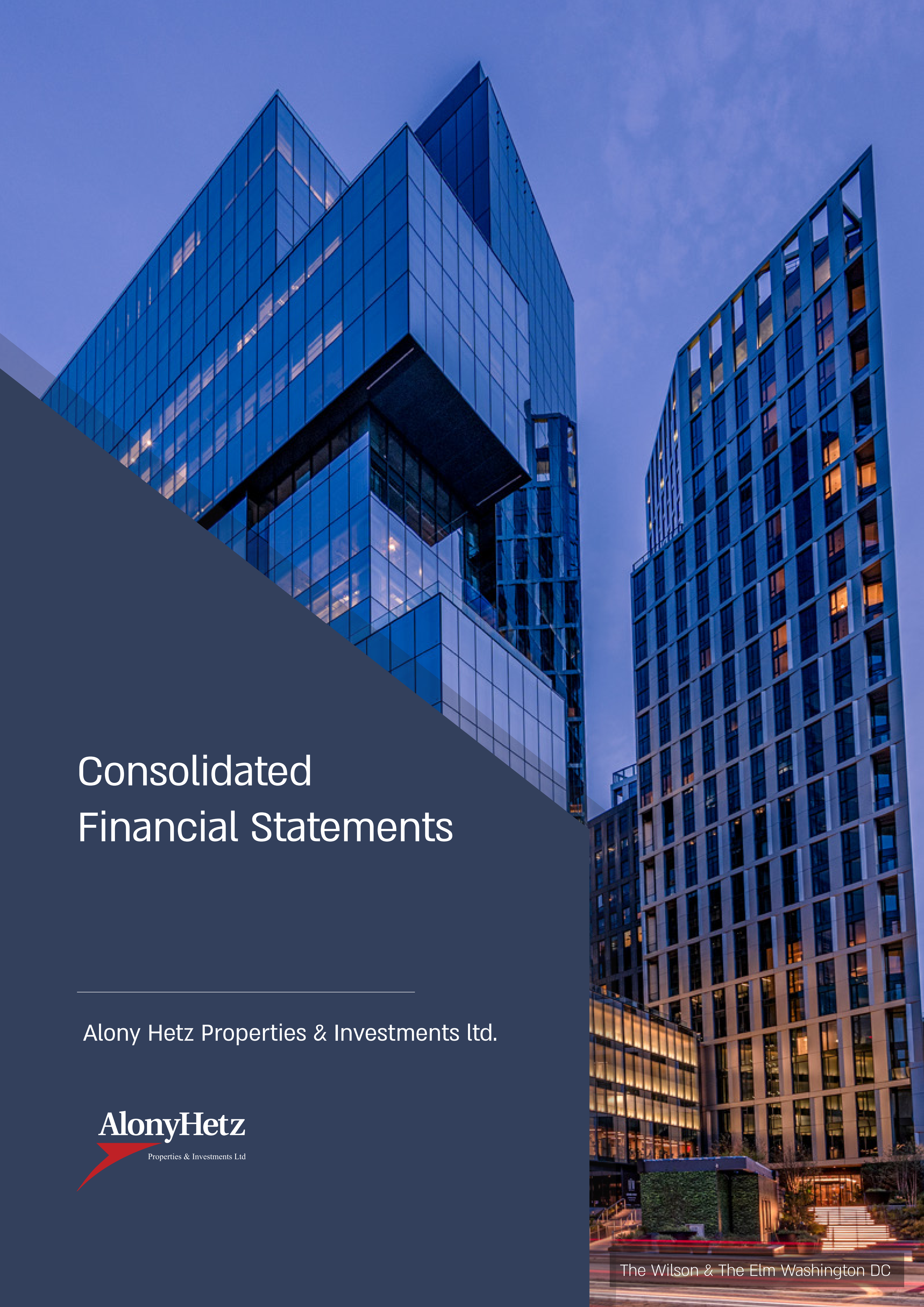
43 In January 2012, Maalot announced the ratification of the ilA rating with a stable outlook for the Company's bonds in circulation and the raising of debt through a new series of bonds. In January 2013, Maalot announced that it was raising the Company's rating to A+ with a stable outlook. In October 2014, Maalot ratified its ilA+ rating for the bond series in circulation and raised the outlook from stable to positive. In December 2014, Maalot confirmed its rating of ilA+ with a positive outlook for the bond series in circulation. In May 2015, Maalot announced that it was raising the Company's rating to ilAA- with a stable outlook. In November 2015, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series I and Series J). In July, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series K and Series L).

44 In January 2012, Midroog announced the ratification of its A1 rating with a stable outlook for the Company's bonds in circulation and for the raising of debt through a new bond series. In January 2014, Midroog announced that it was ratifying the rating of ilA for the Company and for the bond series in circulation, and raising the outlook from stable to positive. In December 2014, Midroog announced that it would be raising the rating of thee bonds in circulation from A1 with a positive outlook to Aa3 with a stable outlook. In November 2015, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series I and Series J). In July 2019, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series L).

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

Appendix F – 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.



Consolidated Financial Statements

Alony Hetz Properties & Investments ltd.

The Wilson & The Elm Washington DC

Contents

Deloitte.

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of Alony Hetz Properties and Investments Ltd. Regarding Audit of Components of Internal Control over Financial Reporting in accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting of **Alony Hetz Properties and Investments Ltd.** and subsidiaries (hereafter - "the Company") as of December 31, 2022. Those components of control were determined as explained in the following paragraph. The Board of directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their evaluation of the effectiveness of the components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" thereto (hereafter – "Audit Standard (Israel) 911"). These Components are: (1) Organization level control, including control over the financial closing and reporting process and information technology general controls; (2) control over accounting and debt management; (3) control over corporate investment; (4) control over investment property at Amot Investments Ltd and Brockton Everlas Inc. Limited; (5) control over rental income and management of investment property at Amot Investments Ltd and Brockton Everlast Inc. Limited; (6) control over project procurement at Energix - Renewable Energies Ltd; (7) revenues from the sale of electricity at Energix - Renewable Energies Ltd; (all together referred to hereafter as "the Audited Components of Control").

We conducted our audit in accordance with Audit Standard (Israel) 911. That Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance as to whether those components of control were maintained effectively in all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, identification of the Audited Components of Control, evaluation of the risk that a material weakness exists in the Audited Components of Control, and examination and evaluation of the effectiveness of the planning and operation of such components of control, based on the estimated risk. Our audit regarding such components of control also included the performance of other such procedures that we considered necessary under the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual effects between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections based on the present evaluation of effectiveness are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

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

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

In our opinion, based on our audit, the Company effectively maintained the Audited Components of Control in all material respects, as of December 31, 2022.

We also have audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2022, and 2021, and for each of the three years in the period ending on December 31, 2022, and our report as of March 12, 2023, expressed an unqualified opinion on those financial statements based on our audit.

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

Tel Aviv March 12, 2023

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

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

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

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

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

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

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

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

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

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Auditors' Report to the shareholders of Alony Hetz Properties and Investments Ltd.

We have audited the accompanying consolidated statements of financial position of **Alony Hetz Properties and Investments Ltd** (hereafter – "the Company") as of December 31, 2022, and 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies whose assets included in consolidation constitute approximately 13% of total consolidated assets as of December 31, 2022, and 2021, and whose revenues included in consolidation constitute approximately 21%, 8% and 20% of total consolidated revenues for the years ended on December 31, 2022, 2021 and 2020, respectively. Furthermore, we did not audit the financial statements of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 3,875 million NIS and 3,969 million NIS as of December 31, 2022, and 2021, respectively, and the share of the results of which for the years ended on December 31, 2022, 2021 and 2020, amounted to a loss of approximately 789 million NIS, profit of approximately 78 million NIS and profit of approximately 167 million NIS, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2022, and 2021, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended on December 31, 2022, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2022, and our report dated March 12, 2023, included an unqualified opinion on the effective maintenance of those components.

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

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

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

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

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

Deloitte.

Key Audit Matters

Key audit matters communicated below are those matters that were communicated or required to be communicated to the company's board of directors and that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among others, any matter that: (1) relates, or may relate, to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of those matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below, providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Fair value of investment property

As mentioned in notes 2N and 4C, to the consolidated financial statements, as of December 31, 2022, the group has investment properties, which are presented at their fair values for that date following the accounting policy described in note 2. The fair value of all the investment property of the group (yielding and under construction) as of December 31, 2022, amounts to a total of 23,772 million NIS, and in 2022 the group recorded a profit from an increase in fair value in the amount of 686 million NIS, which is recorded in the fair value adjustment of investment property section and a loss from a decrease in fair value in the amount of approximately 1,082 million NIS, included in the group share in the profits (losses) of associates, net section, for changes in the fair value of investment real estate held by associates.

As mentioned in note 4C to the consolidated financial statements, the determination of the fair value of investment property is a critical estimate, involving uncertainties and based on valuations, which include assumptions, some of which are subjective considering the circumstances and the best information as of December 31, 2022, and which were conducted with the assistance of external real estate appraisers. These assumptions mainly include the most appropriate rate of return, the projected net operating income (NOI) of the assets and market prices for relevant comparison units. These basic assumptions, as well as the determination of the fair value estimate as a whole of the company's investment property, including the selection of the most appropriate valuation approach, are the result of subjective conclusions in an environment of uncertainty, sometimes particularly significant, and changes in the aforementioned basic assumptions may bring about changes in the fair value of the investment property, sometimes substantially, and therefore also affect the group's financial position as of December 31, 2022 and the results of its operations for that year, as detailed in Note 4.

We identified the management estimates and assumptions used to measure the fair value of the investment property as a key audit matter. An audit of the fair value of investment property requires the auditor's judgment in order to examine how management established the adequacy of the assumptions and estimates used in measuring the fair value of the investment property.

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

Jerusalem	Haifa	Eilat	Nazareth
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510 D. BOX 45396	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	The City Center P.O.B. 583 Eilat, 8810402	9 Marj Ibn Amer St. Nazareth, 16100
Tel: +972 (2) 501 8888 Fax: +972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax: +972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4455 Fax: +972 (73) 399 4455 info-nazareth@deloitte.co.il

The audit procedures that were performed in response to the key audit matter

In response to the uncertainties involved in determining the fair value of the group's investment property, we mainly performed the following procedures, with an emphasis on examining the reasonableness of the rates of return determined in the valuations of the assets: 1. Understanding the internal control environment regarding the determination of the fair value of the investment property and auditing the effectiveness of the relevant internal controls for determining fair value; 2. Examination and analysis of fair value presentations, mainly valuations, conducted by the company and appraisers on its behalf, based on models that incorporate quantitative and qualitative considerations; 3. Examining the base assumptions applied in the valuations, selected on a sample basis, with an emphasis on examining the rates of return, as well as predicted NOI, market prices/comparison prices per square meter rental unit/land unit and the valuation approach taken; 4. Reviewing valuations, on a sample basis , by an expert appraiser on our behalf with an emphasis on rates of return; 5. Communication with the appraisers on behalf of the company; 6. Involvement of the senior staff of the engagement team, and holding consultations; 7. Examining the adequacy of the disclosures in the consolidated financial statements regarding the investment property.

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

Tel Aviv, March 12, 2023

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

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

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

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

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

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

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

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

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

	Note	As of December 31 2022 NIS thousands	As of December 31 2021 NIS thousands
Assets			
Current assets			
Cash and cash equivalents	3a	1,694,701	1,163,289
Deposits and designated deposit	3d	449,790	30,433
Trade receivables	3b	125,201	55,537
Current tax assets, net	20	48,796	16,855
Other receivables	3c	167,003	553,879
Total current assets		2,485,491	1,819,993
Non-current assets			
Investment property	4	20,621,239	18,024,793
Investment property in development and land rights	4	3,151,043	3,351,322
Long-term investments:			
Securities measured at fair value through profit or loss	5	216,251	209,719
Investments in associates	6g	4,070,029	4,401,259
Deferred tax assets	20	59,937	46,145
Electricity-generating facilities:			
Connected electricity-generating facilities	7	2,910,128	1,914,928
Right-of-use asset	7	390,987	276,831
Electricity-generating facilities in development	8	1,813,125	1,491,890
Restricted deposits	9	57,205	51,223
Fixed assets, net	7	113,963	113,592
Other assets	9b	424,639	254,897
Total non-current assets		33,828,546	30,136,599
Total assets		36,314,037	31,956,592

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

	Note	As of December 31 2022 NIS thousands	As of December 31 2021 NIS thousands
Liabilities and equity			
Current liabilities			
Short term credit and current maturities of long-term loans	10a	369,685	75,249
Current maturities of bonds	11	1,290,727	1,098,874
Current maturities of lease liabilities		17,711	8,949
Current tax liabilities, net	20	57,938	365,251
Payables and credit balances	10b	981,560	898,116
Total current liabilities		2,717,621	2,446,439
Non-current liabilities			
Bonds	11	13,387,196	11,423,918
Loans from banking corporations and financial institutions	12	3,518,816	3,515,437
Lease liability		542,985	374,861
Deferred tax liabilities	20	1,822,737	1,914,430
Provisions	15	16,483	16,483
Other liabilities	14	716,779	435,460
Total non-current liabilities		20,004,996	17,680,589
Equity			
Equity attributed to Company shareholders	16	7,709,979	7,638,174
Non-controlling interests		5,881,441	4,191,390
Total equity		13,591,420	11,829,564
Total liabilities and equity		36,314,037	31,956,592

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

On behalf of the Board of Directors:

Aviram Wertheim ______________ Chairman of the Board of Directors

Nathan Hetz ______________ Member of the Board of Directors and CEO

Oren Frenkel ______________ Chief Financial Officer

March 12, 2023

	Note	For the Year ended December 31 2022 NIS thousands	For the Year ended December 31 2021 NIS thousands	For the Year ended December 31 2020 NIS thousands
Revenues and profits				
Revenues from rental fees and management of investment property	17a	1,219,178	989,381	891,632
Fair value adjustment of investment property	17b	685,918	1,715,469	(187,782)
Group share in the profits (losses) of associates, net	6f	(953,589)	126,719	99,670
Net profits (losses) from investments in securities measured at fair value through profit and loss		(1,351)	43,822	(15,250)
Profit from decrease in rate of holding, from acquisition and realization of associates		20,391	17,396	200,953
Revenues from sale of electricity and green certificates		525,437	260,836	261,803
Other revenues (expenses), net		2,089	8,264	(553)
		1,498,073	3,161,887	1,250,473
Costs and expenses				
Cost of investment property rental and operation	17c	146,800	104,404	74,622
Development, maintenance and operation costs of electricity-generating facilities		56,141	39,247	37,565
Depreciation and amortizations		112,398	84,947	82,598
Administrative and general	17d	179,082	172,369	125,024
Financing income	17f	(80,078)	(32,815)	(9,270)
Financing expenses	17e	792,722	435,291	279,799
		1,207,065	803,443	590,338
Profit before taxes on income		291,008	2,358,444	660,135
Income tax expenses (income)	20	(47,564)	324,952	194,650
Net profit for the period		338,572	2,033,492	465,485
Distribution of net profit for the period				
Company shareholders		**(281,467)**	**1,557,947**	**302,998**
Non-controlling interests		620,039	475,545	162,487
		338,572	2,033,492	465,485
Net earnings (loss) per share attributed to Company shareholders (in NIS):	19			
Basic		**(1.60)**	**8.98**	**1.75**
Fully diluted		(1.67)	8.91	1.74
Weighted average of share capital used in calculation of earnings per share (thousands of shares)				
Basic		176,049	173,455	172,784
Fully diluted		176,049	173,660	173,060

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

	For the Year ended December 31	For the Year ended December 31	For the Year ended December 31
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	338,572	2,033,492	465,485
Other comprehensive income (loss)			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	697,288	(398,554)	(375,228)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	-	3,088	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate, net of tax	-	1,532	8,977
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	-	(3,557)	(13,250)
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(482,816)	205,782	122,483
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	(33,410)	(25,841)	11,112
Company's share in other comprehensive income (losses) of associates, net of tax	32,593	28,969	(1,050)
Other comprehensive income (loss) for the period, net of tax	213,655	(188,581)	(264,634)
Total comprehensive income for period	552,227	1,844,911	200,851
Distribution of comprehensive income (loss) for the period			
Company shareholders	**(53,496)**	**1,406,070**	**56,119**
Non-controlling interests	605,723	438,841	144,732
	552,227	1,844,911	200,851

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2022 (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	-	-	195,378	32,593	-	(281,467)	(53,496)	605,723	552,227
Dividend paid to Company shareholders	-	-	-	-	-	(298,145)	(298,145)	-	(298,145)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(353,586)	(353,586)
Issuance of capital	5,319	265,863	-	-	-	-	271,182	-	271,182
Exercise of employee options	365	14,921	-	(1,661)	-	-	13,625	-	13,625
Allocation of benefit in respect of options to employees and officers	-	-	-	3,518	-	-	3,518	25,179	28,697
Issuance of capital in consolidated companies	-	-	-	165,559	-	-	165,559	1,425,392	1,590,951
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(30,438)	-	-	(30,438)	(12,657)	(43,095)
Balance as of December 31, 2022	197,796	2,795,162	(551,365)	478,680	(589)	4,790,295	7,709,979	5,881,441	13,591,420

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

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

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2020 (NIS thousands)

	Share Capital	Share Premium	Capital Reserve from the Translation of Financial Statements for Foreign Activity	Capital Reserve for Employee Options and Other Capital Reserves	Company Shares held by the Group	Retained Earnings	Total attributed to Company Shareholders	Non-Controlling Interests	Total equity
Balance as of January 1, 2020	190,816	2,468,599	(305,687)	27,775	(589)	3,955,631	6,336,545	3,171,290	9,507,835
Total comprehensive income for period	-	-	(258,678)	11,799	-	302,998	56,119	144,732	200,851
Dividends paid to Company shareholders	-	-	-	-	-	(200,446)	(200,446)	-	(200,446)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(256,507)	(256,507)
Exercise of employee options	116	3,983	-	(412)	-	-	3,687	-	3,687
Allocation of benefit in respect of options to employees and others	-	-	-	3,330	-	-	3,330	20,395	23,725
Issue of capital in consolidated companies	-	-	-	203,873	-	-	203,873	407,522	611,395
Purchase of shares from non-controlling interests in a consolidated company	-	-	-	(1,242)	-	-	(1,242)	(21,048)	(22,290)
Change in non-controlling interests	-	-	-	-	-	-	-	(1,578)	(1,578)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-	-	-	-	46,158	46,158
Balance as of December 31, 2020	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830

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

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

	For the Year ended December 31 2022 NIS thousands	For the Year ended December 31 2021 NIS thousands	For the Year ended December 31 2020 NIS thousands
Cash flows - Operating activities			
Net profit for the period	338,572	2,033,492	465,485
Net income (expenses) not entailing cash flows (Appendix A)	876,508	(1,461,695)	240,159
	1,215,080	571,797	705,644
Changes in working capital (Appendix B)	(585,917)	94,528	48,681
Net cash provided by operating activities	629,163	666,325	754,325
Cash flows - Investing activities			
Investment in fixed assets and investment property (including investment property in development)	(1,158,580)	(3,454,930)	(1,139,492)
Investment in electricity-generating systems	(1,131,008)	(1,193,824)	(627,883)
Investment in associates	(258,340)	(81,109)	(179,588)
Decrease (increase) in pledged deposit and restricted cash	(7,222)	(5,465)	137,323
Repayment of loans provided to associates, net	112,886	6,981	6,312
Repayment of investment in associate	-	164	3,250
Repayment (provision) of loans to others	13,730	(95,084)	
Decrease (increase) in deposits and tradable securities, net	(400,000)	95,054	(48,966)
Cash from forward transactions and options designated for hedging	35,592	116,763	25,070
Proceeds from sale of consolidated partnership (Appendix F)	-	6,644	-
Proceeds from the realization of long-term securities, net of tax, including tax refund	20,000	210,873	-
Proceeds from the realization of investment in associates	25,360	-	1,359,305
Investment in investment property funds	(4,418)	(26,204)	(12,024)
Proceeds from the repayment of investments in investment property funds	-	-	10,468
Acquisition of consolidated companies (Appendix E)	(298,057)	(120,828)	-
Others	572	95	330
Net cash used in investing activities	(3,049,485)	(4,540,870)	(465,895)
Cash flows – Financing activities			
Proceeds from the Group's issue of bonds, net	3,037,381	2,263,146	2,299,631
Repayment of bonds	(1,180,892)	(881,405)	(874,411)
Receipt of long-term loans, less capital raising expenses paid	243,872	2,137,581	427,769
Repayment of long-term loans	(360,725)	(589,484)	(664,092)
Proceeds from the issue of shares and options	294,672	28,577	3,687
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	1,591,266	483,767	616,352
Acquisition of shares and options from non-controlling interests in consolidated companies, net	(38,138)	(9,833)	(22,290)
(Decrease) in short-term credit and used long-term credit frameworks from banks	(3,820)	(91,628)	(165,270)
Dividend paid to Company shareholders	(298,145)	(246,223)	(200,446)
Dividend paid to non-controlling interests in consolidated companies	(353,586)	(224,722)	(256,507)
Net cash provided by financing activities	2,931,885	2,869,776	1,164,423
Increase (decrease) in cash and cash equivalents	511,563	(1,004,769)	1,452,853
Cash and cash equivalents at beginning of period	1,163,289	2,214,781	771,749
Balance of designated deposit at beginning of period	30,443	-	-
Effect of changes in exchange rates on foreign currency cash balances	23,841	(16,280)	(9,821)
Cash and cash equivalents and designated deposit at end of period	1,729,136	1,193,732	2,214,781
Less - Balance of designated deposit at end of period	34,435	30,443	-
Total cash and cash equivalents	1,694,701	1,163,289	2,214,781

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

	For the Year ended December 31	For the Year ended December 31	For the Year ended December 31
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Adjustments required to present cash flows from operating activities			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its sale	(685,919)	(1,715,469)	187,782
Net profits from changes in holding rate and from realization of investments in investees	(20,391)	(17,396)	(200,953)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	496,504	111,573	(83,993)
Loss (profit) from fair value adjustment of financial assets at fair value through profit and loss	(1,570)	(47,319)	18,342
Company share in results of associates, less dividends and capital reductions received	993,100	(126,820)	131,507
Profit from revaluation of tradable securities	-	(5,358)	146
Deferred taxes, net	(42,419)	230,640	81,935
Depreciation and amortizations	112,406	84,947	82,598
Allocation of benefit in respect of share-based payment	25,261	22,405	22,537
Miscellaneous, net	(464)	1,102	258
	876,508	(1,461,695)	240,159
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in other receivables	(138,811)	2,216	(5,906)
(Increase) in current tax assets, net	(52,369)	(5,332)	(6,028)
Increase (decrease) in other payables	(16,018)	83,088	7,052
Increase (decrease) in current tax liabilities, net	(372,972)	47,875	53,563
Purchase of CAP options	(5,747)	(33,319)	-
	(585,917)	94,528	48,681
c. Non-cash activity			
Exercise of employee options against receivables	-	15,634	1,205
Investment in electricity-generating systems against supplier credit and payables	49,294	8,369	30,399
Dividends not yet received from companies accounted for using the equity method	-	1,750	-
Increase in right-of-use asset against lease liabilities	160,706	112,925	57,691
Investment in real estate and fixed assets against other accounts payable	24,473	57,657	11,210
d. Additional information			
Interest paid	404,206	343,157	398,748
Interest received	9,249	8,453	17,022
Taxes paid (*)	406,979	93,153	63,109
Taxes received (**)	22,831	24,398	2,586
Dividend and capital reductions received	55,786	48,545	283,888

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

The taxes paid in 2021 include the tax payments in the amount of NIS 29 million from the sale of shares of a company classified in investing activities.

(**) The taxes received in 2022 include a tax refund in the amount of NIS 20 million, classified as an investing activity.

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

	For the Year ended December 31	For the Year ended December 31	For the Year ended December 31
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
e. Acquisition of companies consolidated for the first time			
1. Acquisition of buildings through the acquisition of house companies			
The amounts recognized on the acquisition date in respect of assets and liabilities:			
Cash and cash equivalents	-	1,890	-
Investment property	532,061	45,457	-
Loans from banking corporations and financial institutions	(258,434)	-	-
Derivative financial instruments	32,573	-	-
Working capital	(8,143)	(273)	-
	298,057	47,074	-
Net cash flow			
Total consideration	298,057	47,074	-
Less - deferred consideration	-	(1,364)	-
Less consolidated cash and cash equivalents	-	(1,890)	-
	298,057	43,820	-
2. Acquisition of NCRE			
The amounts recognized on the acquisition date in respect of assets and liabilities:			
Working capital (including cash and cash equivalents)	-	2,431	-
Projects in development	-	74,772	-
Goodwill	-	423	-
	-	77,626	-
Net cash flow			
Total consideration	-	77,626	-
Less consolidated cash and cash equivalents	-	(618)	-
	-	77,008	-
f. Sale of consolidated partnership			
Working capital (including cash and cash equivalents)	-	1,497	-
Pledged deposit and restricted cash	-	2,015	-
Connected electricity-generating systems	-	23,693	-
Payables and credit balances	-	(220)	-
Long-term loans, including current maturities	-	(27,148)	-
Non-controlling interests	-	(4,395)	-
Net assets sold	-	(4,558)	-
Profit from realization of consolidated company	-	12,363	-
Total consideration	-	7,805	-
Net cash flow			
Total consideration	-	7,805	-
Less - cash and cash equivalents previously consolidated	-	(1,161)	-
	-	6,644	-

Note 1 – General

A. General Description of the Company

The Company was incorporated in Israel, its shares were listed for trading on the Tel Aviv Stock Exchange Ltd. (the TASE) in January 1993 and its registered office is located in Ramat Gan. The Group, as defined in Section (c) below, focuses mainly on long-term investments in income-generating property in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy. As of December 31, 2022, the Group has the following material investments:

- **Amot** – Holdings of 53.79% in **Amot Investments Ltd.** (hereinafter - "**Amot**"), a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., which has extensive income-generating property in Israel. For additional information, see Note 6c.

- **Carr** – Holdings of 52.3% in the rights in **Carr Properties Holdings LP** (hereinafter - "**Carr Holdings"**). **Carr Holdings** is an American partnership that holds (through indirect holdings of 90%) a partnership that has income-generating property in the Washington DC metropolitan area, in Boston and in Austin, Texas in the United States. For additional information, see Note 6g.

- **BE** – Holdings of 83.2% in the rights in **Brockton Everlast Inc. Limited** (hereinafter - "**BE**"), a company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. For additional information, see Note 6d.

- **Boston** – Holdings of 55% of the ownership and 50% of the control in three property companies in the Boston metropolitan area, two of them in the Boston CBD[1] and one in East Cambridge, USA. For additional information, see Note 6h.

- **Energix –** Holdings of 50.39% in the capital stock of **Energix Renewable Energy Ltd.** (hereinafter - "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange. Energix is engaged in the initiative, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of the electricity generated in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has activity in Israel, Poland and the United States. For additional information regarding Energix, see Note 6e.

B. Fair value adjustment of investment property

Disclosure regarding the share of the majority shareholders in property revaluations recorded in investees:

The share of the majority shareholders in property revaluations recorded in investees in the reporting period amounted to a net loss of NIS 806 million (before the tax effect) according to the following breakdown:

- The share of the majority shareholders in revaluation profits recorded by Amot amounted to a total of NIS 538 million, out of revaluation profits in the total amount of NIS 1 billion recorded by Amot.
- The share of the majority shareholders in revaluation losses recorded by BE amounted to a total of NIS 246 million, out of revaluation losses in the total amount of NIS 296 million recorded by BE.
- The share of the majority shareholders in revaluation losses recorded in companies measured using the equity method (Carr and the Boston companies) amounted to a total of NIS 1,098 million.

For additional information regarding investment property revaluation profits (losses) in Amot and BE see Note 17b. For information on losses on regarding investment property revaluations in companies measured using the equity method (Carr and the Boston companies), see Notes 6g(4) and 6h(1)), respectively.

The following is a sensitivity analysis of the effect of a 0.25% change in the weighted discount rate on the value of income-generating properties[2]:

An increase (decrease) of 0.25% in the weighted discount rate will result in a loss (profit) attributed to the Company's shareholders in a total amount of NIS 853 million (before the tax effect) according to the following breakdown:

- Amot – a loss (profit) attributed to the Company's shareholders in the amount of NIS 348 million (out of a total of NIS 647 million).
- BE – a loss (profit) attributed to the Company's shareholders in the amount of NIS 278 million (out of a total of GBP 79 million).
- Companies measured using the equity method (Carr and the Boston companies) – a loss (profit) attributed to the Company's shareholders in the amount of NIS 250 million (out of a total of USD 147 million).

[1] Central Business District
2 The sensitivity analysis refers only to income-generating properties without entrepreneurial projects and without land for entrepreneurial purposes.

Note 1– General (continued)

C. Definitions

The Company Alony-Hetz Properties and Investments Ltd. and/or legal entities wholly owned by it directly and indirectly.

Expanded Solo Alony-Hetz Properties and Investments Ltd. together with legal entities wholly owned by it directly and indirectly.

The Group The Company and its consolidated companies (as defined below). Details on the investments in the Group's substantial companies are provided in Note 6.

Consolidated companies Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, whose financial statements are fully consolidated with the Company's financial statements.

Associates Companies in which the Company has significant influence, as defined in IAS 28.

Investees Consolidated companies, companies consolidated in proportionate consolidation and associates.

Joint arrangements Companies held by a number of entities who have a contractual arrangement for joint control.

Related parties As defined in IAS 24.

Interested parties As defined in the Securities Law, 1968, and its regulations.

CPI The Consumer Price Index, as published by the Central Bureau of Statistics.

Forward-looking information As defined in Section 32A of the Securities Law, 1968.

NOI Net Operating Income - Profit from the operation of properties, with the neutralization of depreciation and amortization.

KW/KWp Peak kilowatt units used to measure the installed output for the production of electricity of photo-voltaic systems and wind turbines.

MW/MWp 1,000 peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

Note 2 – Significant Accounting Policies

A. Statement regarding the implementation of International Financial Reporting Standards (IFRS):

The Group's consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**") and interpretations thereof published by the International Accounting Standards Board (IASB). The main accounting policies detailed below have been consistently applied for all reporting periods presented in consolidated financial statements, with the exception of changes in accounting policies stemming from the initial application of new standards, new interpretations and amendments to existing standards as detailed in Note 2(cc) below.

B. The Financial Statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010 (hereinafter - "**Financial Statement Regulations**").

C. Format for the presentation of the Statement of Financial Position; the operating cycle period

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items. The Company's operating cycle is 12 months.

D. Consolidated Financial Statements

General

The Group's Consolidated Financial Statements include the financial statements of the Company and of entities directly or indirectly controlled by the Company. An investing company controls an investee company when it is exposed, or has rights, to variable yields from its holding in the investee, and when it has the ability to influence those yields by exerting force on the investee.

The operating results of subsidiaries purchased or sold during the reported period are included in the Company's Consolidated Statements of Income starting from the date control was achieved or until the date control ended, as the case may be.

For consolidation purposes, all inter-company transactions, balances, revenues and expenses are fully canceled.

Non-controlling interests

Some of the non-controlling interests in the net assets of consolidated companies are presented separately within the Group's equity. These interests include the amount of non-controlling interests on the original date of acquisition of a business combination as well as the share non-controlling interests in the changes that have occurred in the capital of the acquired corporation since the date of its inclusion.

The results of transactions with non-controlling interests dealing with the purchase or sale of an additional Group investment in a consolidated company while retaining control, are allocated to the equity attributed to the parent company shareholders.

E. Joint Arrangements and Associates

A joint arrangement is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

There are two types of joint arrangements. The type of arrangement depends on the rights and obligations of the parties to the arrangement:

1. **A "joint venture" is a joint arrangement in which the parties have rights to the net assets attributed to the arrangement.**

In joint arrangements that constitute a joint venture, the Group recognizes the joint venture as an investment and accounts for it using the equity method.
Regarding the equity method, see Section (f) below.

2. **A "joint operation" is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.**

In joint arrangements that constitute a joint operation, the Group recognizes its relative share of the joint operation's assets and liabilities in the Group's Statement of Financial Position, including assets held and liabilities created jointly. The Statement of Income includes the Group's relative share of the revenues and expenses of the joint operation, including revenues produced and expenses created jointly.

An associate is a corporation in which the Group has significant influence. Significant influence is the ability to take part in decision making regarding the associate's financial and operational policy, which does not constitute control over these decisions. Significant influence exists, as a rule, when the Group holds 20% or more of the voting rights of the investee corporation (unless it can be clearly proven that this is not the case). Significant influence also exists when the Group's holdings in the associate is less than 20%, provided that it can be clearly shown that such influence exists.

Note 2 – Significant Accounting Policies

F. Investments in Associates and Joint Ventures

The results, assets and liabilities of joint ventures are included in these financial statements using the equity method. According to the equity method, investments in joint ventures are included in the Consolidated Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the net assets, including capital reserves.

The results, assets and liabilities of associates are included using the equity method. According to the equity method, investments in associates are presented in the Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the associates' net assets, including capital reserves.

When an initial acquisition of an associate is carried out that constitutes a business, the Company applies the acquisition method. According to this method, the Company determines the acquisition consideration as the aggregate fair value (as of the acquisition date) of assets given, liabilities created, and the fair value of the Group's holdings in the acquired entity prior to the acquisition. A contingent consideration arrangement contingent upon the continued employment of the selling shareholders does not constitute part of the acquisition consideration, but is treated separately as compensation for future labor services.

The excess acquisition cost of an associate or joint venture over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognized at the time of acquisition is recognized as goodwill. Goodwill is included in the book amount of the investment in the associate or joint venture, and is tested for impairment as part of the investment.

Profits or losses from transactions between the Group and an associate, or a joint venture of the Group, are canceled according to the Group's share in the Company's rights in the relevant joint venture.

Upon partial realization of the holding in an associate, the part of the profits or losses accrued up to the date of realization, and which were recognized in other comprehensive income, including acquisitions in various periods, is recognized in profit and loss according to the relative share of the shares actually realized.

G. Investment in Associate Held for Sale

An investment is presented as held for sale when its sale is highly probable, it is available for immediate sale in its current state and when the management has committed to making the sale within one year from the classification of the non-current asset as held for sale.

H. Impairment of Investments accounted for according to the Equity Method

As of each Statement of Financial Position date, the Group examines its investments in associates with the aim of determining whether there is objective evidence to indicate an impairment of their value. If such evidence exists, the recoverable amount of these investments is estimated in relation to their book value in order to determine the amount of the impairment loss that should be recognized, if any. An impairment loss is recorded to the Statement of Income.

The impairment examination is conducted for the investment as a whole. Accordingly, a recognized impairment loss of an investment is not attributed to the assets that make up the investment account, but is attributed to the investment as a whole, and therefore the Group recognizes the reversal of losses recognized in respect of investments accounted for according to the equity method, when an increase occurs in their recoverable amount.

In order to determine the amount of the impairment loss, if any, the investment's recoverable amount is estimated. The recoverable amount is the higher of the fair value of the investment net of realization costs and its value in use. In determining the value in use of the investment, the Group estimates its share in the present value of the estimated future cash flows expected from the associate's operations and its realization.

In determining the value in use in investment property companies, the Group relies on the valuations that served as a basis for determining the fair value of investment property assets for the purpose of determining the present value of the cash flows that will result from associate's operations.

I. Statement of Income; Statement of Comprehensive Income; Statement of Cash Flows

Statement of Income presentation – The Group's activity and the nature of its revenues and expenses permit, in the opinion of the Company's Management, the presentation of Statement of Income items according to the single-step method, since this presentation format is compatible with the Company's nature as an investment and holding company.

1. **Statement of Comprehensive Income** – The Group has selected a presentation format of two separate statements – a Statement of Income and a Statement of Comprehensive Income.

Note 2 – Significant Accounting Policies

J. Statement of Income; Statement of Comprehensive Income; Statement of Cash Flows

2. **Statement of Cash Flows** – A statement of cash flows from operating activities is presented using the indirect method; interest paid and received by the Group is classified in the statement of cash flows as part of operating activities, with the exception of credit costs which are capitalized to a qualifying asset in which the investment in it and its construction is classified as investment activity; the cash flows resulting from income taxes and indirect taxes are classified under operating activities, unless they can be specifically identified with investment or financing activities; dividends paid are included in financing activities; dividends received from investees and other companies, including distribution by way of capital reductions recognized as income in its financial statements, are included in operating activities.

K. Functional Currency and Presentation Currency

Functional and presentation currency – The financial statements of each Group company are prepared in the currency of the main economic environment in which it operates (hereinafter - "**Functional Currency**"). The Company's functional currency, and that of the majority of companies and corporations held by it, is the NIS. The Company's Consolidated Financial Statements are presented in NIS (hereinafter - "**Presentation Currency**").

Translation of transactions and balances not in the functional currency – Transactions carried out in a currency other than the functional currency of each Group corporation (hereinafter - "**Foreign Currency**") are translated into the functional currency for inclusion in the financial statements of that corporation, at exchange rates in effect on the date of each transaction. Statement of financial position items originating in or denominated in foreign currency are translated as follows: monetary items denominated in foreign currency are translated according to exchange rates in effect on each statement of financial position date; non-monetary items included at fair value denominated in foreign currency are translated according to exchange rates in effect on the date the fair value was determined; non-monetary items measured at cost are translated according to the exchange rates in effect on the date the transaction was carried out for the non-monetary item.

Recording of exchange rate differentials – exchange rate differentials are, as a rule, recorded to the Statement of Income in the period in which they arose, with the exception of the following cases, in which exchange rate differentials are recorded directly to comprehensive income:

Exchange rate differentials in respect of loans and forward transactions on foreign currency designated for hedging investments in foreign operations, net (see Section r).

Translation of financial statements of investees whose functional currency is different from NIS – For the presentation of Consolidated Financial Statements, the financial statements of foreign activities whose functional currency is different from NIS are translated to NIS in the following manner: assets and liabilities are translated to NIS according to exchange rates in effect as of the date of the statement of financial position; revenue and expense items are translated to NIS according to the average exchange rates in the reporting period, unless significant fluctuations have occurred in the exchange rates during the reporting period.

Translation differences are recorded to the "Capital Reserve from Translation of Financial Statements for Foreign Activities" item and are recognized in other comprehensive income. These exchange rate differences are classified in full to profit or loss on the date of realization of the entire foreign activity in respect of which the translation differences were created and when partial realization of foreign operations involves the loss of control or in a transition from an investment accounted for according to the equity method to a financial asset. In a partial realization of a subsidiary that includes foreign activity that does not involve loss of control, a relative share of the cumulative amount of exchange rate differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign activity. In any other partial realization, only the relative share of the aggregate amount of exchange rate differences recognized in other comprehensive income is reclassified to profit or loss. Regarding the hedging of a net investment in a foreign activity, see Section r.4.

L. Cash and Cash Equivalents; Deposits and Tradable Securities

Cash and cash equivalents include cash that can be redeemed immediately, bank deposits that can be withdrawn immediately, as well as fixed-term deposits, which have no limit on use and whose maturity date, at the time of investment, does not exceed three months. This item also includes investments in monetary funds and certificates of deposit in Israel.

Deposits for which limitations exist on their use or for which the repayment period upon investment is greater than three months and no greater than one year are classified under deposits and tradable securities under current assets.

Deposits that have a restriction on their use for a period exceeding one year are classified as "restricted deposits" in non-current assets.

M. Investment Property, Investment Property in Development and Land Rights

Investment property is real estate (land or building – or part of a building – or both) held by the Group for the purpose of producing rental fees or for increasing capital value, or both, and not for administrative use or for sale in the ordinary course of business (hereinafter - "**Investment Property**"). The Group's investment property, including owned or leased buildings and land (mostly land leased from the Israel Lands Administration) that would otherwise comply with the above definition of investment property, are also classified and treated as investment property.

Note 2 – Significant Accounting Policies

N. Investment Property, Investment Property in Development and Land Rights

Investment Property is initially recognized at its purchase cost, which includes direct transaction costs such as purchase tax, professional consultant fees for legal and economic services. In addition, in accordance with IFRS 13, the Group allocates transaction costs created when purchasing new assets to the Statement of Income recorded to "fair value adjustment of investment property"). In periods following initial recognition, investment property is measured at fair value. Profits or losses resulting from changes in the fair value of investment property are included in the Statement of Income in the period in which they arise, and are presented under "fair value adjustments of investment property". In order to determine the fair value of investment property, the Group's management relies mainly on valuations performed by independent external real estate assessors with the required knowledge, experience and expertise and on the experience of the Group's management. For the manner of determining the fair value of investment property, see also Section z.4 below.

Investment property in development and land rights – Investment property in development designated for future use as investment property is also measured at fair value, as noted above.

O. Fixed Assets and Connected Electricity-Generating Facilities

1. **General**

A fixed asset is a tangible item that is held for use in the manufacture or supply of goods or services, or for rental to others, which is expected to be used for more than one period.

Recognition and measurement
Fixed assets and photovoltaic and wind turbine facilities for electricity generation are measured at cost less accumulated depreciation and impairment losses.

The cost includes payments that can be directly attributed to the asset's purchase. The cost of assets developed independently includes the cost of materials and direct labor costs, as well as any additional costs that may be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. When significant parts of fixed assets have different lifespans, they are treated as separate items (significant components) of the fixed asset.

Profit or loss from the disposal of a fixed asset item is determined by comparing the proceeds from the disposal of the asset to its book value, and is recognized on a net basis in other income or other expenses, as applicable, in the Statement of Income.

Depreciation
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

The depreciation of fixed assets is carried out separately for each component of a depreciable fixed asset item with a cost that is significant relative to the total cost of the item. Depreciation is carried out systematically (as detailed below) over the expected useful life of the item's components, from the date on which the asset is ready for its designated use, taking into account the expected residual value at the end of the useful life.

The method of depreciation of fixed assets best reflects the expected pattern of consumption of the future economic benefits inherent in the asset. The Group depreciates its fixed assets at equal annual rates based on estimates of the residual values. The depreciation method and useful life of the asset are reviewed by the Company's management at the end of each fiscal year. Changes are treated as changes in estimates, on a prospective basis.

The Group depreciates its assets using the straight-line method. Assets leased under lease arrangements are depreciated over their expected useful life on the same basis as owned assets, or over the lease term, the shorter of the two.

The useful life and the rates of depreciation used in calculating the depreciation are as follows:

	Useful Life	Depreciation %	Depreciation Method
Structures for self-use	10-50	2-10 (mainly 2)	Straight line
Vehicles	6.67	15	Straight line
Office furniture and equipment	3-16	6-33	Straight line
Electricity generating systems - wind energy	30	~3.33	Straight line
Electricity generating systems - photovoltaic energy (*)	Mainly 20-23	4.35-5	Straight line

(*) A significant residual value is calculated for these facilities.

Note 2 – Significant Accounting Policies (continued)

P. Leases

General:

The Group usually leases land for the installation and operation of photovoltaic systems and wind farms.

The Group assesses whether a contract is a lease (or includes a lease) at the time of engagement. On the one hand, the Group recognizes a right-of-use asset and on the other hand, a lease liability for all lease contracts in which it is the lessee, except in short-term leases (for a period of up to 12 months) and leases of low-value assets for which the Group recognizes the lease payments as operating expenses on a straight-line basis over the lease term.

Determining the lease term

The term of the lease is the non-cancelable period for which the lessee has the right to use the leased asset, including periods covered by an option to extend the lease if the lessee is reasonably sure that this option will be exercised. The likelihood of the exercise of the extension options is examined while taking into consideration, among other things, significant capital investments made by the Group in the leased asset (construction of electricity generating facilities), which is expected to have a significant economic benefit to the group during the extension period, extending the lease period so that it is consistent with the expected operating period of the electricity generating facilities, costs relating to the termination of the lease, the arrangement framework for the leased property, the location of the leased property and the availability of suitable alternatives.

Right-of-use Asset

A right-of-use asset is measured according to the cost model and depreciated in a straight line over the shorter period between the lease term and the useful life. The cost of the right-of-use asset at the start of the lease is determined by the amount of the initial measurement of the lease liability (see below), any lease payments made on or before the start of the lease, and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The depreciation of the asset is recorded as a depreciation expense and starts from the date of the start of the lease, which is the date on which the lessor makes the underlying asset available for use by the lessee. The useful life of the Group's leased assets is 23-20 years in Israel, 30 years in Poland and 35 years in the United States.

Right-of-use assets are presented in a separate item in the Statement of Financial Position. Land lease expenses recorded in previous periods in an item under this name join the right-of-use assets as of the date of application of the Standard.

The Group implements the provisions of IAS 36, Impairment of Assets, to determine if the right-of-use asset has been impaired and to deal with any impairment loss identified.

Lease liability

The lease liability is presented in the Long-term Lease Liability Item in the Statement of Financial Position. Liabilities that will be repaid in the next 12 months are recorded in the Current Maturities of Short-term Lease Liabilities item in the Statement of Financial Position.

The lease payments included in the measurement of the lease liability consist of the following payments:

- Fixed payments;
- Variable lease payments that depend on the CPI, which are initially measured by using the CPI existing at the start of the lease.

The lease liability is initially measured on the date of the start of the lease at the present value of the lease payments that are not paid at the start of the lease, discounted using the lessee's incremental discounting interest rate, since the discount rate inherent in the lease is not easily determinable. After the initial measurement, the lease liability will be measured by increasing the book value to reflect interest on the lease liability using the effective interest method and by reducing the book value to reflect the lease payments made.

The Group remeasures the lease liability (against an adjustment to the right-of-use asset) when:

- There has been a change in the term of the lease. In this case, the lease liability is measured by discounting the updated lease payments using an updated discount rate;
- The Group remeasures the lease liability using the original interest rate of the lease (against an to the right-of-use asset) when there is a change in future lease payments resulting from a change in the CPI used to determine these payments.

Variable lease payments that are not dependent on the CPI or the interest rate (for example, lease payments that are set as a % of the electricity output of the facilities installed on the leased assets) are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognized as an expense in the Statement of Income during the period in which the event or condition that activated these payments occurred.

Note 2 – Significant Accounting Policies (continued)

Q. Financial Assets

1. General

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual terms of the instrument. Investments in these financial assets are initially presented at fair value plus transaction costs, except for investments in financial assets classified in the category of fair value through profit or loss, which are presented at fair value.

The Group's financial assets are classified into the categories listed below. The classification into these categories depends on the nature and purpose of the holding of the financial asset, and is determined on the date of initial recognition of the financial asset or in subsequent reporting periods if the financial assets can be reclassified to another category:

- Financial assets at fair value through profit or loss; and
- Financial assets measured at amortized cost

Financial assets at fair value through profit or loss

Financial assets are classified as "financial assets at fair value through profit or loss" when those assets are held for trading purposes, when they are investments in equity instruments that are not held for trading purposes and are not designated at fair value through other comprehensive income or when they are designated as financial assets at fair value through profit or loss. The Group's financial assets included in this category include tradable securities held for trading and presented in current assets, investments in non-tradable equity instruments presented in non-current assets and forward transactions in foreign currency that are not hedged.

A financial asset is classified as held for trading if:

- It was purchased primarily for sale in the near future; or
- It is part of a portfolio of identified financial instruments managed together by the Group and for which there is evidence of a recent pattern of activity for the purpose of generating short-term profits; or
- It is a derivative that is neither a financial guarantee nor intended and effective as a hedging instrument.

A financial asset at fair value through profit or loss is presented at its fair value as of the date of the Statement of Financial Position. Profits or losses resulting from changes in fair value, including those due to changes in exchange rates, are recorded to the Statement of Income in the period in which the change occurred. Interest income and dividends originating from these assets are classified under the same item in the Statement of Income. Regarding the manner of determining fair value, see Section (z).

Financial assets measured at amortized cost

Debt instruments are measured at a amortized cost when the following two conditions are met:

- The Group's business model is to hold the assets in order to collect contractual cash flows; and
- The contractual terms of the asset set exact dates on which the contractual cash flows will be received, which constitute principal and interest payments only.

Trade receivables, deposits, long-term and short-term loans and receivables, and other receivables with defined payments, are classified as financial assets measured at amortized cost, since the Group's business model is to hold these assets in order to collect contractual cash flows and the contractual terms of these assets specify the exact dates on which the contractual cash flows, which are only principal and interest payments, will be received.

The amortized cost of a financial asset is the amount at which the financial asset is measured when initially recognized, less principal payments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initial amount and the repayment amount, adjusted for a provision for any loss.

The effective interest method is a method used to calculate the amortized cost of a debt instrument and allocate and recognize interest income in profit or loss over the relevant period.

Impairment of financial assets measured at amortized cost:
Impairment of financial assets at amortized cost is recognized and measured according to the projected credit losses.

The measurement of predicted credit losses is a function of the probability of a failure occurring, the amount of the loss in the event of a failure occurring and the maximum exposure to a loss in a failure event. Estimates of the probability of failure occurring and the amount of the loss are based on historical data adjusted by forward-looking information.

Regarding trade receivables, lease clients and lease assets, in accordance with IFRS 15, the Group applies the lenient approach to measuring the provision for impairment according to the probability of default over the lifetime of the instrument. Predicted credit losses over the life of the instrument are the predicted credit losses from all possible failure events during the predicted lifetime of the instrument.

The predicted credit losses for these financial assets are estimated using a provision matrix based on the Group's past experience of credit losses and adjusted for factors that are specific to the borrower, general economic conditions and an assessment of both the current trend in conditions and the forecast trend of the conditions as of the reporting date.

Note 2 – Significant Accounting Policies (continued)

R. Financial Liabilities and Equity Instruments issued by the Group

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

- **Financial liabilities at fair value through profit or loss**

The Group's financial liabilities at fair value via gain/loss include various derivatives as detailed in q. below and non-hedging foreign currency forward transactions.

A financial liability at fair value through profit and loss is presented at fair value. Any profit or loss stemming from changes in the fair value is recorded to the Statement of Income. Profit or loss for these liabilities also includes interest paid in their respect. Transaction costs are recorded on the initial recognition date to the Statement of Income.

- **Other financial liabilities**

The Group's other financial liabilities include short-term credit, other payables, bonds, and loans from banking corporations and others.

Other financial liabilities are initially recognized at fair value after deducting transaction costs. In periods following the initial measurement, other financial liabilities are measured, to the extent that such measurement results are material, on an amortized cost basis, with financing costs generally recognized in the Statement of Income based on the effective interest method. Regarding the treatment of other financial liabilities linked to the CPI, see Section (q).

- **Equity instruments**

An equity instrument is any contract that indicates a residual right to the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the amount of the proceeds received for them less expenses relating directly to their issuance.

- **Options for the purchase of shares of the Company and/or a consolidated company**

Receipts for the issue of options for the purchase of the Company's shares, which give the holder the right to purchase a fixed number of shares of common stock in exchange for a fixed amount of cash, are presented in capital under "receipts on account of stock options". Receipts for options issued by consolidated companies are presented in non-controlling interests. In this regard, an exercise price that varies according to the exercise date, when the exercise price can already be determined at each possible exercise date, is considered a fixed amount.

- **Split proceeds from the issuance of a securities block**

The proceeds from the issuance of a block of securities are attributed to the various package components. The consideration is initially attributed to financial liabilities measured at fair value through profit or loss and to other financial liabilities, which are measured at fair value only on the date of initial recognition, while the balance is attributed to equity instruments. When a number of equity instruments are issued as part of a securities block, the consideration for the block is attributed according to their relative fair value. The fair value of each of the block components measured at fair value is determined based on the market prices of the securities immediately after their issue. Issue costs are allocated among each of its components relative to the value determined for each component issued. The issue costs allocated to financial liabilities measured at fair value through profit or loss are recorded to profit or loss on the issue date. Issuance costs allocated to other financial liabilities are presented net of the liability, and are recognized in profit or loss using the effective interest method. Issuance costs allocated to equity instruments are presented as a deduction from capital.

S. CPI-Linked Financial Assets and Liabilities

The Group has financial assets and liabilities linked to the CPI that are not measured at fair value through profit or loss. For these assets and liabilities, financing income or costs are recorded according to the effective interest rate, to which linkage differentials are added based on actual changes in the CPI up to the date of each Statement of Financial Position, so that CPI-linked balances are presented according to the last known index on the date of the Statement of Financial Position (the CPI for the month preceding the date of the Statement of Financial Position in each period), or according to the CPI in lieu of the last month of the reporting period, according to the terms of the transaction.

T. Derivative Financial Instruments and Hedge Accounting

1. General

The Group has derivative financial instruments that include, among others, foreign currency forward transactions.

The Group engages in transactions on derivative financial instruments, such as forward transactions on currency exchange rates, with the aim of hedging exposures to changes in foreign currency exchange rates. The Group also finances securities investments that are classified as financial assets at fair value through profit or loss or investments in foreign activities, net of credit taken in the foreign currency in which these investments are denominated.

Derivative financial instruments are initially recognized on the date of the engagement, and in each subsequent reporting period, at fair value. Changes in the fair value of derivative financial instruments are generally recognized in profit or loss. The timing of the recognition of the profit and loss of changes in the fair value of derivative financial instruments designated for hedging purposes, where such hedging is effective and meets all conditions for determining hedging ratios, is contingent on the nature and type of hedging, as set out in Sections 2 to 5 below.

Note 2 – Significant Accounting Policies (continued)

The balance sheet classification of derivative financial instruments, as current or non-current, is determined according to the contractual duration of the financial instrument from which they are derived. When the derivative's contractual time remaining exceeds 12 months, the derivative is presented in the Statement of Financial Position as a non-current item. When the contractual time remaining is less than 12 months, the derivative is presented as a current item, as long as the derivative liability is settled in cash, or by an exchange with another financial asset.

2. Hedge accounting

The Group uses various derivative financial instruments to manage exposures to changes in currency exchange rates, interest rates and electricity prices. For additional information regarding the financial derivatives held by the Company for hedging cash flows or for hedging a net investment in foreign operations, see Note 22.

Starting from the 2021 financial statement, the Group applies the hedge accounting model in IFRS 9 as its accounting policy prospectively, in accordance with the transitional provisions of the standard. On the date of the transition from the hedge accounting model in IAS 39 to the hedge accounting model in IFRS 9, the aforesaid had no effect on the Company's capital.

On the date of engagement in the hedging transaction, the Group formally documents the hedging relationship between the hedging instrument and the hedged item.

In the documentation, the hedging instrument, the hedged item, the nature of the hedged risk, the hedge ratio, the objective of the Group's risk management and strategy for carrying out the hedge are identified, and how the Group examines whether the hedging ratios comply with the requirements for hedging effectiveness, including its analysis of the sources of the lack of effectiveness of the hedging and the extent of the impact of the hedging instrument's credit risk on the economic relationship between the hedging instrument and the hedged item, if any.

When the hedge is created and in subsequent periods, the Group assesses whether the hedge is expected to be highly effective in offsetting changes at fair value or in the cash flows that can be attributed to the hedged risk during the period for which the hedge is intended. In addition, starting at the beginning of the hedging relationship and for its duration, the Group documents the degree to which the instrument is effective in offsetting the exposure to changes in the fair value or in the cash flows in respect of the hedged item.

Hedging is effective when the hedge ratio meets all of the following hedging requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The impact of credit risk is no more dominant than the changes in value resulting from this economic relationship; and
- The hedge ratio is the same as the ratio resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the stated amount of the hedged item.

The Group's hedging activity includes the following hedging relationships:

3. Fair value hedging

Changes in the fair value of financial instruments designated for fair value risk hedging, which include changes in the forward rate of the CPI in the case of fair value hedging of unlinked NIS bonds using derivative financial instruments, are recognized in the Statement of Income together with changes in the fair value of the hedged item related to the hedged risk. The hedge accounting is terminated when the hedging instrument expires or is sold, canceled or realized, or when the hedging ratios no longer meet hedging threshold conditions.

4. Hedging of investment in foreign activity, net

Hedging of investments in foreign activity, net through loans taken in the same currency in which the investment was made and through forward and cross currency swap transactions in foreign currency, is treated such that the effective part is recognized in the "Capital Reserve from the Translation of Financial Statements for Foreign Activity" item in the Company's comprehensive income, and the ineffective part is immediately recognized in the Statement of Income. Amounts recognized in comprehensive income are classified to profit or loss upon realization of the investments in the foreign activities, net.

5. Cash flow hedging

Regarding cash flow hedging, a forecast transaction that is a hedged item must be highly expected and result in exposure to changes in cash flows that may ultimately affect profit and loss.

Derivatives are initially recognized at fair value. Attributable transaction costs are recognized in profit or loss as incurred. When the fair value of a derivative on the date of initial recognition differs from the transaction price (hereinafter in this paragraph - "initial measurement date difference") and if the measurement of the value of such derivatives is not based on a quoted price in an active market for an identical derivative, or if it is not based on evaluation methods that use only observable data (in view of the terms of the transaction), the value derived from the initial recognition will be adjusted in order to defer the initial measurement date difference.

Note 2 – Significant Accounting Policies (continued)

This difference will be subsequently recognized in the statement of income only if it is due to a change in a factor that a market participant would take into account in determining the transaction price. The Group presents derivatives used to hedge electricity prices in the United States, and to hedge the exposure to variable interest, in the statement of financial position, with an adjustment to the fair value as aforesaid.

Subsequent to initial recognition, the derivatives are measured at fair value, with the changes in the fair value treated as follows:

Changes in the fair value of derivatives used to hedge cash flows, in respect of the effective hedging part, are recognized through other comprehensive income directly to a hedge fund. For the part that is not effective, the changes in fair value are recognized in profit or loss. The amount accrued in a hedge fund is reclassified to the statement of income in the period in which the hedged cash flows affect the statement of income and is presented in the same item in the statement of income in which the hedged item is presented.

If the hedging instrument no longer meets the criteria for accounting hedging, or it expires, is sold, canceled or realized, the hedge accounting treatment is discontinued. The gain or loss previously accrued in a hedge fund through other comprehensive income remains in the fund until the forecast transaction takes place or until the forecast transaction is no longer expected to occur. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in respect of the hedging instrument accrued in a hedge fund will be reclassified to profit or loss. In other cases, the amount recorded to a hedge fund is transferred to profit and loss in the period in which the hedged item affects profit and loss.

As of the date of the report, the Group implements cash flow hedge accounting in connection with transactions for the fixing of the price of electricity that it will sell in photovoltaic projects in the United States and in connection with variable interest rate loans, through interest rate cap options and/or through SWAP transactions on the variable interest rate. For additional information, see Notes 7 and 8.

For hedging relationships carried out using interest rate cap options on a variable interest rate on loan bearing variable interest, the time value of the option is not part of the hedge ratio. The time value of the option on the date of its initial recognition (the "hedging cost") is recognized in profit or loss in a straight line over the hedging period (the period in which the hedged interest payments are recognized in profit or loss). The changes in fair value attributed to the time value of the option are recorded to a capital reserve.

U. Holdings in the Company's Shares

Company shares held by the Group are deducted from the Company's equity according to the treasury stock method.

V. Taxes on Income

1. General

Income tax expenses (revenues) in the Statement of Income include all current taxes, as well as total change in deferred tax balances, except for deferred taxes relating to a transaction or event that are recorded directly to equity or to comprehensive income. The tax results resulting from a transaction or event recognized directly to equity or to comprehensive income are also recorded directly to equity or to comprehensive income.

2. Current taxes

Current tax expenses (income) are calculated based on the taxable income of the Company and the Group companies during the reporting period. Taxable income differs from income before income taxes, due to the inclusion or exclusion of income and expense items that are taxable or deductible in different reporting periods, or that are not taxable or deductible. Current tax assets and liabilities are determined using the tax rates and tax laws that have been enacted, or substantively enacted, up to the date of the Statement of Financial Position.

3. Tax Benefits on projects in the United States and agreement with a tax partner in connection with them

Developers who own photovoltaic projects in the United States are entitled under the provisions of U.S. law to a tax benefit (ITC - Investment Tax Credit) which can be exercised against a federal tax liability in the United States. To the extent that the developer does not have a tax liability to offset the full benefit, it is customary for the developer to engage with an entity that has a tax liability and will transfer the tax benefits (in whole or in part) thereto, in exchange for an amount that it will invest in the project (hereinafter - "**Tax Partner**").

Energix entered into a number of agreements with a tax partner according to the above structure, in exchange for the transfer of most of the tax benefits in respect of the project relevant to that agreement, which is mainly a tax credit for the ITC and the depreciation expenses for tax purposes on the photovoltaic facilities (hereinafter in this subsection - "tax benefits"), as well as participation in a proportionate share agreed in the cash flow available for distribution. Eligibility for participation in part of the available cash flow is in effect until the rate of return on the tax partner's investment is reached, as stipulated in the agreement. After reaching the rate of return, the tax partner's share in the profit and cash flow decreases to a minimum rate as determined in the agreement.

The amounts received from the tax partners are presented as a liability under the 'liability in respect of an agreement with a tax partner' item in the statement of financial position. Amounts predicted to be paid to the tax partners from the available cash flow for its investment in the project constitute a financial liability, which is measured at a amortized cost according to the effective interest method.

Note 2 – Significant Accounting Policies (continued)

The projected tax benefit amounts to be transferred from the project partnerships to the relevant tax partner constitute a non-financial liability recognized in profit or loss as tax revenues in a straight line over a period of 5 years (the period in which Energix is required to meet various conditions in order to be entitled to the tax benefits), except for the depreciation benefits, which are recognized in profit or loss over the benefit period, usually 12 years. In projects where Energix chose not to engage with a tax partner, the Group is entitled to receive the full tax credit for the ITC, which can be used against its taxable income. The amount of the tax credit for the ITC is recorded to profit and loss as tax income, on a straight line over five years (the period during which Energix is required to meet various conditions in order to be entitled to the tax benefits).

For additional information regarding agreements with tax partners and the tax benefits in Energix projects in the United States, see Note 7 below.

4. Deferred taxes

The Company and the Group companies make an allocation of taxes for temporary differences between the value of assets and liabilities in the financial statements and their tax basis and for losses and benefits for tax purposes, which are expected to be realized. The deferred taxes are calculated at the tax rates expected to apply at the time of their application, based on the tax rates and tax laws enacted, or substantively enacted, until the end of the reporting period. Deferred tax liabilities are generally recognized in respect of all temporary differences between the value for tax purposes of assets and liabilities and their amounts in the financial statements. Deferred tax assets are recognized in respect of all deductible temporary differences up to the expected amount of taxable income against which the deductible temporary difference can be utilized.

BE, Carr, and the Boston companies are defined as REITs for tax purposes in the UK and the United States, respectively, and do not record tax reserves in respect of revaluation gains on real estate assets in their books.

In accordance with the REIT principles in the UK, BE is not required to distribute a dividend stemming from capital gains from the sale of real estate assets, and therefore, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds 83.2% of the rights in BE (see Note 6d) and therefore has control on the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends originating in capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

According to the REIT rules in the United States, Carr and the Boston companies are required to distribute their taxable income for tax purposes, including capital gains from the sale of real estate assets, and accordingly, the Company records tax reserves in its financial statements in respect of its share in revaluation gains and depreciation differences for Carr and the Boston companies - see Notes 6g and 6h.

The deferred tax calculation does not take into account: taxes that would apply in the event of the realization of investments in investees which, according to the Group's intentions, are expected not to be realized in the foreseeable future; taxes in respect of a distribution of profits in the Group for cases where dividend payments from investees are not expected to be taxable; taxes on profits of Group companies whose distribution is taxable, but the Group does not intend to distribute them as a dividend; taxes in respect of receipts distributed by way of capital reduction by associates and the Company estimates that these receipts will be classified in Israel as capital gain; deferred taxes that would apply to investment property acquired in a non-business combination transaction, which at the time of the transaction does not affect the accounting profit nor the taxable income at the time of the transaction.

Deferred tax assets and liabilities of each investee are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes imposed by the same tax authority, and the intention of that investee to settle its current tax assets and liabilities on a net basis.

W. Provisions

A provision is recognized when the Group has a commitment (legal or implied) as a result of a past event that is more likely than not to require a negative flow of resources, as long as a reliable estimate of the commitment amount to be discharged can be made. The provisions reflect the management's best estimate of the amounts that will be required to settle the commitments as of the date of the Statement of Financial Position, taking into consideration the risks and uncertainties involved.

When all or part of the amount required to settle the commitment as of the date of the statement of financial position is expected to be settled by a third party, the Group recognizes an asset, for the restitution, up to the amount of the provision recognized, only when it is virtually certain that the indemnity will be received and can be reliably estimated.

The financial statements include provisions for legal proceedings and taxes that are contingent on the date of the Statement of Financial Position, against some of the Group companies that, according to the management's estimation based on its legal advisors for these proceedings, it is more likely than not that they will be realized.

Note 2 – Significant Accounting Policies (continued)

X. Share-Based Payment

In share-based payment transactions with employees (including officers and others who provide similar services) that are settled in the Group's equity instruments (usually options), the benefit inherent in equity instruments granted is determined based on their fair value on the grant date. The fair value inherent in granted options is estimated on the basis of option pricing models (such as the Black and Scholes model), where, at each date of the Statement of Financial Position, the Group estimates the number of equity instruments expected to mature and any change in the estimate over previous periods is recognized in the Statement of Income over the remaining vesting period.

The benefit is recognized as an expense in the Statement of Income against an increase in equity, in a straight line over the vesting periods of the equity instrument granted, such that each sub-grant is considered a separate series (graded vesting).

In share-based payment transactions with employees (including with officers and other providing similar services) settled in cash, the Group measures the labor services and the liability created in respect of share-based payments cleared in cash according to the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the settlement date, with any changes in the fair value recognized in profit or loss for the period. If the arrangement includes vesting conditions, the Group recognizes the services received, and the liability to pay for them, over the vesting period.

Y. Recognition of Revenue

Revenue is recognized in the financial statements as long as their collection is estimated to be expected on the date they are recognized and when the amounts of revenue and costs can be reliably measured. Revenue is measured and recognized according to the fair value of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for the benefit of third parties (such as taxes).

1. Revenues from rental fees and investment property management are recognized in the Statement of Income as they accrue over the rental period. In leases where the rent increases at a fixed rate throughout the rental period, the effect of the fixed increase in rents is recognized in the Statement of Income evenly throughout the rental period. Revenue is recognized in the financial statements as long as its collection is estimated as expected as of the date of recognition and when the amount of revenue can be reliably measured.

   Waiver in respect of lease payments from operating lease arrangements for which the projected due date has expired – Amot handles waivers granted to tenants in operating lease arrangements in respect of lease payments whose contractual due date has passed, which constitute a lease amendment, as a disposal of a financial asset in accordance with Accounting Standard IFRS 9 and consistent with the Securities Authority Staff Position 19-3. Accordingly, and after taking into account projected credit losses to the extent such exist, Amot deducts the balance of the debtors in respect of an operating lease to the statement of income on the date the contractual rights to cash flows expired. In respect of the deduction of the debtors' balance, Amot recorded a decrease in revenues in the amount of approx. NIS 20 million in 2021 (for 2020, Amot recorded a decrease in revenues of approx. NIS 47 million).

   Operating lease arrangements that combine fixed lease fees and variable lease fees – In operating lease arrangements that combine fixed lease fees and variable lease fees, Amot recognizes the fixed lease payments on a straight-line basis over the lease period. In lease agreements of this type, in which the tenants were given relief attributed to the corona crisis (COVID-19), according to which the fixed component was reduced to a lower amount for a fixed period, while leaving the variable component intact, Amot considers the updated floor of the fixed component as a systematic basis that better presents the pattern in which the benefit is reduced from the use of the underlying asset, and this is replaced by the spread of the reduction in the fixed component over the balance of the lease period on a straight-line basis. Accordingly, in each period Amot recognizes the difference between the total actual lease payments and the amount received on a straight-line basis as positive or negative variable lease payments. This accounting policy is in accordance with IFRS 16 and the Securities Authority Staff Position 19-3. In respect of the reduction of the fixed component to the updated floor, in 2020, Amot recorded a decrease in revenues in the amount of approx. NIS 17 million. In respect of 2021, there is no effect.

   Dividend income is recognized in the Statement of Income on the determining date for dividend eligibility.

   Profits (losses) from the realization of investment property and investments in associates are recognized in the Statement of Income on the date of completion of the sale transaction upon transfer of control of the property to the buyer.

   Revenue from electricity sales is recognized in the Statement of Income as accumulated over the production period.

   Revenues from green certificates are measured according to the market price of the certificates at the end of the month in which they accumulated and recorded against the green certificates inventory. At the time of realization of the certificate, revenues from the sale of green certificates are adjusted based on the actual sale price, except in cases of impairment of the value of the certificates. Impairments and cancellations are recognized in the expense items in the Statement of Income. Regarding green certificates, see Note 7.

Note 2 – Significant Accounting Policies (continued)

Financing income includes interest income in respect of invested amounts, changes in the fair value of financial assets presented at fair value through profit or loss. Interest income is recognized as it accrues through the effective interest method.

Z. Credit Costs

Credit costs attributable to the construction of qualifying assets, the preparation of which for their intended use or sale require a significant time period, are capitalized to the cost of those assets until such time that the assets are mostly ready for their intended use or sale.
Credit costs were calculated as the multiple of the Group's average interest rate by the actual asset invested.

Revenues stemming from a temporary investment of specific credit received for the purpose of investing in qualifying assets is deducted from the credit costs qualifying for capitalization.

All other credit costs are recognized in profit or loss as incurred.

AA. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the Company's common stock shareholders, by the weighted average number of shares of common stock in circulation during the reporting period.

In order to calculate diluted earnings per share, the profit attributed to the Company's common stock shareholders, and the weighted average number of shares in circulation, is adjusted for the effects of all potential shares of common stock originating in the Company's convertible securities, as long as they result in dilution relative to the basic earnings per share.

BB. Determination of Fair Value

In order to implement some of the accounting policies, the Group is required to estimate the fair value of financial and non-financial assets and liabilities. Fair value amounts are determined mainly based on the following methods:

1. **Non-derivative negotiable financial instruments** – the fair value of non-financial derivatives traded on active markets (mainly shares and other securities) has been calculated according to closing rates as of the balance sheet date quoted on various stock exchanges, multiplied by the amount of issued negotiable financial instruments on that date.

2. **Derivative tradable financial instruments** – The fair value of derivative financial instruments traded in an active market was calculated according to quoted market prices at the end of the reporting period.

3. **Non-traded financial instruments** – The fair value of financial instruments, including derivatives, that are not traded in an active market (mainly forward and cross currency swap transactions in foreign currency and financial assets at fair value through profit or loss that are not traded) is estimated using generally accepted economic valuation techniques and models based on reasonable assumptions derived from the existing economic conditions at the end of each reporting period. The valuation methods include models for pricing options and the present value of future cash flows discounted at a discount rate that reflects, in the Company management's estimation, the level of risk inherent in the financial instrument.

4. **For additional information, see Note 4c**

5. **Option warrants to employees and officers –**

The fair value of the benefit inherent in the granting of stock options to employees and officers, providing similar services, is determined based on the fair value of each stock option on the grant date estimated using an option pricing model (such as the Black and Scholes model).

Determining fair value takes into account, among other things, the share price, the exercise price, the predicted volatility, the life of the option, expected dividends and the risk-free interest rate. Predicted volatility is estimated based on the past volatility of the stock price for the same period as the estimated life of the option; the life of the option is determined in accordance with management's forecast of the stock option recipients' holding period of the stock options granted to them, given their role in the Company and the Company's past experience regarding the departure of employees; in estimating the predicted dividends, the Company takes into consideration the dividend distribution policy known on the grant date; the risk-free interest rate estimate is based on the yield inherent in government offerings, the remaining period of which is equal to or similar to the forecast period of the assessed option.

CC. Main Estimates and Uncertainties

Main estimates and uncertainties
The addition of information that was not available to the Company at the time an estimate was made may cause changes in the quantitative value of the estimate and therefore also affect the Company's financial position and operating results.

Note 2 – Significant Accounting Policies (continued)

Therefore, although estimates or valuations are made in the best of the Company management's judgment, based on its past experience considering the unique factors of each case, and where relevant, even with the help of external experts, the final quantitative impact of transactions or matters requiring estimates may only become clear when these transactions or matters are concluded. Consequently, when the actual results in an event that requires determination of estimates and valuations becomes clear, they may differ, sometimes substantially, from these estimates and valuations when they are initially determined and updated over time.

The estimates and their underlying assumptions are reviewed periodically, and updated following information coming to the attention of the Company's management or an event that has occurred after the last date on which the estimate was made, and which was not available in the previous period when the estimate was made or last reviewed. Changes to accounting estimates are recognized in the period in which the estimate is changed, or also in future periods after the change is made if the change has implications that affect both the current and future periods.

The following are the main areas that require estimates and assessments to determine their value in the financial statements, which the Group management believes are expected to have a particularly significant impact:

- **Fair value of investment property and investment property in development and land rights –** see Note 4c.
- **Fair value of financial instruments** – as described in Note 23. The Company's management exercises discretion in selecting appropriate valuation techniques for financial instruments that do not have a quoted price in an active market. The valuation techniques used by the Company's management are those applied by market participants. The fair value of financial instruments is determined based on the discounted cash flows expected from them, based on assumptions supported by observable market prices and their rates. The fair value estimate of financial instruments that are not listed for trading in an active market includes a number of assumptions that are not supported by observable prices and market rates.
- **Impairment of investments in associates –** The Company tests for impairment of investments in associates in accordance with the provisions of IAS 36. As part of the impairment testing, the Company refers to a variety of indications, including, among other things, the investee's business situation, changes in its operating activities, rising trends in terms of operating and financial indices such as occupancy rates, cap rates, operating cash flows, ability to repay and raise debt, financial ratios, asset value per share, dividend per share, and so on. If, after examining all of the above parameters, the conclusion is that this is not an impairment, there is no need to estimate the amount of the loss.
- **Taxes on income** – The Group operates in several countries that have different tax regimes. The Group recognizes a tax liability according to the tax rates applicable to the Group companies in accordance with the applicable tax laws. In determining the provision for current and deferred taxes, the management makes estimates and assessments, especially regarding transactions for which the tax rates or tax liability are not certain or final. When there is uncertainty, the Company's management usually assesses, based on the opinions of various tax advisors, whether it is more likely than not for that the Group has additional tax exposure, and the best estimate of the additional tax expense to be incurred by the Company. In addition, in cases where the Company's management estimates that additional tax is expected due to its international operations and the fact that it operates in several countries where different tax regimes exist, the Company recognizes a deferred tax liability according to the expected tax rates.
- **Deferred tax assets –** Deferred tax assets are recognized for losses carried forward for tax purposes and temporary unused differences, if it is expected that there will be future taxable income against which they can be utilized. Management's judgment is required to determine the deferred tax asset amount that may be recognized based on timing, the amount and source of expected taxable income and tax laws in the various tax territories. See additional information in Section (t).

DD. Exchange Rates and Linkage Bases

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

Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the CPI of the month preceding the month of the financial statement date) or according to the Consumer Price Index for the last month of the reporting period (the CPI for the month of the financial statement date), according to the transaction terms.

Note 2 – Significant Accounting Policies (continued)

Below are details of the Consumer Price Index and the exchange rates of the following currencies against the NIS, as well as the increase (decrease) in the Consumer Price Index and changes in the exchange rates of the following currencies against the NIS:

	As of December 31 / for the Month of December			Change for the Period ended December 31		
	2022	2021	2020	2022	2021	2020
				%	%	%
Consumer Price Index						
(2000 base)						
In Israel (in lieu CPI)	143.53	136,354	132,634	5.26	2.8	(0.69)
In Israel (known CPI)	143.13	135,956	132,766	5.28	2.4	(0.60)
Exchange Rate against the NIS						
USD	3.52	3,110	3,215	13.18	(3.27)	(6.97)
GBP	4.24	4,203	4,392	0.88	(4.30)	(3.68)
CHF	3.82	3,405	3,650	12.19	(6.71)	(2.10)
PLN	0.80	0,760	0,854	5.26	(10.49)	(6.17)

EE. Newly Published Financial Reporting Standards and Interpretations and Amendments to Standards

A. New standards, new interpretations and amendments to standards affecting the current period and/or previous reporting periods:

- **Designated and restricted cash**

  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.

  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.

- **Amendment to IAS 16 - "Fixed Assets" regarding proceeds before the intended use**

  The amendment prohibits the deduction, from a fixed asset item, of the net proceeds from the sale of any items that were produced in order to bring the item to the location and condition necessary for it to be able to operate in the manner intended by management. The proceeds from the sale of these items and the cost of their production will be recognized in profit or loss. The cost of these items will be measured according to the provisions of IAS 2 "Inventory". The amendment clarifies that "testing the proper operation of the asset" means examining whether the technical and physical performance of the asset is such that the asset can be used in the production or supply of goods or services, for rent to others or for administrative consumption.

  The amendment is applied retroactively to annual reporting periods from January 1, 2022. Implementation of the standard does not have a material impact on the Group's Financial Statements.

Note 2 – Significant Accounting Policies (continued)

B. Standards, interpretations and amendments to standards that have been published and are not in effect, and have not been adopted with early adoption by the Group, which are expected or are likely to have an impact on future periods:

- **Amendment to IAS 1 "Presentation of Financial Statements" regarding the classification of liabilities as current or non-current**

In 2020, the Amendment to IAS 1 regarding the classification of liabilities as current or non-current was published (hereinafter - the "2020 Amendment"). The amendment clarified that the classification of liabilities as current or non-current is based on the rights that exist at the end of the reporting period and is not affected by the entity's expectation of exercising this right.

The amendment removed the reference to the existence of an unconditional right and clarified that if the right to postpone settlement is conditional on the compliance with financial covenants, the right exists if the entity is in compliance with the established criteria at the end of the reporting period, even if the examination of compliance with the covenants is examined by the lender at a later date.

Also, in the amendment, a definition was added to the term "settlement" in order to clarify that a settlement can be the transfer of cash, goods and services or capital instruments of the entity itself to a counterparty. In this context, it was clarified that if according to the terms of the liability, the counterparty has an option to demand settlement in the entity's capital instruments, this condition does not affect the classification of the liability as current or non-current if the option is classified as a separate capital component in accordance with IAS 32 "Financial Instruments: Presentation".
The amendment only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of the recognition of those liabilities or the income and expenses related thereto.

In October 2022, another amendment was published regarding the classification of liabilities with financial covenants (hereinafter - the "2022 Amendment"), which clarified that only financial covenants that the entity must be in compliance with at the end or before the end of the reporting period affect the entity's right to postpone the settlement of a liability for at least 12 months after the reporting period, even if the compliance is actually examined after the reporting period.

Amendment 2022 states that if the entity's right to postpone settlement of the liability is subject to the entity complying with financial covenants within 12 months from the reporting period, the entity is required to provide a disclosure that will allow the users of the financial statements to understand the risk inherent therein.
The Group is of the opinion that the amendment's implementation is not expected to have an impact on its financial statements. The start date of the amendments was determined for annual reporting periods beginning on or after January 1, 2024. Early implementation is possible provided that both amendments are carried out at the same time.

- **Amendment to IAS 12 - "Taxes on Income" (regarding deferred taxes in respect of assets and liabilities stemming from the same transaction)**

The amendment clarifies that the exception for the initial recognition of deferred taxes does not apply to transactions which at the time of initial recognition of the asset and the liability arising therefrom, cause both a deductible temporary difference and a taxable temporary difference in equal amounts. Therefore, deferred taxes for these temporary differences should be recognized.
This amendment applies to annual reporting periods starting January 1, 2023 or thereafter. Early application is possible. The amendment will be applied retrospectively in respect of transactions that have occurred since the beginning of the earliest comparison period presented in the financial statements.

In addition, at the beginning of the earliest comparison period presented in the financial statements, an entity will recognize a deferred tax asset and a deferred tax liability stemming from:

- Right-of-use assets and lease liabilities, and
- A liability in respect of liquidation and rehabilitation and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

The cumulative effect of the application of the amendment to the beginning of the earliest comparative period presented will be recognized against an adjustment of the opening balance of retained earnings (or another component of equity, as necessary) as of that date.

The Group is of the opinion that the implementation of the amendment is not expected to have a material effect on its financial statements.

Note 3 – Additional Information regarding Current Asset Items

A. Cash and Cash Equivalents

	Interest Rate	As of December 31	
	As of December 31	2022	2021
	2022	NIS thousands	NIS thousands
	%		
Cash in banking corporations		284,474	581,552
Short-term deposits in banking corporations	(*)	1,229,497	581,671
Monetary funds (**)		180,730	66
		1,694,701	1,163,289

(*) The interest rate on short-term deposits in banking corporations in NIS is 3.5%-4%, in PLN 4.5%-6.3%, in GBP 0.6%-1.3% and in USD 3.9%.

(**) Including an investment in short-term NIS mutual funds, and the average duration of their repayment date at the time of investment does not exceed 3 months.

B. Trade receivables

Composition:	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Outstanding debt	52,455	31,966
Checks receivable	6,507	6,926
Income receivable	82,110	31,649
	141,072	70,541
Less provision for doubtful debts	(15,871)	(15,004)
	125,201	55,537

In determining the likelihood of payment of customer debts, the Group examines changes in the quality of customer credit from when the credit was extended and up to the reporting date.

The Group's management of credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group.

The Group does not have significant exposure to credit risk in respect of a specific customer or a group of customers with similar characteristics. The Company defines customers as having similar characteristics if they are related entities. The credit concentration level is limited due to the fact that the customer base is large and not related to each other. There have been no changes in compliance techniques or in significant assumptions carried out in the current reporting period. The Group writes off customer debts when information exists that indicates that the customer is in severe financial difficulty and there is no real chance to recover the debt. For example, when the customer goes into liquidation or bankruptcy proceedings.

Note 3 – Additional Information regarding Current Asset Items (continued)

C. Other Receivables

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Income receivable – interest, dividends, rental fees and other	7,593	4,859
Institutions	38,465	135,570
Prepaid expenses	11,509	12,389
Joint arrangements	2,967	5,955
Related companies and current maturities of long-term loans to investees presented according to the equity method	617	6,947
Green Certificates	22,425	13,926
Derivative financial instruments (see Note 22)	33,920	211,140
Short-term loans to others	-	100,015 (*)
Receivables in respect of option plan	-	16,957
Others	49,507	46,121
	167,003	553,879

(*) This amount includes a loan granted by BE to finance the completion of a project for the construction of a luxury apartment building in central London which is managed by the Brockton I Fund. As of December 31, 2022, this loan is classified to 'long-term assets' – see Note 9b below.

D. Deposits, negotiable securities and restricted cash

Deposits, negotiable securities and restricted cash	Interest Rate	As of December 31	
	As of December 31	2022	2021
	2022	NIS thousands	NIS thousands
Short-term deposits	3.65-4.04	400,000	-
Pledged deposits designated short-term		49,790	30,433
		449,790	30,433

Note 4 – Investment Property; Investment Property in Development and Land Rights

A. Composition and movement:

	Investment property		Investment property in development and land rights		Total
	Israel (Amot)	UK (BE)	Israel (Amot)	UK (BE)	
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2021	12,196,794	2,903,341	1,149,644	-	16,249,779
Additions from acquisitions	1,385,895	617,634	656,049	512,791	3,172,369
Transfer from investment property to fixed assets	(8,550)	-	-	-	(8,550)
Effect of changes in exchange rates	-	(182,087)	-	(47,112)	(229,199)
Transfer from investment property to investment property in development	(243,637)	-	243,637	-	-
Investments and other	141,904	82,792	189,776	61,774	476,246
Profit (loss) from fair value adjustments, net	606,071	524,636	133,944	450,819	1,715,470
Balance as of December 31, 2021	14,078,477	3,946,316	2,373,050	978,272	21,376,115
Additions from acquisitions	56,692	696,016	309,373	-	1,062,081
Effect of changes in exchange rates		75,380	-	3,777	79,157
Transfer from investment property in development to investment property	759,775	-	(759,775)	-	-
Investments and other	247,425	79,493	216,587	25,506	569,011
Profit (loss) from fair value adjustments, net	853,589	(171,924)	127,927	(123,674)	685,918
Balance as of December 31, 2022	15,995,958	4,625,281	2,267,162	883,881	23,772,282
Main discount rate used to calculate fair value in 2022	7.00%-5.00%	6.16%-4.37%			
Main discount rate used to calculate fair value in 2021	7.00%-5.00%	5.46%-3.57%			

- For information regarding property transferred from investment property in development to investment property, see Note 4b below.
- For information regarding revenues from rental fees originating in investment property, see Note 17a.
- For information regarding fair value adjustments of investment property, see Note 17b.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

B. Transactions in and subsequent to the reporting year related to investment property, property in development and property in planning and development:

Amot

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%).

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 – see below. 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.

Vered House, Givatayim

During the second quarter of 2022, the property began to generate income and Amot classified the office building from property in development to income-generating property.

Projects in development, planning and initiation:

Amot Modi'in

The project includes a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period, at annual rental fees calculated according to an 8% return on the total investment cost. The logistics center began generating income starting in mid-July 2020. The expected investment amount for the partnership in the construction of the project was estimated at NIS 420 million (Amot's share of the investment (75%) is estimated at NIS 320 million, Shufersal's share is 25%). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the reporting date, the project is nearing the end of the finishing work at the logistic center with an emphasis on the work of the automation contractor and is in the midst of the finishing work on the office building. The project's readiness for Form 4 is expected in the first quarter of 2023.

Halehi Complex

The lot is located in the Bnei Brak's Northern business complex, adjacent to Hayarkon Park and the Ramat Hachayal complex and near the Ayalon Mall. Amot and its partner in the project (Allied) (in this section - the "**Partnership**") are working together to plan, develop and build an office and commercial project, which will include 100 thousand sq.m. of above-ground space, including 45 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the partners at approx. NIS 1,450 million (Amot's share - 50%). As of the date of the report, the project in the stages of building the superstructure and carrying out the finishing work and systems in the parking lot and the commercial floors.

ToHa2 (Totzeret Ha'aretz)

In October 2021, the Amot Board of Directors decided on the establishment and marketing of the ToHa2 project in Tel Aviv. The project will be established by Amot and Gav-Yam Land Corporation Ltd., the joint owners of the rights (in this section - the "**Partnership**"), on land at the intersection of Totzeret Ha'aretz, Yigal Alon and Derech Hashalom streets in Tel Aviv. The project is adjacent to the ToHa1 project, which is also owned by the partnership.

ToHa2 includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI adjustment work) will reach a total of approx. NIS 3.1 billion (Amot's share - NIS 1.55 billion), of which a total of approx. NIS 777 million has been paid so far (Amot's share - NIS 389 million).

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

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.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

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.

K Complex – Jerusalem

On June 14, 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project has an above ground area amounting to approx. 79 thousand sq.m. according to the City Building Plan in effect and approx. 93 thousand sq.m. above ground area according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%). The total investment in the project, including the land component, is estimated by the parties at approx. NIS 1,400 million (of which, Amot's share is 50%). At this stage, the project is at the end of the excavation work and is nearing the foundation work.

Beit Shemesh Logistic Center

In June 2021, Amot purchased 60% of a 40-dunam plot of land for the establishment of a logistics center in Beit Shemesh, for a consideration of NIS 53 million. As part of the agreement between the partners to the project, it was agreed that the partnership 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. Amot is leading a city building plan to increase the built-up areas on the lot to approx. 50 thousand sq.m. and it is expected to receive a permit during the first quarter of 2023. As of the date of the report, the project is in the midst of skeleton work.

In June 2022 Amot and its partner to the property signed a lease agreement for the property with Logisticar in relation to an area of 24,500 sq.m. for a period of 10 years, with an option for another 5 years.

BE

Cambridge Science Park

During the reporting period, BE completed a transaction 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[3] for a consideration of approx. GBP 172 million (approx. NIS 683 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.

For the purchase of the above-mentioned building assets, the Company invested a total of approx. GBP 84 million (approx. NIS 333 million) in BE's capital and also provided BE with a bridging loan, the balance of which, as of the date of the report, is GBP 18 million (approx. NIS 77 million).

For information regarding a loan that was converted by the sellers to BE, see Note 12e.

As of December 31, 2022, the value of all the BE properties at the Cambridge Science Park is GBP 550 million (approx. NIS 2.3 billion).

In view of the BE management's expectations for a significant expansion of business activity in the Cambridge Science Park area, BE is working to promote plans for a significant increase in building rights and the establishment of office complexes and laboratories for the Life Science industry in the area over several years. In order to implement the plan, BE is working to find a strategic investor for its operations in that area.

Waterside house

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%). Accordingly, in the fourth quarter of the year, BE recognized net revenue in the amount of GBP 6 million in respect of the period from the beginning of the procedure until the date of its conclusion (Back Rent) (of which approx. GBP 5 million is in respect of previous years). 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.

That stated in this Section (b) regarding the feasibility of projects being initiated, expected investment costs and expected completion of construction, as well as the expected NOI and expected rental income, is forward-looking information.

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

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

C. Determining fair value:

The following table presents the investment properties measured at fair value according to Level 3 (not including investment property in Amot's joint ventures). For definitions of the various levels of the hierarchy see Note 23.

Description of the valuation technique of investment property measured at fair value as of December 31, 2022:

Amot

Investments in Investment Property in Israel	Fair Value as of December 31, 2022 in NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices	7,746,836	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	95
			Discount rate	5.75%-7.00%
			Occupancy Rate	86.30%
Industrial and logistic parks	4,589,553	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	41
			Discount rate	5.00%-7.25%
			Occupancy Rate	100.00%
Commercial centers	2,695,716	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	115
			Discount rate	6.25%-7%
			Occupancy Rate	98.10%
Supermarkets	743,290	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	107
			Discount rate	6.75%-6.25%
			Occupancy Rate	100%
Others	220,563	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	58
			Discount rate	6.25%-7%
			Occupancy Rate	100%
Investment property in development and land rights	2,267,162	Comparison, costs, discounted cash flow (DCF)	-	-

BE

Investments in Investment Property in the UK	Fair Value as of December 31, 2022 NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices (*)	4,625,281	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	56£
		Extraction method	Discount rate	6.16%-4.37%
			Occupancy Rate	100%-81%
Land	883,881	Comparison	Price per acre	14M - £17M£

(*) One of the above properties includes office space as well as an open commercial center.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of the valuation technique of investment property measured at fair value as of December 31, 2021:

Amot

Investments in Investment Property in Israel	Fair Value as of December 31, 2021 in NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices	6,369,050	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	87
			Discount rate	5.75%-7.00%
			Occupancy Rate	96.20%
Industrial and logistic parks	4,184,671	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	39
			Discount rate	5.00%-7.25%
			Occupancy Rate	99.90%
Commercial centers	2,615,158	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	115
			Discount rate	6.25%-7%
			Occupancy Rate	96.60%
Supermarkets	703,769	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	103
			Discount rate	6.75%-6.25%
			Occupancy Rate	100%
Others	205,829	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	57
			Discount rate	6.25%-7%
			Occupancy Rate	100%
Investment property in development and land rights	2,373,050	Comparison, costs, discounted cash flow (DCF)		

BE

Investments in Investment Property in the UK	Fair Value as of December 31, 2021 NIS thousands	Valuation Technique	Description of Unobservable Data	Range (Weighted Average)
Offices (*)	3,946,316	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	55£
		Extraction method	Discount rate	5.46%-3.57%
			Occupancy Rate	100%-82.7%
Land	978,272	Comparison	Price per acre	14M - £18M£

(*) One of the above properties includes office space as well as an open commercial center.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of valuation processes used to determine fair value

The entities at Amot and BE responsible for the fair value measurement process for items classified at Level 3 (see Note 23) is the companies' senior management.

For the purpose of determining the fair value of investment property, the Group's management relies mainly on assessments made by independent external real estate appraisers with the required knowledge, experience and expertise.

The managements of Amot and BE report to the Financial Statements Committee of Amot and BE, respectively, on the fair value of investment property, and examine the appropriateness of the data and valuation methodology used to determine the fair value.

Amot's and BE's valuations are examined quarterly and when needed, adjustments are made in order to estimate the fair value in the most precise manner Amot and BE believes possible.

Fair value is measured based on valuation techniques, such as: the market approach - an approach that uses prices and relevant information created by comparable market transactions, to which adjustments are made, such as the comparison method. Revenue approach – an approach that converts future amounts (for example, future cash flows) to the current amount (discounted), such as the Discounted Cash Flow method (DCF). When the discounted cash flow method is used, the interest rate used to discount the net cash flows expected from the asset has a significant impact on its fair value.

In determining fair value, the following, among other things, are taken into account: the discount rates used to discount future cash flows, the length of the rental period, the stability of the tenants, the amount of available space in the property, the lengths of the lease agreements and the amount of time required to rent out the vacant properties, the implications of investments needed for the development, completion of the project and/or maintenance of existing properties and deduction of uncovered operating costs, etc.

Regarding investment property in development, its fair value is determined by estimating the fair value of the investment property after completion of its construction less the current value of estimated construction costs expected for its completion and less development profit, when relevant, taking into account the rate of return adjusted for the relevant risks and characteristics of the investment property.

The process of assessing fair value of investment property also includes subjective components, originating among other places in past experience of Group management and its understanding of future occurrences and developments in the investment property market on the date on which the fair value assessment was determined. In view of this, and in view of that stated in the previous paragraphs, determination of the fair value of the Group's investment property requires discretion. Changes in assumptions used to determine fair value can significantly affect the Group's financial condition and operating results.

D. Sensitivity analysis:

The following is a sensitivity analysis of the value of the Amot Group's investment property at a cap rate on the basis of a standardized NOI (including joint arrangements):

Based on an annual NOI of approx. NIS 990 million, any 0.25% change in the cap rate will result in a change in fair value of Amot's income-generating property (not including property in development and rights in land) of approx. NIS 647 million (less deferred taxes at a rate of 23% – approx. NIS 498 million).

The following is a sensitivity analysis of the value of the BE Group's investment property (including land) at the cap rate:

Any 0.25% change in the cap rate will result in a change in fair value of approx. GBP 112 million (approx. NIS 473 million).

E. Additional information:

For information on liens, see Note 13.

Note 5 – Securities Measured at Fair Value through Profit or Loss

			As of December 31	
			2022	2021
		Exposure Currency	NIS thousands	NIS thousands
Securities measured at fair value through profit and loss				
Brockton Real Estate Investment Funds	(1)	GBP	216,233	209,575
Other investments in tradable and other securities		NIS	18	144
			216,251	209,719

1. Brockton Real Estate Investment Funds (hereinafter - "the Funds")

As of December 31, 2022, the Group is a partner in three real estate funds (Brockton Capital Fund I LP, Brockton Capital Fund II LP, Brockton Capital Fund III LP). The Group's share in the total value of the Funds is NIS 216 million (GBP 51 million).

The funds are in the process of realizing the balance of their portfolio, which is expected to be completed in the coming years. For additional information, see Note 23.

Note 6 – Investments in Investees

A. Significant Group subsidiaries

1. List of Subsidiaries

Name of Subsidiary	See Section	Main Location of Activity	Rate of Holdings and in Voting		Value of Holdings at Stock Market Prices		Amount of Investment in Investee (*)	
			As of December 31		As of December 31		As of December 31	
			2022	2021	2022	2021	2022	2021
			%		NIS thousands		NIS thousands	
Amot Investments Ltd.	c.	Israel	53.79%	55.52%	5,218,641	6,217,360	4,698,814	4,192,979
Energix Renewable Energies Ltd.	e.	Israel, Poland and USA	50.39%	53.33%	3,058,755	3,449,668	1,136,147	769,069
Brockton Everlast Limited Inc (**)	d.	UK	83.20%	97.26%	-	-	3,169,275	2,854,231

(*) The Company's share in the consolidated companies' equity.

(**) Through Brockton Holdings LP, a partnership in Guernsey.

Note 6 – Investments in Investees (continued)

B. Subsidiaries that have non-controlling interests that are material to the Group

The following is condensed financial information from **Amot**'s statements:

The following amounts are before inter-company cancellations:	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	46.21%	44.48%
Current assets	1,136,415	511,095
Non-current assets	18,808,025	17,064,154
Current liabilities	882,121	1,036,844
Non-Current Liabilities	10,286,781	8,937,866
Total assets, net	8,775,538	7,600,539
Book value of Amot's non-controlling interests	4,060,707	3,388,717

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	1,028,138	841,602	768,533
Fair value adjustment of investment property, net	984,285	742,641	(143,640)
Profit	1,171,146	932,186	289,455
Other comprehensive income (loss)	-	-	-
Total comprehensive income	1,171,146	932,186	289,455
Profit attributable to Amot's non-controlling interests	538,712	410,219	128,270
Net cash flows provided by operating activities	589,637	595,055	495,862
Net cash flows used in investing activities	(1,167,948)	(2,285,607)	(738,384)
Net cash flows provided by financing activities	832,648	1,515,186	786,926
Dividend paid to non-controlling interests	299,187	182,328	221,756

Note 6 – Investments in Investees (continued)

The following is condensed financial information from **Energix** 's statements:

The following amounts are before inter-company cancellations:	As of December 31 2022	2021
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	49.61%	46.67%
Current assets	700,775	849,752
Non-current assets	5,381,456	3,933,303
Current liabilities	554,664	471,384
Non-Current Liabilities	3,197,279	2,798,422
Total assets, net	2,330,288	1,513,249
Book value of Energix's non-controlling interests	1,193,982	743,975

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Total revenues	527,325	266,626	263,069
Profit	235,910	79,204	77,821
Other comprehensive (loss)	(17,844)	(74,100)	(39,366)
Total comprehensive income	218,066	5,104	38,455
Profit attributable to Energix's non-controlling interests	113,695	36,526	34,359
Net cash flows provided by (used in) operating activities	284,687	103,489	171,318
Net cash flows used in investing activities	(1,085,158)	(1,272,939)	(490,742)
Net cash flows provided by financing activities	666,754	792,697	1,142,298
Dividend paid to non-controlling interests	51,567	40,848	34,751

Note 6 – Investments in Investees (continued)

The following is condensed financial information from BE's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	16.80%	2.74%
Current assets	205,419	196,518
Non-current assets	5,871,517	5,085,935
Current liabilities	485,767	368,332
Non-Current Liabilities	1,794,945	2,001,272
Total assets, net	3,796,224	2,912,849
Book value of BE's non-controlling interests	626,949	58,618

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	192,828	152,098	126,878
Fair value adjustment of investment property, net	(295,598)	975,455	(44,090)
Profit (loss)	(184,016)	994,332	(3,519)
Other comprehensive income (loss)	34,481	9,575	(4,417)
Total comprehensive income (loss)	(149,535)	1,003,907	(7,936)
Profit (loss) attributable to BE's non-controlling interests	(32,363)	28,797	(147)
Net cash flows provided by operating activities	51,015	73,838	22,123
Net cash flows used in investing activities	(570,740)	(1,273,352)	(439,725)
Net cash flows provided by financing activities	619,444	1,204,241	418,920
Dividend paid to non-controlling interests	2,985	1,544	-

C. Information regarding significant consolidated companies – Amot Investments Ltd. (hereinafter - "**Amot**")

1. Amot's business

Amot is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company. Amot deals, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel and in the development of land for its own use for rental properties. Amot owns, directly and indirectly, real estate assets that include offices, commercial centers, supermarkets, a central bus station, industrial parks and industrial and logistics buildings.

2. The Company's holdings in Amot

In 2020, 2021 and 2022, Amot raised capital in the amount of NIS 415 million, NIS 718 million and approx. NIS 618 million, respectively. In addition, in 2020, 2021 and 2022, the Company invested in Amot as part of Amot's offerings and in stock market purchases, a total of NIS 320 million, NIS 288 million and NIS 159 million, respectively. As of December 31, 2022, the rate of the Company's holdings in Amot was 53.79% and fully diluted, taking into account convertible securities issued by Amot, the rate of holdings will be 53.16% (in 2021: 55.52% and 53.91%, respectively, and in 2020: 57.06% and 56.05%, respectively).

Near the publication of the financial statement, the Company's rate of holdings in Amot's capital stock is 53.79% (approx. 53.16% fully diluted).

3. Amot's dividend distribution policy

In January 2007, Amot's Board of Directors adopted a dividend policy, according to which during the first quarter of each calendar year, Amot will announce the dividend distribution amount planned for that year.

Note 6 – Investments in Investees (continued)

In accordance with the decisions made by Amot's Board of Directors regarding the years 2020-2022, in 2020 Amot paid its shareholders a current dividend in a cumulative amount of NIS 381 million (the Company's share - NIS 212 million), in 2021 a current dividend in a cumulative amount of NIS 419 million (the Company's share - NIS 236 million). In 2022, a current dividend and an additional dividend (in respect of 2021) in the cumulative amount of NIS 649 million (the Company's share - NIS 329 million).

In February 2023, Amot's Board of Directors stated that in 2023 Amot intends to distribute a minimum annual dividend of NIS 1.08 per share, to be paid in 4 quarterly payments in the amount of NIS 0.27 per share, subject to a specific decision of the Board of Directors at the end of each quarter.

Following this policy, in March 2023 Amot will distribute a dividend for Q1/2023 in the amount of NIS 0.27 per share. The total dividend to be paid by Amot as stated above, in March 2023, will amount to approx. NIS 127 million (the Company's share - approx. NIS 68 million).

In addition, in March 2023, Amot will distribute an additional dividend in respect of 2022 in the amount of NIS 0.28 per share (NIS 132 million, the Company's share - NIS 71 million).

4. Management fee agreement with Amot

In December 2018, the Company signed a management agreement with Amot for the years 2019-2021 according to which the management fees for each of the years will amount to NIS 9 million per year, linked to the CPI for the month of June 2018. The agreement was approved by Amot's General Assembly on November 1, 2018. The Company's Audit Committee meeting on November 15, 2018 and the Company's Board of Directors meeting on November 21, 2018 approved the Company's engagement in this agreement.

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 Assembly) to extend the above 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.

Regarding the revaluation of Amot's assets, see note 17b below.

D. Information regarding significant consolidated companies – Brockton Everlast Inc. Limited (hereinafter - "BE")[4]

1. BE's business

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter - "**Brockton**" and "**BE Managers**") in a series of agreements according to which the Company, together with BE Managers, established Brockton Everlast Inc. Limited, a company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. At the same time, Brockton continues to manage the three existing funds until completion of the realization of all their investments, a process that is expected to be completed in the coming years (for information, see Note 5(1) above).

The total fair value of BE's properties as of December 31, 2021 was GBP 1.3 billion (NIS 5.5 billion). For details of BE's transactions for the acquisition of real estate in the reporting period, see Note 4b above. Regarding the real estate appraisal carried out on BE's properties, see Note 17b below.

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**")[5]. If and to the extent that the option is exercised, Menora's holding rate in BE will increase to 20%. Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Subsections 4 and 5 below, respectively).

As of December 31, 2022 and as of the date of publication of the report, the Company, indirectly, held 83.2% of the rights in BE.

[4] BE is held through Brockton Holdings LP.

[5] 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 6 – Investments in Investees (continued)

2. Information regarding the amount of the Company's investment in BE

From BE's establishment until the date of publication of the report, the Company has invested GBP 578 million in BE's capital, of which a total of GBP 122 million (NIS 487 million) was invested during 2022.

3. BE's dividend distribution and capital reduction policy

BE is defined as a REIT for UK tax purposes and must meet certain conditions which include, among other things, a dividend distribution at a rate of at least 90% of its current adjusted taxable income from real estate activity.

In the years 2021 and 2022, BE distributed to its shareholders a dividend of GBP 12 million (approx. NIS 53 million) and GBP 16 million (approx. NIS 70 million), respectively (the Company's share - approx. NIS 52 million and NIS 67 million, respectively).

Subsequent to the balance sheet date, in February 2023, BE distributed to its shareholders a dividend of GBP 16 million (approx. NIS 70 million, the Company's share - approx. NIS 59 million).

4. Corporate Governance in BE and in the BE Group

As part of the set of agreements entered into by the Company, BE, the BE Managers and Menorah, several provisions were established in connection with corporate governance at BE as follows: (a) The BE board of directors will consist of 3 Company representatives (including the Chairman) and 2 representatives of the BE Managers. In addition, the Company, Menorah and the BE Managers will have the right to appoint an observer on their behalf (In relation to Menorah, the right to appoint an observer is conditional on a minimum holding of 5%. The Company has the right to appoint the observer as a director at any time. The observer on behalf of Menora may be appointed as a director, subject to the exercise of the option and minimum holdings by Menora of 15%); (b) As a rule, decisions will be made by a simple majority except for the following decisions: interested party transactions with the Alony-Hetz Group involving a benefit to the Alony-Hetz Group (not including indemnification and insurance of directors), amendment of the employee remuneration plan, which expires at the end of 2025; a decision to dissolve BE in court proceedings and decision on a drastic change in business strategy. BE also has Board committees in which Company representatives will constitute a majority.

5. Limitation on the transferability of rights

In the partnership agreement between the Company, the BE Managers and Menora, a number of limitations were determined on the transferability of rights in BE, as follows: (1) In a four-year period ending in March 2026, there will be no transfer of rights in BE, except by "authorized transfers", to certain transferees and under conditions specified in the partnership agreement (the "**Restriction Period**"); (2) After the restriction period, the Company will have the right to sell or transfer all of its rights in BE to a third party, and to drag along the other rights holders, subject to conditions specified in the partnership agreement; (3) After the restriction period, the Company will have the right to sell or transfer some or all of its rights in BE to a third party, subject to the granting of a tag along right to the BE Managers and to Menora. In such a case, the BE Managers and Menora will have the right to join the sale, under the same conditions and in equal proportion to the sale of rights by the Company, provided that if the holdings of Alony-Hetz fall below 25% following the aforementioned sale, Menorah will have the right to sell all of its holdings in that sale; (4) From the end of the restriction period, all BE rights transfers made by the BE Managers will be subject to the Company's right of first refusal whereas the transfers of BE rights by Menora are subject to the Company's right of first offer (ROFO).

Non-compete commitment

The Company has made a non-compete committed in BE's business as long as it holds at least 25% of the capital and as long as Menora holds at least 5% of BE's capital.

Regarding the accounting treatment of Brockton Capital LLP, see Note 6i.

E. Information regarding significant consolidated companies – Energix Renewable Energies Ltd. (hereinafter - "**Energix**")

1. Energix's business –

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

Energix engages in the planning, development, financing, construction, management and operation of systems for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. As of the date of the report, the total capacity of its systems amounts to approx. 855 MW in projects in commercial operation, approx. 680 MW in projects in development or pre-construction and approx. 695 MW in projects in advanced stages of initiation. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.3 GW and storage projects in initiation with a capacity of approx. 7 GWh. See Notes 7 and 8 below. The total representative annual revenue expected in 2023 from all facilities connected to the electricity grid as of the reporting date plus facilities expected to be connected to the electricity grid during 2023 (according to Energix's share of the cash flow), is approx. NIS 700-750 million.

Information regarding the representative annual revenue for 2023 constitutes forward-looking information.

Regarding financing arrangements for the projects, see Note 12d.

Note 6 – Investments in Investees (continued)

2. The Company's holdings in Energix –

In 2020, 2021 and 2022, Energix raised capital in the amount of NIS 576 million, NIS 10 million and NIS 676 million, respectively. In addition, in 2020 and 2022, the Company invested in Energix as part of Energix's offerings, stock market purchases and the exercise of options it held, a total of NIS 59 million and NIS 203 million, respectively.

As of December 31 2022, the rate of the Company's holdings in Energix was 50.39% and fully diluted, taking into account convertible securities issued by Energix, the rate of holdings will be 46.45% (in 2021: 53.33% and 53.91%, respectively, and in 2020: 57.06% and 56.05%, respectively).

Near the publication of the balance sheet, the Company's stake in Energix stock capital is 50.39% (46.45% fully diluted).

3. Energix's dividend distribution policy

In March 2021, Energix's Board of Directors adopted a dividend policy taking into account the continued growth of Energix and depending on its needs, according to which, close to the approval of its annual reports each year, Energix will announce the amount of the dividend planned for that year. The amount of the annual dividend will be divided into 4 quarterly payments, taking business considerations into account and in accordance with the provisions of any law, the Board of Directors may at any time make adjustments or change the amount of the dividends distributed, or decide not to distribute them at all.

In accordance with the above decision, during 2021 and 2022, Energix paid its shareholders a current dividend in the cumulative amount of NIS 88 million and NIS 107 million, respectively (the Company's share - NIS 47 million and NIS 55 million, respectively).
In February 2023, the Energix Board of Directors stated that in 2023 it intends to distribute an annual dividend in the amount of NIS 0.28 per share, which will be paid in four quarterly payments of NIS 0.07 per share, subject to a specific decision of the Energix Board of Directors at the end of each quarter.

In addition, in view of the results of Energix's activities for 2022, Energix will distribute an additional dividend in the first quarter of 2023 for 2022 in the amount of NIS 0.18.

In accordance with the policy and the above decisions of the Energix Board of Directors, Energix declared that it would distribute a dividend for Q1/2023 in the amount of NIS 0.07 per share. The amount of the dividend to be paid by Energix will be NIS 0.25 per share (approx. NIS 136.6 million) (the Company's share – approx. NIS 69 million), to be paid in March 2023 together with the additional dividend.

4. Energix's rental agreements for electricity generation facilities

Energix leases land and roofs of buildings for the installation and operation of photovoltaic systems and leases land for the installation and operation of wind systems. Regarding accounting policy - see Note 2n. Regarding the leasing of rooftops from Amot - see Note 18c.

5. Management fee agreement with Energix

The Company has a management agreement with Energix for a period of three years ending on June 30, 2023 (hereinafter - the "**New Management Agreement**"). Starting July 1, 2020, The New Management Agreement replaces the previous management agreement that ended on June 30, 2020 (hereinafter: "**the Previous Management Agreement**").

According to the New Management Agreement, for the management services, Energix pays the Company a management fee consisting of a fixed payment of NIS 1.2 million per quarter (linked to the CPI) and a variable payment of 0.045% per quarter (i.e. 0.18% on an annual basis) of the original cost in Energix's books for its electricity generating facilities, which are actually producing electricity (Energix's share) and which commenced commercial operation from July 1, 2020 onwards. In total, the variable payment will not exceed the amount of NIS 3.2 million per year (linked to the CPI). The maximum annual management fee ceiling will be the amount of NIS 8 million (linked to the CPI).

The engagement in the New Management Agreement with Energix was approved by the Audit Committee and the Company's Board of Directors at their meetings of May 13, 2020 and May 20, 2020, respectively, and by Energix's General Assembly in June 2020.

The management fees paid to the Company in 2020, 2021 and 2022 amounted to NIS 5, 5.8 and 7.7 million, respectively.

Note 6 – Investments in Investees (continued)

F. Investments in associates and joint ventures

1. Composition of investments

Name of Investee	See Section		Country of Incorporation	Rate of Holdings in Investee's Capital Rights		Amount of Investment in Investee	
				As of December 31		As of December 31	
				2022	2021	2022	2021
				%		NIS thousands	
(**) Carr Properties Holdings LP	e.	Jointly controlled entity	USD	52.33% (*)	50.77% (*)	2,844,673	2,989,792
OPG 125 Summer REIT Investor (DE) LLC	g.	Jointly controlled entity	USA	55% (*)	55% (*)	410,937	438,909
OPG 745 Atlantic REIT Investor (DE) LLC	g.	Jointly controlled entity	USA	55% (*)	55% (*)	90,996	115,929
Davenport REIT Investor (DE) LLC	g.	Jointly controlled entity	USA	55% (*)	55% (*)	254,549	273,508
Brockton Capital LLP	h.	Associate	UK	100%	100%	53,090	72,536
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	j.	Associate	Israel	10.00%	10.00%	12,696	14,031
Others (mainly joint ventures with Amot)	i.					403,088	496,554
						4,070,029	4,401,259

(*) Voting rights – 50%.

2. Composition of the Group's share in the profits of associates, net

Name of Investee	Details of Equity Gains		
	For the Year ended December 31		
	2022	2021	2020
	NIS thousands		
Carr Properties Holdings LP	(780,842)	53,723	129,118
OPG 125 Summer REIT Investor (DE) LLC	(95,331)	(17,512)	5,974
OPG 745 Atlantic REIT Investor (DE) LLC	(53,189)	42,228	(36,794)
Davenport REIT Investor (DE) LLC	(39,046)	50,527	27,018
Brockton Capital LLP	(6,491)	(23,422)	(36,539)
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	(2,898)	1,758	(618)
Others (mainly joint ventures with Amot)	24,208	19,417	(1,120)
PSP Swiss Property	-	-	12,631
	(953,589)	126,719	99,670

Note 6 – Investments in Investees (continued)

G. The Company's holdings in Carr (joint ventures)

1. General

Carr Properties Holdings LP (hereinafter - "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter - "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Company at a rate of 52.3%, by JPM at a rate of 38.9% and by Clal Insurance at a rate of 8.77%[6].

Carr Holdings has full control (through a corporation under its full control) and holdings of 90% in the Carr Properties Partnership (hereinafter - "**Carr**" and "**Carr Properties**").

As of December 31, 2022, the weighted rate of holdings in Carr Properties of the Company is 47.1% (and of JPM is 35%) and of Clal Insurance is 13.7%[7].

Upon the investment in Carr Holdings (August 2013), the Company and JPM entered into a number of agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the limitation on the transfer of rights. For additional information, see Note 6g.8 below.

In view of the above, the Company's investment in Carr Holdings is considered a shared transaction presented in the Company's Financial Statements according to the book value method starting from Q3/2013.

2. Investments in Carr in the reporting periods

During the reporting period, 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. Due to the aforementioned, in the reporting period, 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.

The total cost of the Company's cumulative investment in Carr Holdings as of December 31, 2022 amounts to USD 872 million.

The Company's investment in Carr Holdings as of December 31, 2022, which is presented in the Group's financial statements based on the equity method, amounts to USD 808 million (NIS 2.84 billion).

3. Carr's Business

Carr deals in investment, acquisition and developing income-generating property for rental purposes, including the management and maintenance of office buildings under its ownership in urban areas in the Washington DC metropolis, in Boston, Massachusetts and in Austin, Texass in the United States.

Carr fully or partially owns 17 income-generating buildings (which consist of 16 office buildings and one residential rental building) with a total rental space of 4.6 million sq.ft. (423 thousand sq.m.) (Carr's share) and a value of USD 2.8 billion (Carr's share). The properties are rented to hundreds of tenants for various time periods. As of December 31, 2022, the occupancy rate in Carr's properties is 87.9% (the rental rate is 89.1%).

As of December 31, 2022, Carr owns one project in development in Boston with a total area of 1 million sq.ft. (0.8 million sq.ft. - Carr's share) whose value in the financial statements as of December 31, 2022 amounts to USD 0.7 billion (Carr's share). The project's construction budget is USD 995 million (Carr's share - USD 746 million), of which USD 757 million has been invested (Carr's share - USD 568 million) as of the date of the report. For additional information regarding the One Congress project, see below.

The following are the main transactions carried out by Carr over the course of the reporting period:

- **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 to two main tenants.

6 The balance is held by six individuals.
7 The balance of 4.2% is held by others.

Note 6 – Investments in Investees (continued)

- **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 540-550 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%).

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

4. **Fair value adjustments of investment property**

In the reporting period, Carr recorded a net negative revaluation in the amount of USD 541 million (Carr's share) in its financial statements. The negative revaluations of the properties in the reporting period resulted mainly 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 254 million (NIS 876 million)).

5. **Carr's 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 December 31, 2022, 72% of Carr's total credit is at a fixed interest rate. The cost of the hedge transaction amounted to USD 11.5 million.

As of December 31, 2022, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.7 billion[8] (Carr's share) at a weighted interest rate of 4.29% and for an average duration of 3.57 years.

6. **Carr's dividend distribution and capital reduction policy**

The corporation through which Carr Holdings owns Carr Properties is defined as a REIT for United States tax purposes and must meet certain conditions, which include, among other things, the obligation to distribute a dividend of at least 90% of its adjusted taxable income.

The Company received the amount of USD 28.3 million (NIS 91 million) from Carr in respect of 2021.

7. **Condensed financial information on Carr Holdings**

	For the Year ended December 31		
	2022	2021	2020
	USD thousands		
Revenues (not including real estate valuations)	203,448	215,045	247,596
Adjustment of investment property value (*)	(547,083)	(4,133)	(2,039)
Net profit (loss) from continuing activity	(463,417)	35,266	80,535
Other comprehensive income (loss)	25,865	25,622	(186)
Total comprehensive income (loss) (including minority share in profit (loss))	(437,552)	60,888	80,349
Company share in Carr's net profit (loss) in USD thousands	(225,155)	16,409	37,694
Company share in Carr's comprehensive income (loss) in USD thousands	(214,002)	28,025	37,763
Company share in Carr's net profit (loss) in NIS thousands	(780,842)	53,723	129,118
Company share in Carr's comprehensive income (loss) in NIS thousands	(743,763)	91,478	129,120

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

[8] Does not include a lease commitment in accordance with IFRS 16 in the amount of USD 147 million in respect of ground lease agreements.

Note 6 – Investments in Investees (continued)

	As of December 31	
	2022	2021
	USD thousands	
Investment property	2,107,521	2,403,873
Property in development and land for development	8,876	169,254
Investment in investees	671,714	705,632
Other non-current assets	194,856	147,411
Other current assets	58,901	53,940
Total assets	3,041,868	3,480,110
Current liabilities	244,729	200,620
Non-current liabilities	1,137,985	1,241,623
Total liabilities	1,382,714	1,442,243
Equity attributed to shareholders	1,544,754	1,893,706
Non-controlling interests	114,400	144,161
Equity (including non-controlling interests)	1,659,154	2,037,867
Total liabilities and equity	3,041,868	3,480,110
Company share in net assets - in USD thousands	808,375	961,347
Book value of investment – in NIS thousands	2,844,670	2,989,789

Note 6 – Investments in Investees (continued)

8. Significant agreements

The Company and JPM have several agreements in connection with the corporate governance of a corporation that is 100% controlled by Carr Holdings (in this section only - "**Carr**") and their relationship as holders of rights in Carr's capital. Among other things, the following provisions were determined (or accordingly carried out):

A. Corporate governance:

- Carr's Board of Directors will consist, at any time, of eight representatives (including, among others, three representatives appointed by the Company and three representatives appointed by JPM).
- The Board of Directors quorum required to approve operations is the presence of at least two representatives appointed by the Company and at least two representatives appointed by JPM.
- All decisions under the authority the Board of Directors of Carr and its subsidiaries will require the agreement of all members of the Board of Directors appointed by the Company participating in the meeting and of all of the Board members appointed by JPM participating in the meeting.
- The Board of Directors established an Operations Committee consisting of three members – one representative appointed by the Company, one representative appointed by JPM and the CEO of Carr, Oliver Carr. Any decision by the Operations Committee will require the approval of the two representatives appointed by the Company and JPM.
- The Board of Directors established an Audit, Remuneration and Financial Statements Committee consisting of two members – one representative appointed by the Company and one representative appointed by JPM.
- Nathan Hetz will serve as Chairman of Carr's Board of Directors, with the Chairman of Carr's Board of Directors not having a deciding vote. The Company and JPM have the right to replace the serving chairman as their own representative every two years.

B. Provisions regarding the transferability of rights between the Company and JPM:

1. Any transfer of direct or indirect rights in Carr's capital by one party to a third party is subject to a right of first offer or a tag along right in the other party's favor. When a party wishes to transfer their rights (hereinafter - "**the Offeror**"), the other party ("**the Offeree**") may purchase the rights at a price suggested by the Offeror (hereinafter - "**the Offered Price**"). In the event that the Offeree decides not to purchase the rights, the Offeror may offer (a) to transfer the capital stock to an accredited institutional investor that meets the definition in the agreement and (b) to activate a drag along procedure as detailed below, in order to cause the Offeree sell their rights in Carr along with the Offeror to a third party.

2. Until August 2023, to the extent that one of the parties initiates a drag along procedure, the dragged party will have a right of first refusal under terms identical to the terms offered by the proposed buyer as part of the drag along procedure. In the event that a drag along procedure is carried out, the proceeds paid to the dragged party for the realization of their rights will be no less than the higher of: (a) Carr's net asset value (NAV) determined according to generally accepted accounting standards in the United States (US GAAP), (b) the NAV determined according to IFRS principles, and (c) the proposed price.

3. The limitation on the transferability described above will end on the date of the initial public offering (IPO) of Carr shares, raising equity in an amount exceeding USD 100 million (hereinafter: "Approved Offering").

C. Provisions regarding the transferability of rights between the Company and JPM, and Clal[9]:

As part of Clal's investment agreement (see this Note above), a specific provision is included pertaining to the relationship between the Company and Clal.

In addition, the investment agreement includes provisions regarding Clal's right to join the Company (on a pro rata basis) in cases in which the Company realizes shares on a tag-along basis for sales made by JPM or if the Company purchases shares from JPM whether as a result of exercising its right of first offer or its right of first refusal granted by JPM, as described above.

D. Provisions regarding non-controlling interests:

- A non-controlling interest may transfer his rights in the partnership, with the consent of the Company and JPM, as long as any such agreed-upon transfer will be to an institutional investor and will be subject to the Company's and JPM's right of first refusal.
- Until the date of an approved offering, a non-controlling interest (except Clal) is entitled to compel the partnership to acquire his rights in the partnership (in certain cases the partnership has the right to reject the obligation). The purchase price of such rights will be equal to the net asset value (NAV) of his rights in the partnership; compared to non-controlling interests who are not Carr employees, it will be 97% of the NAV of these rights in the partnership. Therefore, these rights are presented in Carr's financial statements as a liability.

[9] As of December 31, 2022, Clal Insurance has holdings (for itself and for entities under its management) in Carr at a rate of 13.7%.

Note 6 – Investments in Investees (continued)

H. The Company's holdings in Boston – associates

1. General

As of December 31, 2022, the Company holds approx. 55% of the equity rights and 50% of the controlling rights (through wholly owned corporations), in three companies that hold a cumulative three office towers (2 in Boston's CBD - the Central Business District - and one in East Cambridge) the total value of which at the end of 2022 is USD 749 million (NIS 2.6 billion) (hereinafter collectively - "**Boston Partnerships**"). The Boston Partnerships took long-terms loans, the balance of which, as of December 31, 2022, is in the amount of approx. USD 362 million (NIS 1.3 billion) at 4.67% weighted interest (after taking an interest-fixing transaction into account).

The Company's partner in the Boston corporations is the Oxford Properties Group (hereinafter - "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

In 2022, negative property valuations were recorded for the three properties in the cumulative amount of USD 118 million (before tax) (the Group's share – USD 65 million, approx. NIS 222 million). The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties.

During the reporting period, the Company invested the amount of approx. USD 16.7 million (approx. NIS 57 million) in two of the Boston partnerships and subsequent to the date of the report, the Company invested an additional amount of USD 2.7 million (approx. NIS 7 million) in those partnerships. The balance of the Group's investment in the Boston Partnerships as of December 31, 2022 amounts to USD 215 million (approx. NIS 756 million).

2. 745 Atlantic, Boston

The Company and Oxford have decided to promote an entrepreneurial project to transform the 745 Atlantic building from an office building to a laboratory building for the Life Sciences. During the second quarter of the year, approvals were received and work began on the conversion of the building, which is expected to be completed at the end of the third quarter of 2023. The cost of the project is estimated at approx. USD 154 million (the Company's share - USD 84 million), of which a total of USD 52 million have been invested up to the date of the report (the Company's share - USD 29 million).

In order to pay off an existing loan on the property and finance the construction costs, during the reporting period, 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 634 million) from an international investment fund (the "**Loan**"), of which, until December 31, 2022, the property company has withdrawn a total of approx. USD 115 million (approx. NIS 405 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, and the property company has the right 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 3%.

That stated in this Section above regarding the dates for the start and completion of construction and the estimated cost of the project is forward-looking information.

3. The total rental area of the two other buildings (not including the 745 Atlantic building, which is expected, as stated, to become a laboratory building for the Life Sciences) is 696 thousand sq.ft. (65 thousand sq.m.) and the weighted occupancy rate as of December 31, 2022 is 89%. The two buildings generated a total annual NOI in 2022 in the amount of USD 23.8 million (approx. NIS 80 million).

4. Limitation on the transferability of rights

As part of the series of agreements the Company entered into, through its partially and/or wholly owned companies with Oxford in connection with the Boston Partnerships, a number of provisions were determined in connection with the limitation on the transferability of rights in the three Boston Partnerships as follows:

- **Right of first offer** – The sale of rights will be by way of selling all rights to a qualified investor, as defined in the agreement, subject to the granting of the right of first offer to the remaining partner, as specified in the agreement, with the exception of a sale or transfer to related parties, which is not subject to the right of first offer.
- **Compelled sale** – The sale of rights to a third party, subject to the granting the right of first offer to the remaining partner, as noted above, will grant the selling party the right to compel the remaining party to sell their rights to the same third party, subject to terms specified in the agreement.
- **Purchase-Sale** – Each of the partners will have the right to activate a purchase-sale mechanism, through an irrevocable notice to the other partner, as specified in the agreement.

Note 6 – Investments in Investees (continued)

5. Dividend distribution and capital reduction policy

The foreign corporations through which the Group holds office buildings (the "**Boston REITs**") are defined as REITs for US tax law purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of their adjusted taxable income.

In 2022, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 15 million (NIS 51 million).

In 2021, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 11 million (NIS 35 million).

I. Investment in Brockton Capital LLP

In March 2018, BE acquired the full rights in Brockton Capital LLP (hereinafter: "**Brockton LLP**"), which manages the Brockton Funds, for a total of GBP 40 million (NIS 194 million).

Brockton LLP continues to manage the three existing Brockton Funds until all of the fund assets are realized (which is expected in the coming years). The Company has no control over this activity and therefore, Brockton LLP is presented according to the equity method. For additional information on the Company's investments in the Brockton Funds – see Note 5 above.

J. Companies accounted for using the equity method whose statements were / were not attached to the Company's financial statements

The Company attaches Carr Holdings' financial statements to its own financial statements.
The Company does not attach to its financial statements the statements of the Aviv Fund, OPG 125 Summer REIT Investor (DE) LLC, OPG 745 Atlantic REIT Investor (DE) LLC, Davenport REIT Investor (DE) LLC, Brockton Capital LLP and of the joint ventures with Amot, as the Company's investments in them are immaterial relative to the Company's financial statements.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset:

A. Composition and movement:

	Photovoltaic Systems	Wind Systems	Total connected electricity-generating facilities	Fixed assets	Right-of-Use Asset	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost						
Balance as of January 1, 2021	1,193,843	693,682	1,887,525	126,093	211,398	2,225,016
Exit from consolidation	(31,232)	-	(31,232)	-	-	(31,232)
Reclassification of systems in development to connected systems	456,236	-	456,236	-	-	456,236
Classification from investment property to fixed assets	-	-	-	8,550	-	8,550
Linkage differentials	-	-	-	-	453	453
Disposals during the year	-	-	-	(484)	-	(484)
Effect of changes in exchange rate*	(24,803)	(74,697)	(99,500)	(916)	(9,162)	(109,578)
Additions during the year	1,543	-	1,543	19,078	95,444	116,065
Balance as of December 31, 2021	1,595,587	618,985	2,214,572	152,321	298,133	2,665,026
Reclassification of systems in development to connected systems	390,541	546,839	937,380	-	-	937,380
Linkage differentials	-	-	-	-	8,749	8,749
Effect of changes in exchange rate*	106,057	28,625	134,682	566	13,705	148,953
Additions during the year	11,095	9,636	20,731	9,631	111,393	141,755
Balance as of December 31, 2022	2,103,280	1,204,085	3,307,365	162,518	431,980	3,901,863
Accumulated depreciation						
Balance as of January 1, 2021	145,249	106,948	252,197	31,836	12,741	296,774
Exit from consolidation	(7,541)	-	(7,541)	-	-	(7,541)
Additions during the year	46,996	21,970	68,966	7,277	8,561	84,804
Disposals during the year	-	-	-	(262)	-	(262)
Effect of changes in exchange rate	(818)	(13,161)	(13,979)	(121)	-	(14,100)
Balance as of December 31, 2021	183,886	115,757	299,643	38,730	21,302	359,675
Additions during the year	61,276	26,662	87,938	9,764	14,693	112,395
Effect of changes in exchange rate*	7,688	1,968	9,656	61	4,998	14,715
Balance as of December 31, 2022	252,850	144,387	397,237	48,555	40,993	486,785
Depreciated Cost						
Balance as of December 31, 2022	1,850,430	1,059,698	2,910,128	113,963	390,987	3,415,078
Balance as of December 31, 2021	1,411,701	503,228	1,914,929	113,591	276,831	2,305,351

(*) Changes in exchange rates due mainly to the Group's operations in Poland and in the United States. The change in exchange rates was recorded to a capital reserve in respect of translation differences.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

B. Details regarding Energix systems:

Country		Energix's share MWp	Rate	Date of Operation	Revenues for the Year ended December 31 (*) 2022	2021	Connected Electricity-Generating Facilities as of December 31 2022	2021	Reference
					NIS millions	NIS millions	NIS thousands	NIS thousands	
Israel	Photovoltaic	330	An average of NIS 0.65 per KWh	2010-2022	130.1	111.5	944,618	802,579	c
USD	Photovoltaic	224	Market prices (fixing transactions)	2020-2021	37.0	6.7	906,082	610,024	d
Poland	Wind farm	245.2	Price on the Electricity Exchange in Poland or in price fixing agreements	2020-2021	299.6	148.2	1,059,428	502,326	e, f
Total					466.7	266.4	2,910,128	1,914,929	

(*) Not including revenues from green certificates.

C. Photovoltaic projects in Israel

General

Energix's photovoltaic activity in Israel is based on regulations published by the Electricity Authority, according to which projects owned by Energix are entitled to a fixed rate for periods of 20-23 years, CPI-linked, depending on the regulation under which the projects were established (a feed-in tariff quota or winning of a fixed tariff for a quota as part of a competitive procedure for a tariff). According to the Electricity Authority's announcement, starting in 2020, competitive procedures for a guaranteed tariff for the construction of photovoltaic facilities in Israel are combined with storage. In addition, according to the regulation published by the Electricity Authority to open the electricity market, from January 1, 2024, Energix has the right to transfer a project whose construction has been completed in accordance with the terms of the tariff regulation to the market regulation, according to which the project company can engage with a private supplier and sell it the electricity, for a period and in exchange for the electricity price to be determined between the parties as part of a commercial agreement.

Rights to the land – the projects are established on areas leased for periods of up to 25 years, in which, in some cases, the landowners are offered to take an active part as partners in the project at a variable rate (as owners or holders of rights in the project's free cash flow) while Energix holds the control in the projects.

Financing – Projects that Energix establishes as part of its photovoltaic activity in Israel are usually financed through project financing on a non-recourse basis at a rate of 80% -85% of the total construction cost of the projects (including payments to related parties). For details regarding Energix's financing agreements, see Note 12.

Construction and operation – The planning, construction and operation of the projects is carried out through an operations and construction system established by Energix, which provides services to all the photovoltaic projects under its ownership. In this context, Energix engages, if necessary, with suitable subcontractors to carry out the work in the field, and provides performance guarantees and guarantees for the operating services to ensure the proper functioning of the projects under its construction and operation, as is customary in this field.

For details on projects under construction and in advanced development, see Note 8 below.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

D. Photovoltaic project in the United States

General

Energix's activity in the photovoltaic field in the United States is based on revenue from the sale of electricity generated in Energix's projects and from the sale of green certificates to which renewable energy projects (RECs) are entitled. Electricity and green certificates can be sold at market prices or as part of long-term contracts, including by way of engagements in price hedging or forward sale transactions at a fixed price based on a commitment to production volumes or on the basis of as generated production volumes. In addition, additional revenue may be received in exchange for a commitment to system availability for the production of electricity (capacity) towards the local electricity company.

In addition, photovoltaic projects in the United States may be entitled to a federal tax benefit (ITC - Investment Tax Credit) at a rate of 30%-50% of the total construction costs of those projects, subject to compliance with the criteria that were updated during the reporting period according to the Inflation Reduction Act of 2022, as detailed below. For additional information regarding the engagement with a tax partner, see Note 2t.3

Rights to the land – The projects are located on areas that are leased for periods of up to 35 years or on Group-owned land.

Financing – There are several alternatives for project financing in the United States. As of the date of the report, Energix's project financing in the United States is carried out only through an engagement with tax partners. For details, see Note 2t.3 above. In addition, as of the date of approval of the report, Energix is in advanced negotiations to obtain Back Leverage financing for the projects under its ownership.

Construction and operation – The planning and construction of the projects is carried out through a construction and operation system established by Energix in the United States, which provides services to all the photovoltaic projects it owns, and which engages if necessary with suitable subcontractors to carry out the work in the field. During the reporting period and up to the date of approval of the report, commercially operated projects are operated through operating contractors with whom Energix engages in the United States or through the independent operating system that Energix established in the United States.

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 for the promotion of climate and renewable energy programs, including in Energix's areas of activity, as an update to the set of incentives that were previously in effect. 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.

Additional information regarding projects in the commercial operation stage –

Virginia 1 projects with a capacity of approx. MWp 82: This is the first set of projects that Energix established in Virginia, USA, and which is in full commercial operation since August 2020. In the financial closing of the projects (agreements for guaranteed electricity prices and engagement with a tax partner), Energix engaged in the following transactions:

- **Guaranteed electricity prices from the projects (hedging transaction –** In August 2019, Energix entered into a long-term agreement with Shell Energy North America (US), LP, to hedge electricity prices for approx. 80% of the expected production capacity for the project and sale of all green certificates from the project for a period of 12 years starting May 2020. The actual sale of all of the electricity produced in these facilities will be carried out in accordance with the agreements signed with the local electric company for 13 years at market prices.

  Energix treats the hedging transaction with Shell as a cash flow hedge.
- **Engagement with a tax partner –** In September 2019, Energix entered into an agreement with Morgan Stanley as the tax partner for the Virginia 1 projects. In this context, the tax partner provided a total of approx. USD 47 million, for the financing of the construction costs of the Virginia 1 projects in exchange for rights in the projects, as is customary in such transactions, mainly the Federal Tax Benefit (the Investment Tax Credit - ITC), depreciation expenses for tax purposes in respect of the projects and part of the free cash flow from the project. The tax partner's funds were used to repay the capital provided by Energix to finance the construction of the project. For additional information regarding the engagement with a tax partner, see Note 2t.3

For additional information regarding Energix's projects in construction stages in the United States, see Note 8c.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Virginia 2 projects with a capacity of approx. 142 MWp: In the reporting period, the construction was completed for the 6 photovoltaic facilities with a capacity of 142 MWp. The following is additional information regarding agreements for guaranteed electricity prices and engagement with a tax partner:

- **Guaranteed electricity prices (electricity sales agreements / hedging transactions)**: 3 of the 6 projects have agreements for 12-15 years for the sale of all the electricity and the green certificates that will be issued for the production of electricity in those projects, with the local electric company or with another final consumer. Regarding the other projects, Energix entered into agreements with the local electric company for green certificates sales transactions for 12 years and with a leading energy company for fixing electricity prices (regarding approx. 80% of the expected production capacity in those projects), for a period of 6 years.

- **Engagement with a tax partner:** In May 2021, Energix engaged with Morgan Stanley as the tax partner for 5 of the 6 Virginia 2 Projects. In this context, the tax partner provided a total of approx. USD 55 million, for the financing of the construction costs of the Virginia 2 projects in exchange for rights in the projects, as is customary in such transactions, mainly the Federal Tax Benefit (the Investment Tax Credit - ITC), depreciation expenses for tax purposes in respect of the projects and part of the free cash flow from the project. For information regarding the engagement with a tax partner, see Note 2t.3.

- ### Photovoltaic Projects in Poland

General

Energix's photovoltaic activity in Poland is carried out in accordance with the agreement for the sale of electricity to the relevant players in the market or under the terms of the regulation based on tariff tenders.

Additional information regarding projects in development and/or pre-construction:

During the reporting period, Energix began the construction work on the first photovoltaic project in Poland, with a capacity of 12 MWp, which is nearing completion of construction as of the date of approval of the report and is preparing for commercial operation. Energix intends to sell the electricity generated in the project on the free market or through a long-term agreement for the sale of electricity.

As of the date of the report, Energix has recognized a property in development in the amount of approx. NIS 23 million in respect of this project.

E. Wind energy projects in Poland

General

Energix's wind energy activity in Poland is based on various regulations, depending on the date of the projects' development and construction. Energix owns five wind farms in Poland with a total operating capacity of 301 MW (the Iława project and the Banie 1+2 project, Sepopol, Banie 3 and Banie 4), as follows:

Energix has two wind farms (the Iława project and the Banie 1+2 project) with a capacity of approx. 119 MW, which are subject to the provisions of the regulation that was in effect in Poland until the end of June 2016 (the "**Previous Regulation**"). According to the terms of the previous regulation, these projects are entitled, in addition to the sale of the electricity produced by them, to receive green certificates, traded on the Green Certificates Exchange, for a period of 15 years from the date of commencement of commercial operation of the wind farm. In addition, Energix has three wind farms with a capacity of approx. 182 MW that were established under an arrangement based on tariff tenders published by the Polish Electricity Authority, after winning the tender for a guaranteed electricity-generation rate. Under the terms of the tender, each of the wind farms is eligible, upon commercial operation, for a guaranteed index-linked tariff for 15 years relative to the electricity output submitted to the tender. The balance will be sold on the free market and/or through agreements for the sale of electricity and/or price fixing financial transactions. For further details, see Section b. below.

Rights to the land – In general, the projects are located on areas that are leased for periods of up to 30 years, or on land owned by Energix.

Financing – Energix is working for the most part to obtain project financing on a non-recourse basis that is provided to SPVs that own the wind farm, at a rate of up to 80% of the total construction cost of the projects. For details regarding Energix's financing agreements, see Note 12d.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Construction and operation – The construction and operation of the projects is carried out through a construction and operation system established by Energix in Poland. For the construction of a wind farm in Poland, Energix engages with civil work contractors, and a turbine supplier who is also responsible for the operation of the turbines for 20-25 years.

Additional information regarding projects in the commercial operation stage

1.) **The Banie 1 + 2 wind farms (106 MW) and the Ilawa wind farm (13.2 MW) –** Energix's revenues from these transactions are part of the revenues from the sale of electricity and green certificates, as relevant.

2.) **The Banie 3 wind farm (82 MW) and the Sepopol wind farm (44 MW)** – In the reporting period, Energix completed the construction work on the above wind farms and accordingly, all 57 wind turbines in the projects began to generate electricity fed into the Polish electricity grid. Following the run-in and testing period, during the third quarter of 2022, permanent licenses were received for the generation of electricity for the two wind farms. The two wind farms won a wind tender for a guaranteed rate. Under the terms of the tender, each of the wind farms that won, during their commercial operation, will be eligible for a guaranteed index-linked rate for 15 years relative to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm, which will begin no later than 5 years from the date of commercial operation of the wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation.

For details regarding Energix's engagement in a financing transaction in the amount of up to PLN 550 million to finance the construction of the 2 wind farms detailed above, on a non-recourse basis, see Note 12d. below.

3.) **The Banie 4 project (56 MW)** – In the reporting period, Energix, through an SPV 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. During the reporting period, the wind farm generates electricity as part of a run-in and testing period, and is in advanced procedures for obtaining a permanent electricity-generation license. The wind farm won a wind tender for a guaranteed rate. As part of the terms of the tender, the wind farm, during its commercial operation, will be entitled to a guaranteed rate, linked to an index, for 15 years in relation to electricity output at an average rate of approx. 80% of the expected electricity generation in the wind farm, which will enter into effect no later than the end of 5 years from the date of commercial operation of the wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation.

For information regarding Energix's engagement in a financing transaction in the amount of up to PLN 300 million to finance the construction of the Banie 4 project, on a non-recourse basis, see Note 12d. below.

Engagement for the sale of electricity and green certificates

a.) Temporary legislation to limit electricity prices in Poland – 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 from December 1, 2022 to December 31, 2023, the sale of electricity will be subject to a price ceiling of, which, as of the date of approval of the report, is as follows: (i) PLN 345 per 1 MWh of electricity generated from wind energy, and (ii) PLN 405 per 1 MWh of electricity generated from photovoltaic facilities. According to the legal advice received by Energix, the legislation applies to the physical sale of electricity, and as of March 1, 2023, also a financial engagement and sale of GoOs accordingly, depending on the physical electricity generation, any difference between the actual electricity price and the ceiling amount will be transferred to a designated fund that will be used by the Polish government to reduce electricity prices to end consumers. In view of the above, Energix recorded a decrease in revenues during the reporting period in the total amount of approx. NIS 8 million in respect of the sale of electricity in December 2022.

b.) Energix's electricity sales agreements and their updates during the reporting period, engagement in price-fixing transactions –Energix's electricity sales will be according to the electricity price on the local electricity exchange or according to a fixed price determined as part of a price fixing transaction between the parties, as Energix chooses, less adjustments stipulated in the agreement, including adjustments in respect of the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). In addition, Energix may enter into financial transactions to fix electricity prices in relation to the capacity to which Energix is committed, regardless of actual generation. Also, Energix sells the green certificates it is assigned under the previous regulation and/or under the entitlement to green certificates for the generation of electricity from renewable energy (GoOs), as part of electricity sales agreements with a local broker at market prices and/or in price fixing financial transactions in relation to capacities and periods agreed between the parties. 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. As part of this amendment, the volume of production to which Energix committed in previous fixing transactions with the broker in relation to the years 2022-2024 was reduced, and at the same time Energix entered into additional price fixing transactions, including the provision of an option to increase the volume of transactions for the years 2025-2034.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

As part of an engagement made by Energix with a local broker in December 2022, it was agreed to unwind price fixing financial transactions signed between the parties, in relation to the sale of electricity at a fixed price in December 2022 and January 2023, against payment of compensation to Energix in the amount of approx. NIS 23 million, which was recorded to the 'revenues from the sale of electricity' item in the reporting period.

In February 2023, the Company engaged in an additional amendment to the electricity sales agreements in which the parties entered into a financial transaction for the unwinding of price fixing transactions signed between the parties that refer to the months of February 2023 to December 2023 (inclusive) in return for payment of compensation to the Company in the amount of approx. NIS 150 million. In addition, the terms of the option granted to the broker in July 2022 were updated, so that the exercise period given to the broker was extended until December 31, 2024, while giving the right to unwind the price fixing transactions for the years 2034-2032, in whole or in part, until March 31, 2025.

The following is a breakdown of price fixing transactions carried out by Energix, from the total volume of production for the years 2023-2024, which are in effect as of the date of approval of the report:

Year	Fixed Rate from Wind Farm Production Volume (*)	Average Price (**)
2023	41%	280
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.

For information regarding price fixing transactions for the years 2025-2034, see below.

The following are price fixing transactions from the total volume of production for the years 2025-2034, which are in effect as of the date of the report:
The dedicated project company of Energix that owns the Banie 1+2 wind farms with a capacity of 106 MW ("**Banie 1+2**") engaged with the broker in price-fixing transactions for 10 years, for the years 2025-2034. In the reporting period, the broker exercised an option given to him and, after its exercise, the volume of the price fixing transactions is at a rate of approx. 90% of the expected annual electricity generation in Banie 1+2 (the "**long-term fixing transactions**").
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.

The following is the rate of the fixed price in price fixing transactions for green certificates:

Year	Fixed Rate from Wind Farm Production Volume (*)	Average Price (**)
2021	71%	144
2022	80%	143
2023	97%	162
2024	7%	243

(*) Expected volume of green certificates issued in Energix's 2 wind farms operating commercially as of the date of the report.

(**) Average price in PLN per certificate.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development

	Cost as of December 31		
	2022	2021	
	NIS thousands	NIS thousands	Reference
Photovoltaic projects in Israel	216,430	260,866	a.
Wind project in Israel – ARAN, with a capacity of approx. 104 MWp	355,852	146,981	b.
Photovoltaic projects in the US	353,000	555,113	c.
Wind farms in Poland	261,341	494,942	d
Photovoltaic projects in Poland	23,435	-	
Other PV and wind projects in development in Israel, the United States and Poland	603,067	33,988	
Total assets, net	1,813,125	1,491,889	

A. Photovoltaic projects in Israel

1.) Extra-high-voltage project with a capacity of approx. 87 MWp – During the reporting period, the plan for the construction of the project (a photovoltaic project with a capacity of approx. 87 MWp at extra-high voltage) was approved as a National Infrastructure Project, under a quota won by Energix for a guaranteed rate, through the Israel joint venture[10], as part of the first competitive procedure issued by the Electricity Authority for extra-high voltage. In the fourth quarter of 2022, Energix began the construction of the project. Subsequent to the date of the report, Energix signed a memorandum of understanding with a leading financial institution to receive financing in the amount of up to NIS 255 million for the construction of the project. For additional information, see Note 12d. below.

As of the date of the report, Energix has recognized property in the amount of approx. NIS 135 million in respect of this project, which was recorded under the 'systems in development and initiative' item.

2.) The winning projects in the second competitive procedure for the establishment of photovoltaic facilities combined with storage capacity (approx. 180 MWp and 320 MWh): Storage projects – Energix is very close to the start of the construction work of high-voltage facilities with a capacity of 180-200 MWp (80 MWAC, which includes storage with a capacity of approx. 320 MWh), after in December 2020 it won a guaranteed rate in relation to this capacity as part of the second competitive procedure published by the Electricity Authority for the construction of photovoltaic electricity generation systems combined with storage capacity. The rate determined is NIS 0.1745 per 1 KWh generated, linked to the CPI (the linked rate as of the date of the report is NIS 0.188), until December 29, 2045, depending on the construction of facilities under this quota by January 30, 2024. During the reporting period and as of the date of approval of the report, as part of its preparations for the construction of the facilities, Energix entered into agreements for the purchase of the main equipment 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 and with contractors.

As of the date of the report, Energix has recognized property in the amount of approx. NIS 80 million in respect of this project, which was recorded under the 'systems in development and initiative' item.

3.) The winning projects in the third and fourth competitive procedures (up to 137 MWp) – 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).

4.) Photovoltaic project with a capacity of approx. 30 MWp combined with a storage capacity of 48 MWh in advanced initiation – Energix won a tariff tender for the construction of a photovoltaic facility with a capacity of approx. 30 MWp combined with a storage capacity of 48 MWh, with a government entity. The set tariff is NIS 0.1918 per 1 KWh generated, linked to the CPI for a period of 24 years. As part of the terms of the tender, Energix undertook to sell electricity to the government entity at a minimum capacity to which it is committed, in accordance with the terms of the tender. The Urban Building Plan project is in effect and Energix intends to complete all the required approvals for the construction of the project.

[10] A limited partnership owned by Energix (70%) and an entrepreneurial company (30%) used for the joint initiative, development, construction, operation and maintenance of projects for the generation of electricity from photovoltaic energy, including energy storage, in Israel.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

B. Wind project in Israel – ARAN, with a capacity of approx. 104 MW

Energix holds 100% of the shares granting management rights (including the appointment of all members of the Board of Directors) and 80.5% of the shares granting the right to receive dividends in a private company that holds the rights to initiate and develop a project for the construction of a wind farm in the Golan Heights with a capacity of approx. 104 MW (hereinafter - the "Project Company" and the "**ARAN Project**", respectively).

The ARAN Project was promoted as a national infrastructure project by the National Infrastructure Committee ("**NIC**") After the project was issued a building permit in February 2022, in October 2022, Energix was given approval from the Electricity Authority regarding the project's financial closure, so that the project has a guaranteed rate of NIS 0.29116 per 1 KWh, for 20 years, linked to the CPI (where the base index is June 2022).

As part of Energix's preparations for the project's construction work, Energix entered into agreements for the purchase of the main equipment for the project, as well as with contractors. In May 2021, associations and residents from the local population filed a claim in the Magistrate's Court demanding that Energix not enter the areas they claim they own and which constitute part of the project. Energix, based on its rights to the land designated for the project's construction, rejects the plaintiff's claim. A request for an injunction submitted during the reporting period by the plaintiffs was rejected. As of the date of approval of the report, the court decided to delete most of the plaintiffs from the letter of claim, with the exception of several associations. Energix's legal advisors are of the opinion that the claim should be dismissed.

As of the date of the report, the remaining investment in the project amounts to approx. NIS 356 million, which is presented under the 'systems in development and initiation' item.

The regulation for large wind systems was first published in Resolution 349 of the Electricity Authority dated October 10, 2011 and was updated from time to time. The establishment of a wind farm in Israel is carried out under the Feed In Tariff regulation for the establishment of a wind farm with a total capacity of 730 MW, with a commitment by the Electric Company to purchase electricity at a guaranteed rate for a period of 20 years, linked to the CPI. The aforementioned regulation is in effect with respect to wind farms that will reach financial closure by December 31, 2022 with a possible extension until June 30, 2024 (subject to a binding decision). In Israel, several areas have been defined where plans for the establishment of wind farms can be promoted, subject to conditions and limitations derived from security considerations, environmental protection aspects and planning aspects.
Regarding Energix's engagement in a financing transaction for the establishment of the ARAN project in a total amount of up to NIS 650 million, see Note 12d below.

C. Photovoltaic projects in the United States

- Energix has a backlog of five projects in Virginia with a total capacity of 312 MWp that are in development and pre-construction. In the reporting period, Energix entered into 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 five projects. The engagement is with a final consumer and with a local electricity company for periods of 12, 15 and 25 years.

  Project with a capacity of approx. 110 MWp in Pennsylvania – In April 2022, Energix completed the purchase of the project for a total consideration of approx. USD 3.6 million (half of which was paid upon the transfer of ownership, and half will be paid with the start of construction). The project has an agreement with the City of Philadelphia for the sale of electricity for a period of 20 years. 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 is in the midst of construction work.

  As of the date of the report, Energix has recognized assets in the amount of approx. NIS 353 million in respect of projects in development and/or predevelopment in the United States and has entered into agreements for the purchase of panels for the projects.

  As of the date of approval of the report, Energix is in negotiations with Morgan Stanley for an engagement as a tax partner in relation to the 6 projects that are in development and/pre-construction, which, subject to the signing of binding agreements and meeting the milestones for this purpose, it is expected to provide a total of up to USD 320 million for the construction costs of the aforementioned projects, against the receipt of rights as is customary and in accordance with previous outlines in which Energix engaged for this purpose.

- **Acquisition of a backlog of photovoltaic and energy storage projects as part of the acquisition of NCRE**

  In August 2021, Energix (through a wholly owned American subsidiary) signed a binding agreement for the acquisition of full ownership rights in the American company NCRE, an entrepreneurial company in the field of solar energy and energy storage in the United States ("NCRE"), for a consideration of USD 33 million.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development

On the acquisition date, NCRE had signed agreements for provision of development services for projects in development that were sold to third parties ("**third party projects**").

In December 2021, Energix completed the sale of the third party projects to one of the previous shareholders in NCRE, for approx. USD 9 million (approx. NIS 28 million).

In accordance with accounting principles, the NCRE acquisition transaction is treated in the financial statements as a business combination (for details regarding the accounting policy, see Note 2). The consideration for the purchase is attributed for the most part to projects in development, which are presented in the 'systems in construction and development' item.

NCRE was acquired for the purpose of purchasing its backlog of projects. At the time of the acquisition, NCRE had photovoltaic projects in development with a capacity of approx. 1.8 GWp; energy storage projects in development with a capacity of approx. 1,680 MWh, as well as additional rights that matured after the acquisition of NCRE into photovoltaic and energy storage projects in development with significant capacity.

- As of the date of the report and the date of approval of the report, Energix is continuing to complete development procedures for projects in advanced development in Virginia, including projects acquired by Energix from third parties, with a total capacity of approx. 455 MWp. Of that capacity, approx. 91 MWp is part of a US venture and approx. 364 MWp is under Energix's full ownership (including by way of Energix's acquisitions of projects from third parties).

- **Engagement with First Solar for the purchase of panels –** As part of Energix's ongoing activities for the purchase of panels, from time to time, Energix engages in transactions with First Solar for the purchase of panels for projects in the United States, Poland and Israel, including for projects that are expected to be established in the coming years. The panels ordered are recognized in 'systems in development' in the financial statements.

  On January 7, 2022, Energix entered into an agreement for the purchase of panels with a total capacity of over 2 GWp and a total cost of hundreds of millions of USD. In April 2022, Energix made an advance payment in the amount of approx. USD 30 million. The balance of the payments will be made close to the delivery of the panels as the projects reach financial closure during 2023-2026. In the reporting period, Energix updated the panel purchase agreements from First Solar so that they guarantee the supply of panels to projects from the United States and enable it, together with other equipment it will purchase in the US, to meet the necessary criteria for eligibility for an additional tax benefit of 10% according to the IRA law.

  The panels purchased in accordance with Energix's strategic plan guarantees it a regular and ongoing supply of panels until 2026, for photovoltaic projects that are currently in initiation, which Energix estimates will reach construction during the years 2023-2026 (most in the United States). According to the terms of the purchase of the panels, most of the payments for the cost of the panels will be paid close to the receipt of the panels as part of the projects' construction, to the extent that they are actually built, during 2023-2026.

D. Wind projects in Poland

Project for the establishment of a wind farm with a capacity of approx. 90 MW:

Energix is working to complete all the approvals and permits required for the construction of a wind farm project in Poland with a capacity of approx. 90 MW. As of the date of approval of the report, the project has a building permit and Energix is working and securing a place in the grid for the electricity flow that will be generated in the project, to the extent that it is built.

The information in this Note 8 above, in relation to electricity generation projects in development, just prior to construction and in advanced development, regarding the expected amount of electricity generation, the expected amount of green certificates to be issued, the expected dates for their construction and for the commercial operation of the projects and the expected construction cost, are forward-looking information, based on the assessments of the Energix management and for which Energix has no control over its actual existence as described.

Note 9 – Other Long-Term Assets

A. Restricted and pledged deposits:

As of the date of the report, the short-term designated cash balance includes designated cash received by Energix from the tax partner in the Virginia 2 projects. See also Note 7.

As of the reporting date, the balance of long-term restricted cash is mostly cash that Energix has deposited into reserve funds for debt service as required by the financing agreements in connection with loans taken from financial institutions. For additional information, see Note 13.

B. Other assets:

Composition:	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Derivative financial instruments (see Note 22)	238,868	209,229
Long-term loans to others	114,130 (*)	6,741
Long-term rent receivable	36,975	33,980
Others	34,666	4,947
	424,639	254,897

(*) This amount includes a loan in the amount of GBP 18 million that BE granted in April 2021 to finance the completion of a project for the construction of a luxury apartment building in central London which is managed by the Brockton I Fund. The loan bears an annual interest rate of 20%. In the reporting period, BE signed an agreement for an extension to the loan until December 2024, instead of April 2022 in the original agreement.

Note 10 – Additional Information regarding Current Liability Items

Composition:

a. Current maturities of long-term loans

	Annual Interest as of December 31	As of December 31	
	2022	2022	2021
	%	NIS thousands	NIS thousands
Current maturities of long-term loans	Note 12a.	348,556	65,340
Interest component in bond expansion		21,129	9,909
		369,685	75,249

b. Payables and credit balances

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Interest payable in respect of long-term loans and bonds	191,973	171,104
Interest payable in respect of lease liabilities	3,500	2,729
Suppliers and service providers	111,691	195,784
Employees and institutions in respect of wages	28,309	21,857
Institutions	32,594	10,235
Advance income	67,892	62,640
Accrued expenses	56,708	51,266
Accounts payable in respect of investment property	48,435	100,042
Derivative financial instruments designated as hedges (see Note 23)	292,312	15,317
Liabilities to partners	448	602
Short-term liability in respect of agreement with tax partner	80,032	86,269
Liability in respect of long-term incentive plan settled in cash (*)	-	112,262
Others	67,666	68,009
	981,560	898,116

(*) For details regarding the long-term incentive plan in BE, see Note 15c.

Note 11 – Bonds

A. Composition:

	As of December 31			As of December 31		
	2022			2021		
	Current Maturities	Long-Term Bonds	Total	Current Maturities	Long-Term Bonds	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Bonds (Series H) – b. below	232,481	-	232,481	219,863	227,303	447,166
Bonds (Series I) – c. below	159,719	983,267	1,142,986	132,044	945,689	1,077,733
Bonds (Series J) – d. below	-	1,411,905	1,411,905	-	1,329,126	1,329,126
Bonds (Series K) – e. below	20,093	158,595	178,688	20,093	178,337	198,430
Bonds (Series L) – f. below	193,888	1,499,698	1,693,586	104,132	940,340	1,044,472
Bonds (Series M) - g. below	-	287,483	287,483	-	-	-
Bonds (Series O) - h. below	-	247,194	247,194	-	-	-
Amot bonds (Series B) - i. below	-	-	-	429,683	-	429,683
Amot bonds (Series D) - j. below	377,319	1,564,128	1,941,447	-	1,751,800	1,751,800
Amot bonds (Series E) - k. below	232,355	628,083	860,438	111,556	853,360	964,916
Amot bonds (Series F) - l. below	-	2,467,089	2,467,089	-	2,048,218	2,048,218
Amot bonds (Series G) -- m. below		997,002	997,002		726,346	726,346
Amot bonds (Series H) - n. below	-	2,098,486	2,098,486	-	1,314,575	1,314,575
Amot bonds to others	-	-	-	6,633	-	6,633
Energix bonds (Series A) - p. below	74,872	520,287	595,159	74,870	594,217	669,087
Energix bonds (Series B) - q. below	-	523,979	523,979	-	514,607	514,607
	1,290,727	13,387,196	14,677,923	1,098,874	11,423,918	12,522,792

The Company

B. Bonds (Series H)

During 2012-2019, the Company issued 1,234 million par value bonds (Series H), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 13) for bonds (Series H), for a net amount of NIS 1,384 million (the above includes the consideration for the bonds (Series H), the consideration for the options (Series 13), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The balance of bonds (Series H) in circulation as of December 31, 2022 was NIS 208 million PV, and as of the publication of the financial statements, the bonds (Series H) were repaid in full.

C. Bonds (Series I)

During 2015-2022, the Company issued 1,277 million par value bonds (Series I), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 14) for bonds (Series I), for a net amount of NIS 1,651 million (the above includes the consideration for the bonds (Series I), the consideration for the options (Series 14), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

Note 11 – Bonds (continued)

During the reporting period, the Company issued NIS 221.4 million PV of bonds (Series I) by way of a bond series expansion for a total net consideration of NIS 243 million (including accrued interest and less issue expenses). The balance of the bonds (series I) in circulation as of December 31, 2022 was NIS 1,118 million PV and as of the date of publication of the financial statement it is NIS 958 million PV.

The outstanding balance of the bonds (Series I) as of December 31, 2022, is repayable in five annual payments (the first payment at a rate of 14.4% of the balance of the principal and the last four payments at a rate of 21.4% of the balance of the principal, each, in February of each of the years 2023-2027 (inclusive), bearing annual interest at a rate of 3.85% and are not linked. The total effective interest rate for the bonds (Series I) is 3.09%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series I) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

In addition, the Company performed cross currency swap transactions with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 239 million to USD cash flows for the life span of the bonds at an annual interest rate (in USD) of 3.69%. These transactions are intended for accounting hedging of net investments in foreign activity. For additional information, see Note 22.

The bonds (Series I) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series J, K, L, M and O. See Subsection h. below.

D. Bonds (Series J)

During 2015-2019, the Company issued 1,315 million par value bonds (Series J), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,342 million (the above includes the consideration for the bonds (Series J) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

During the reporting period, the Company issued NIS 84 million par value of debentures (Series J), by expanding the series of bonds for a total of approx. NIS 88 million net (including accrued interest and less issue costs).

The remaining par value of the bonds (Series J) as of December 31, 2022 amounted to NIS 1,399 million PV and as of the date of publication of the financial statements it was NIS 1,399 million PV.

The bonds (Series J) are repayable in four annual payments at a rate if 25% of the principal in February of each of the years from 2024 to 2027 (inclusive), bearing variable annual interest at a margin of 2.24% above the average weighted Bank of Israel interest rate for the period, and are unlinked. The total effective interest rate for the bonds (Series J) is 5.13%.

The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series J) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

The bonds (Series J) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, K, L, M and O. See Subsection h. below.

E. Bonds (Series K)

In August, 2019, the Company issued NIS 201 million PV of bonds (Series K) for a gross consideration of NIS 201 million (before issuance expenses).
The remaining par value of the bonds (Series K) as of December 31, 2022 amounted to NIS 181 million PV and as of the date of publication of the financial statements it was NIS 161 million PV.

The bonds (Series K) are in NIS and are not linked (principal and interest) to any index or currency. The bonds (Series K) will be repaid in five installments (in cash or in Company shares, at the Company's sole discretion) on February 28 of the following years and at the following rates: (1) 11.1% of the PV balance in 2023; (2) 27.78% of the PV balance in each of the years 2028 and 2029, and (3) 16.67% of the PV balance in each of the years 2030 and 2031. The unpaid principal of the bonds will bear fixed annual interest of 2.66% and this will be paid (in cash or, starting February 28, 2022, in Company shares at the Company's sole discretion) on February 28 of each of the years from 2020 to 2031 (inclusive). The effective interest rate for the bonds (Series K) is 2.89%. As of the date of publication of the reports, the Company did not make use of its aforementioned authority to pay the interest starting February 28, 2022 in Company shares instead of cash.

The bonds (Series K) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, L, M and O. See Subsection h. below.

The bonds (Series K) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with the financial covenants detailed above.

Note 11 – Bonds (continued)

F. Bonds (Series L)

During 2019-2022, the Company issued NIS 1,893 million PV bonds (Series L), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,870 million (the above includes the consideration for the bonds (Series L) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).
The remaining par value of the bonds (Series L) as of December 31, 2022 amounted to NIS 1,745 million PV and as of the date of publication of the financial statements it was NIS 1,551 million PV.
The bonds (Series L) are in NIS and are not not linked (principal and interest) to any index or currency. The amortization schedule of the bonds (Series L) is identical to the amortization schedule of the bonds (Series K) above. The unpaid principal of the bonds will bear fixed annual interest of 2.41% and this will be paid in cash on February 28 of each of the years from 2020 to 2031 (inclusive). The weighted effective interest rate for the bonds (Series L) is 2.99%.

The bonds (Series L) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K, M and O. See Subsection h. below.

The bonds (Series L) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section h. below.

G. Bonds (Series M)

In September 2022, the Company issued for the first time NIS 290 million PV of bonds (Series M) for a gross consideration of NIS 290 million (before issuance expenses).

Subsequent to the date of the report, the Company issued NIS 240.55 million PV of bonds (Series M) by way of a series expansion for a gross consideration of NIS 240 million, (before issuance expenses).

The remaining par value of the bonds (Series M) as of December 31, 2022 amounted to NIS 290 million PV and as of the date of publication of the financial statements it was NIS 530.726 million PV.

The bonds (Series M) are in NIS and are not linked (principal and interest) to any index or currency, they are payable in 10 equal payments at a rate of 10% each payment on February 28 of each of the years 2028 to 2037 (inclusive) and bear fixed annual interest at a rate of 4.94%. The interest on the unpaid principal balance of the bonds (Series M) will be paid on February 28 of each of the years from 2023 to 2037 (inclusive). The first interest payment date will be February 28, 2023. The weighted effective interest rate for the bonds (Series M) is 5.07%.

The bonds (Series M) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K, L and O. See Subsection h. below.

The bonds (Series M) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section h. below.

H. Bonds (Series O)

In September 2022, the Company issued for the first time NIS 249 million PV of bonds (Series O) for a gross consideration of NIS 249 million (before issuance expenses).

Subsequent to the date of the report, the Company issued NIS 249.995 million PV of bonds (Series O) by way of a series expansion for a gross consideration of NIS 246 million (before issuance expenses).

The remaining par value of the bonds (Series O) as of December 31, 2022 amounted to NIS 249 million PV and as of the date of publication of the financial statements it was NIS 498.537 million PV.

The bonds (Series O) are in NIS and linked (principal and interest) to the CPI in lieu of the month of July 2022 (as published in August 2022). The bonds (Series O) are payable in 10 equal payments at a rate of 10% each payment on February 28 of each of the years 2028 to 2037 (inclusive) and bear fixed annual interest at a rate of 2.56%. The interest on the unpaid principal balance of the bonds (Series M) will be paid on February 28 of each of the years from 2023 to 2037 (inclusive). The first interest payment date was on February 28, 2023. The weighted effective interest rate for the bonds (Series O) is 2.7%.

Note 11 – Bonds (continued)

In addition, the bonds (Series O) include additional generally accepted conditions for their immediate repayment including the following events: (1) there has been a material deterioration in the Company's business; (2) structural change and merger; (3) liquidation, bankruptcy and asset realization, stay of proceedings and execution; (4) change in control under certain conditions; (5) trading halt and suspension of trading in bonds; (6) cessation of payments; (7) cross default; (8) failure to publish financial statements; (9) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation as defined in the Securities Law; (11) distribution of dividends when the equity is lower than a certain threshold, etc.

The bonds (Series O) include financial stipulations, the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds[11]:

A. The Company's equity (less non-controlling interests) according to its Consolidated Financial Statements, may not be less, on the date of the Financial Statements and for four consecutive quarters, than an amount in NIS equal to NIS 2.2 billion[12].

B. The ratio between the financial debt and the value of the Company's holdings, on the basis of expanded solo statements as detailed in the Company Financial Statements, may not exceed 0.8 for four consecutive quarters.

C. The ratio between the Company's net financial debt and the FFO on the Company's expanded solo basis, as detailed in the Company's annual periodic report may not exceed 25 for two consecutive calendar years.

D. The Company will declare a distribution which will result in a reduction of equity (net of non-controlling interests) to below NIS 2.2 billion[13].

E. The Company declares a distribution in an amount exceeding the allowable amount (as defined in the Deed of Trust), on a date when the Company's equity (net of non-controlling interests), including as a result of the distribution, will be less than the amount in NIS equal to NIS 2.6 billion[14].

F. If the bond rating is lower than the BBB minus rating for two consecutive quarters (with the exception of a technical lowering of the rating, as defined in the deed of trust).

Notwithstanding the above, the stipulations in subsections (b) and (c) above will not be valid in the event that the Company, if the events mentioned in (b) and (c) above occur by the end of the remedy period for these events, pledges assets with a senior lien in favor of the bondholders and for as long as the lien is in effect.

As of the date of the report, the Company is in compliance with all financial covenants regarding the bonds (Series I), the bonds (Series J), the bonds (Series K), the bonds (Series L), the bonds (Series M) and the bonds (Series O).

Collateral – The bonds (Series H), the bonds (Series I), the bonds (Series J), the bonds (Series K), the bonds (Series L), the bonds (Series M) and the bonds (Series O) are not secured by liens.

As part of the bond issues (Series H, Series I, Series J, Series K, Series L, Series M and Series O), the Company committed to a negative pledge that it would not create any floating liens on all of its whole property, unless it would create a floating lien of the same level pari passu in favor of the bondholders (Series H, Series I, Series J, Series K, Series L, Series M and Series O).

11 As a rule, the description of the above financial stipulations applies to all of the Company's bonds.

12 A minimum equity of NIS 1.2 billion was determined for the bonds (Series H), for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, and for the bonds (Series K) and (Series L) a minimum equity of NIS 2.1 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.2 billion.

13 A minimum equity for a dividend distribution in the amount of NIS 1.3 billion was determined for the bonds (Series H), for the bonds (Series I) and (Series J) a minimum equity of NIS 1.8 billion was determined, and for the bonds (Series K) and (Series L) a minimum equity for a dividend distribution of NIS 2.1 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.2 billion.

14 A minimum equity for a dividend distribution that exceeds the allowable amount in the amount of NIS 1.8 billion was determined for the bonds (Series H), for the bonds (Series I) and (Series J) a minimum equity of NIS 2.1 billion was determined, and for the bonds (Series K) and (Series L) a minimum equity for a dividend distribution of NIS 2.5 billion was determined, but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.6 billion.

Note 11 – Bonds (continued)

Amot

I. Amot Bonds (Series B)

During the years 2012-2016, Amot issued NIS 1,360 million PV bonds (Series B), linked to the CPI (in lieu of June 2012) and bearing annual interest of 4.8%. During the year 2022 the bonds (Series B) were paid in full.

J. Amot Bonds (Series D)

During the years 2014-2022, Amot issued NIS 1,754 million PV bonds (Series D), linked to the CPI (for July 2014), bearing annual interest at a rate of 3.2% and payable in six (6) unequal annual payments, to be paid on July 2 of each of the years from 2023 to 2028 (inclusive), as follows: (a) two payments of 20% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2023 and 2024 (inclusive). (b) Four payments of 15% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2025 through 2028 (inclusive). The interest payments will be paid on July 2 of each year from 2015 to 2028. The effective interest on the bonds is 2.09%.

The Amot bonds (Series D) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

K. Amot Bonds (Series E)

During the years 2016-2018, Amot issued NIS 1,085 million PV bonds (Series E). The bond principal (Series E) is payable in six annual payments: 2 payments of 10% of the principal, each, on January 4 of each of the years from 2021 to 2022 (inclusive), and payments of 20% of the principal, each, on January 4 of each of the years from 2023 to 2026 (inclusive).
The annual interest on the bonds (Series E) at a rate of 3.39% will be paid in annual payments on January 4 of each of the years from 2017 through 2026 (inclusive).
The principal and interest on Amot's bonds (Series E) are not linked to any index or currency.

Following the issue of Amot's bonds (Series E), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 3.39% into a CPI-linked principal and a linked interest rate of 2.125%-2.49%, with a principal amount of NIS 875 million.

The Amot bonds (Series E) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

L. Amot Bonds (Series F)

During the years 2019-2022, Amot issued bonds (Series F) to the public totaling NIS 2,363 million PV. The total net proceeds received by Amot for the bonds (Series F) amount to a total of approx. NIS 2,324 million. The bonds (Series F) reflect a CPI-linked effective interest rate of 1.6%.

Amot's bonds (Series F) are linked to the CPI (for May 2019) and bear annual interest at a rate of 1.14%. The bonds are repayable in 5 annual payments , two payments of 10% each, payable on October 3, 2025 and on October 3, 2026, two payments at a rate of 30% each, payable on October 3, 2027 and on October 3, 2028. The fifth and final payment at a rate of 20% will be paid on October 3, 2029. The interest payments will be made on October 3 of each of the years from 2019 to 2029 (inclusive).

The Amot bonds (Series F) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

M. Amot Bonds (Series G)

During the years 2020-2022, Amot issued bonds (Series G) to the public, through an issuance and through the exercise of option warrants for bonds (Series G) in the amount of NIS 1,099 million PV. The total net proceeds received by Amot for the issuance of bonds (Series G) amounts to approx. NIS 1,052 million. The bonds (Series G) include an effective NIS interest rate of 3.12%.

Following the issue of the bonds (Series G), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 0.09%-1.365%, with a principal amount of NIS 1,056 million.

The principal of Amot's bonds (Series G) is payable in four annual payments at a rate of 25% of the principal, each, on January 5 of each of the years from 2029 to 2032 (inclusive).

Note 11 – Bonds (continued)

The interest on Amot's bonds (Series G) at a rate of 2.44% per year will be paid in annual payments on January 5 of each of the years from 2021 to 2032 (inclusive).

The principal and interest on the bonds (Series G) are not linked to any index or currency.

The Amot bonds (Series G) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

N. Amot Bonds (Series H)

During the years 2021-2022, Amot issued bonds (Series H) to the public totaling NIS 2,002 million PV. The total net proceeds received by Amot for the issuance of bonds (Series H) amount to a total of approx. NIS 2,039 million. The bonds (Series H) reflect a CPI-linked effective interest rate of approx. 1.33%.
Amot's bonds (Series H) are linked to the CPI (for January 2021) and bear annual interest at a rate of 0.92%. Amot's bonds (Series H) are repayable (the principal) in four (4) equal annual payments on January 5 of each of the years from 2029 to 2032 (inclusive) such that each of the payments will constitute 25% of the total par value of the bonds (Series H). The interest payments will be made on January 5 of each of the years from 2022 to 2032 (inclusive).

The Amot bonds (Series H) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

O. Financial covenants and conditions for immediate repayment of Amot's bonds:

Amot's bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) (hereinafter collectively - the " **Amot Bonds**")include conditions, essentially similar, for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;
- Amot's equity may not be less than NIS 2.2 billion as of the date of the relevant financial statements and for two consecutive quarters. [in Series F - 2 billion, Series D - 1 billion, Series G - 2.2 billion]
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating (Series H) is less than BBB- for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the non-pledged assets will not decrease over the course of two consecutive quarters from a total of 1 billion NIS, or from a total of 125% of the balance of the bonds from the relevant series, whichever is higher.
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.
- Directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, Amot's bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

As of the reporting date, Amot is in compliance with all financial covenants related to its bonds..

Collateral – The bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) of Amot are not secured by liens.

As part of the issue of the above bonds, Amot committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

Note 11 – Bonds (continued)

Energix

P. Energix Bonds (Series A)

In December, 2019, Energix issued bonds (Series A) in the total amount of NIS 427 million PV for net proceeds (net of direct commissions and costs in respect of the bonds) of approx. NIS 423 million. In November 2021, Energix issued bonds (Series A) by way of a series expansion in the total amount of NIS 243 million PV for net proceeds (less commissions and direct costs in respect of the bonds) in the total amount of NIS 245 million. The bond principal (Series A) will be repaid in 18 (eighteen) equal semi-annual payments, payable on February 1 and August 1 of each of the years 2022 to 2030 (inclusive).

The bonds bear annual interest of 2.05% (unlinked), which will be paid in twice annually on February 1 and on August 1 of each of the years from 2020 to 2030 (inclusive). The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency. As part of the issue of the bonds (Series A), the Company undertook in a negative pledge that it would not place any floating liens on all its assets, unless it would place a floating lien of the same degree in favor of the bondholders (Series A) pari passu.

The effective interest on the bonds is 2.2%.

In addition, in January 2020, Energix performed cross currency swap transactions with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 272 million, at fixed annual interest of 2.05% (unlinked), to cash flows in the amount of approx. PLN 300 for the life span of the bonds at an annual interest rate (in PLN) of 4.11%.

In November 2021, Energix performed cross currency swap transactions with a financial body in Israel that converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 233 million at fixed annual interest of 2.05% (unlinked) to a cash flow in the amount of approx. USD 75 million at a fixed interest rate of 2.984%.

The currency swap dates for the principal and interest with regard to the two transactions described above are carried out in accordance with the dates set in the issuance of the bonds (Series A).

These transactions are intended for accounting hedging of net investments in foreign activity.

Regarding financial and other covenants of the bonds (Series A), see Subsection q. below. Q

Q. Energix Convertible Bonds (Series B)

In September 2020, Energix issued convertible bonds (Series B) in the amount of NIS 500 million PV. The convertible bonds (Series B) are repayable in one payment on August 1, 2027 and bear a fixed annual interest rate of 0.25% (unlinked). The interest will be paid twice annually from February 1, 2021 to August 1, 2027 (inclusive). The bonds (Series B) are convertible into Energix shares from the date of issue until December 31, 2022, such that every NIS 18 par value of the bonds can be converted into one share of Energix common stock and from January 1, 2023 until July 22, 2027, every NIS 100 par value can be converted into one share of Energix common stock (subject to the adjustments detailed in the bond (Series B)). In November 2021, Energix issued convertible bonds (Series B) by way of a series expansion in the amount of NIS 67 million PV. The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency.

The Energix convertible bonds (Series B) as aforesaid constitute a complex financial instrument, which at the date of issue is separated into a liability component presented in long-term liabilities (with the exception of the current maturities, which are presented in current liabilities) and a capital component presented within the Company's capital. Energix determined the fair value of the liability component based on the interest rate for similar debt instruments, which do not include a conversion option. This component is treated from now at amortized cost on according to the effective interest method (at a weighted rate of 1.9%). The balance of the consideration in respect of the convertible bonds was attributed to the conversion option inherent in the bonds. This component was recorded to capital, less the effect of income taxes, and is not remeasured in subsequent periods. The issue costs were allocated in proportion to the components of the complex financial instrument consistent with the allocation of the consideration.

The bonds (Series A) and the bonds (Series B) of Energix include similar financial covenants, of which the main ones are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds:

- The lack of compliance with the financial stipulations, as detailed below, will constitute grounds for immediate repayment unless Energix pledges assets as stated in the bond's deed of trust.
- The equity will not be less than NIS 360 million (in relation to the bonds (Series A)) and NIS 500 million (in relation to the bonds (Series B)) for two consecutive quarters.
- The ratio of net solo financial debt to net solo balance sheet may not exceed a rate of 80% for a period of four consecutive quarters.
- The ratio of net consolidated financial debt less systems in development and initiative, and the adjusted EBITDA may not exceed 18 for a period of four consecutive quarters.
- In the event of a decline in Alony-Hetz's holding rate in the company below 35%, when there is another shareholder holding a higher rate, resulting in Energix rating being lowered during the 6 consecutive months to a rating lower than BBB+.

Note 11 – Bonds (continued)

- If the bond rating is lower than the BBB- rating for one quarter, except as a result of a technical lowering of the rating (as this term is defined under the terms of the bond).
- A change in Energix's main activity in a way that most of its activities are not in the field of electricity generation.
- Immediate repayment of another of Energix's bond series (one or more) that is not traded or a loan (one or more) whose balance at the time of immediate repayment constitutes (cumulatively) 20% or more of Energix's financial liabilities or NIS 250 million linked to the CPI, whichever is higher, and the demand for immediate repayment has not been withdrawn/repaid within 30 days.
- If there has been a sale of most of Energix's assets and consent for the sale has not been received from the bondholders, where the "sale of most of the Company's assets" means the sale of Energix's (consolidated) assets during 12 consecutive months, the value of which, less the cost of their acquisition, exceeds 40% of Energix's total consolidated assets, with the exception of certain conditions.
- Other common grounds for the immediate repayment of bonds, such as liquidation, receivership, rating cessation, discontinuation of tradability, etc.

It should be noted that in the trust deeds for the bonds (Series A and Series B) covenants were established, non-compliance with which will result in compensation in the interest rate, covenants regarding the non-distribution of dividends, and a mechanism for adjusting interest due to a downgrade.

In addition, as part of the issuance of the bonds (Series A) and the bonds (Series B), Energix committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

As of the reporting date, Energix is in compliance with all financial covenants to which it committed.

As of the reporting date, no event occurred in Energix that gives holders the right to demand immediate payment of the bonds.

R. Pledges – see Note 13 below.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants

A. Composition, linkage terms and interest rates:

	Annual interest (*) as of December 31, 2022	As of December 31, 2022			As of December 31, 2021		
		Current Maturities	Long-Term Loans	Total	Current Maturities	Long-Term Loans	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
In USD		-	-	-	574	-	574
In GBP	See Section 12e below	271,543	1,725,278	1,996,821	3,152	1,973,809	1,976,961
In PLN	WIBOR 6M + 2.27%	13,267	352,040	365,307	7,475	251,326	258,801
		284,810	2,077,318	2,362,128	11,201	2,225,135	2,236,336
CPI-linked b.(7)a, b.(7)b, b.(7)d	Linked 1.95%-4.6%	63,746	1,441,498	1,505,244	54,139	1,290,302	1,344,441
Total		348,556	3,518,816	3,867,372	65,340	3,515,437	3,580,777

The WIBOR rate on the PLN for six months (in annual terms) as of December 31, 2022, was approx. 7.1%.
The SONIA daily rate on the GBP (in annual terms) as of December 31, 2022, was approx. 3.5%.

B. The Company's financing arrangements

1. In January 2022, a facility agreement was signed between the Company and the Bank of Israel (hereinafter - the "**Bank**"), which replaces a facility agreement from January 2021, regarding the provision of a credit facility in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter - the "**utilization period**") to repayment by the end of two years from the end of the utilization period (hereinafter, in this subsection - the "**Facility Agreement**"). The facility agreement is not guaranteed by liens. In January 2023, the facility agreement was renewed for another one-year utilization period, the main points of which are identical to the previous facility agreement, and relates to a one-year cash availability period, which enables, like in the facility agreement, the utilization of a financing facility for up to three years from its establishment (the "**Credit Period**" and the "**New Facility Agreement**", as applicable).

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

The utilized credit will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or Libor according to the utilized currency) plus a 2% margin on credit that is repayable for a period of up to one year and a margin of 2.2% for credit that is repayable in more than one year from the date of granting.

Under the facility agreement and the new facility agreement, the Company committed, among other things, to financial ratios as follows:

(A) A ratio of equity to total balance sheet of at least 0.3;

(B) The ratio of the Company's net financial debt (LTV) (on an expanded solo basis) to the value of the Company's holdings will not exceed 0.7 at any time;

(C) The ratio of the amount of current dividends declared in 4 consecutive quarters, which were actually received by the date of the examination by the significant companies in which the Company invests, to the Company's total interest payments during the period, will not be less than 1.2;

(D) The ratio of cash and cash equivalents according to the Company's latest financial statements plus expected cash flow from dividends in 4 consecutive quarters, to the total expected repayments on an expanded solo basis, will not be less than 1 at any time during 6 consecutive months;

(E) The rate of the Company's holdings in Amot shares will not be less than 40% at any time;

(F) The rate of the Company's holdings in Carr shares will not be less than 30% at any time, except in a case of Carr's issuance on the stock exchange;

(G) The ratio of net financial debt (expanded solo) to the FFO will not exceed 25 at any time during two consecutive years;

(H) The value of the Company's holdings in unencumbered shares will not at any time be less than twice the amount of credit granted to the Company without collateral in Israel and abroad (including approved credit facilities, whether utilized or not, but excluding bonds).

In addition, the facility agreement and the new facilityagreement determine that:

- The Bank has the right to shorten the credit period to one year from the date of the change, in each of the following cases:

  (A) If they reduce, or are likely to reduce, Nathan Hetz's ownership or holding rates below a minimum of 10%; and/or

  (B) If any third party has holdings in Alony-Hetz at a rate greater than 14.33% (Mr. Nathan Hetz's holding rate at the time of signing the new facility agreement) (14.5% at the time of signing the facility agreement); and/or

  (C) If any third party acquires control in Alony-Hetz.

  All of this – whether as a result of an action by Alony-Hetz or as a result of an action by any third party without an action by Alony-Hetz or any involvement of Alony-Hetz.

  In this regard, a third party includes a number of third parties jointly, not including institutional holders from pension funds, provident funds, mutual funds, study funds, portfolio management, etc.

- The Company undertook to comply with various financial stipulations, mainly: (1) minimal Company equity of NIS 2.2 billion; (2) various financial cash flow and operational ratios in the Group and in investees; (3) cross default and (4) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party.

As of the reporting date, the Company has not utilized the new credit facility.

2. In January 2016, the Company signed a facility agreement and several amendment, the last of which was in August 2021 with an Israeli institutional body (hereinafter collectively, in this subsection - the "**Agreement**"). In accordance with the agreement, the Company was granted a NIS 250 million credit facility for the period ended May 31, 2024. The utilized credit will bear annual interest at a rate of the gross yield to maturity of two series of NIS-denominated government bonds with the closest average duration to maturity of one year, plus a margin of 1.75%. The facility is not backed by any collateral. As of December 31, 2022 and as of the date of the report, the credit facility is not utilized.

As part of the facility agreement the Company committed, among other things, to the following financial ratios:

A. The ratio between the net financial debt and the FFO will not exceed 25 for two consecutive years;

B. The net financial debt ratio (LTV) of the Group (on an expanded solo basis) will not exceed 70% of its total assets for four consecutive quarters, according to calculation formulas determined in the agreement;

C. A ratio of equity to total balance sheet of at least 0.3 for four consecutive quarters (a ratio of 0.2 for one quarter will constitute grounds for immediate repayment);

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

D. The ratio of dividend revenues to cash flow interest expenses (on an expanded solo basis) in the 12-month period prior to the examination date will not be less than 1.2.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) changes in control of the Company; (2) the Company's minimum equity will not be less than NIS 1.8 billion for four consecutive quarters; (3) various financial cash flow and operational ratios in the Group and in investees; (4) cross default (5) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party; (6) merger/split without receipt of consent; (7) insolvency, liquidation, etc.; (8) cessation of the management of business / change in area of activity and/or sale of most assets; (9) rating under BBB-; (10) suspension of trading.

3. In September 2021, the Company engaged in a credit facility agreement with an Israeli bank (hereinafter, in this subsection - "**the Bank**") in the amount of NIS 150 million, which was amended by a written amendment in August 2022 (hereinafter, in this subsection - the "**Agreement**") for a utilization period until September 29, 2023 (hereinafter, in this subsection - "**the Utilization Period**") to be repaid in full by September 29, 2025. The facility agreement is not guaranteed by liens. Until September 29, 2022, the interest that the utilized fund will bear will be the cost of the bank plus 1.85% per year and from September 30, 2022, it will be the cost of the bank plus 2%. Until September 29, 2022, the non-utilization fee for the facility will be 0.285% and from September 30, 2022, it will be 0.385%, calculated on an annual basis from the amount of the credit facility that is not utilized during the period from the date of signing until September 29, 2023. As of December 31, 2022 and as of the date of publication of the report, the facility is not utilized.

In a letter of commitment signed at the same time as the agreement, the Company committed, among other things, to financial ratios, the main ones being:

a.) Minimum equity for four consecutive calendar quarters will not be less than 30% of the total balance sheet (based on expanded solo reports) (20% at any given time);

b.) The ratio between dividend receipts and total interest payments in relation to a period of one calendar year will not be less than 1.2;

c.) The ratio of the net financial debt and the FFO may not exceed 25 for two consecutive calendar years (based on the expanded solo statements);

d.) The Company's equity will not be less than NIS 2.1 billion (based on expanded solo reports) for four consecutive calendar quarters.

As of December 31, 2022, the Company is in compliance with all of the financial covenants referred to in this Section b.

C. Amot financing arrangements:

1. Loan agreement with a banking institution

In October 2021, Amot signed an agreement with a banking institution according to which the bank provided Amot with a loan in the amount of approx. NIS 500 million, with an average duration of 8.5 years. The loan, which is not guaranteed by any liens, is CPI-linked and bears CPI-linked annual interest at a rate of 0.6%. The loan principal will be repaid by Amot in four equal annual payments during the years 2029 to 2032. Under the loan agreement, Amot undertook to comply with financial covenants similar to the financial covenants determined in Amot's bonds (Series H) traded on the Tel Aviv Stock Exchange. The average duration of the loan and the repayment dates of the principal are similar to those of Amot's bonds (Series H). For additional information regarding financial covenants, see Note 11.o above.

2. Long-term and short-term credit facilities:

A. Lines of credit – the Amot Group has six credit facilities from commercial banks and financial bodies in Israel in the amount of NIS 1,110 million, with facilities amounting to NIS 810 million that expire during 2023.

To utilize these credit facilities, Amot must meet the following conditions:

- The rate of equity from the Company's total statement of financial position (less cash and cash equivalents, short-term investments and securities related to discontinued activity) on an extended consolidated basis will not at any time fall below 25%.
- The Company is the controlling shareholder in Amot.
- The ratio of Amot's net financial debt to the CAP will not exceed 70%;
- The ratio between Amot's net financial debt (less the value of investment property in development) and Amot's NOI will not exceed 10 at any time.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

In addition, Amot committed to comply with various financial stipulations, mainly: changes in control of Amot under certain circumstances; Amot's minimum equity of NIS 1.2 billion; various financial cash flow and operational ratios; cross default; Amot's commitment not to create any general floating lien on all of its assets in favor of a third party (with the exception of a floating lien associated with a fixed lien).

The agreements also include customary grounds for immediate repayment of the credit, such as significant legal proceedings (liquidation, receivership, merger, etc.).

As of December 31, 2022, Amot has unutilized credit facilities in the amount of NIS 1,084 million. In addition, Amot is in compliance with all financial covenants.

D. Energix's financing arrangements:

1. General

Project financing transactions to which Energix is a party are based on the establishment of a designated corporation - SPV, which holds all the rights and obligations of the financed project(s) and usually has no additional activity beyond the activity subject to the financing. The financing is provided on a non-recourse basis, according to which the repayment of the financing is guaranteed only by the SPV's assets and the rights therein, except for customary exceptions such as the injection of equity to which the owner in the SPV has committed, and a commitment to avoid from incurring excess costs in the projects' construction and sometimes even several commitments (some of which have a limited amount) that Energix undertook in relation to that financing in accordance with the commercial agreements between the parties (see guarantees regarding real estate financed by ARAN below). In addition, where Energix acts as the construction contractor of a project (such as the projects in the United States), or if Energix manages the construction activity of a project (such as the establishment of a project in a joint venture), Energix may provide guarantees instead of the construction and operation contractor, in favor of the SPV, as is customary in the field.

2. Financing for the second competitive procedure systems 62 MWp (photovoltaic projects winning the second competitive procedure):

In August 2019, Energix (as part of the Israel joint venture) withdrew the amount of NIS 145 million, the use of which was conditional on completion of the full requirements for financial closure of the projects. During 2020, Energix completed the full conditions required for the financial closing in the projects, and accordingly the restriction on the use of this amount was removed and the balance of the financing facility was withdrawn in the total amount of NIS 180 million at average interest of 2.504% (CPI-linked). In February 2021, Energix exercised its right under the financing agreement to increase the credit facility, and received additional financing under this financing transaction in the amount of NIS 10 million. (the loan balance)

3. Financing transaction for projects with a capacity of up to 137 MWp (third and fourth competitive procedures):

As of the date of approval of the report, an amount of NIS 314 million was withdrawn at average annual interest (CPI-linked) of 1.87%, in respect of all projects under the financing agreement after meeting the conditions for withdrawal. As of the date of the report, Energix has recognized properties in the amount of approx. NIS 397 million in respect of these projects, which were recorded under the 'connected electricity generation systems' and 'systems in development and initiation' items. After the completion of the projects' construction and their compliance with the determined conditions, the project partnership has the right to increase the amount of financing by an additional amount that will set the amount of financing at 85% of the total construction costs of all projects and in any case, no more than an amount of approx. NIS 370 million.

4. Engagement in a financing transaction for the ARAN project (104 MWp)

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, such as for the financing of cost overruns, etc. In addition, subject to the provisions of the financing agreement, Energix will provide a Company 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.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

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. In addition, coverage ratios (ADSCR 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. During the reporting period, Energix made a first withdrawal from the financing facility, in the amount of approx. NIS 18 million.

5. Financing transaction for the Julis project with a capacity of approx. 87 MW

Subsequent to the date of the report, Energix signed a memorandum of understanding with a leading financial institution to receive financing in the amount of up to NIS 255 million for the construction of the project.

6. Engagement in a financing transaction for the construction of a wind farm in Poland - Banie 3 (82 MWp) and Sepopol (44 MWp)

In June 2021, the project companies engaged with a consortium of 3 lenders - the European Bank for Reconstruction and Development (EBRD) and 2 leading European financial institutions, in an agreement to receive financing for the construction of the projects in the total amount of up to PLN 550 million (up to approx. NIS 440 million). As of the date of approval of the report, the project company has withdrawn a total of approx. NIS 368 million from the financing facilities. The interest is semi-annual WIBOR (Zero Floor) plus a margin of 2.1-2.3. In relation to 70% of the loan amount, the WIBOR interest rate will not exceed 2%, for a period of 7 years (from the expected date of commercial operation). This is in accordance with the WIBOR interest rate hedging transaction made by the Company in October 2021.

For details regarding the accounting treatment in the CAP transaction for protection against changes in the interest rate, see Note 2r. 5.

7. Engagement in a financing transaction for the construction of a wind farm in Poland - Banie 4 (56 MWp)

In March 2022, Energix signed a project financing agreement, through a local subsidiary with a consortium of two foreign lenders - the European Bank for Reconstruction and Development (EBRD) and a leading local financial institution, for the construction of the project in the total amount of up to PLN 290 million (up to NIS 215 million). The loan interest is semi-annual WIBOR (Zero Floor) plus a margin of 1.7%-2.4%.

In the context of rising inflationary trends and rising interbank interest rates in Poland, in November 2021 Energix entered into a transaction to hedge the WIBOR interest to a rate of up to 2% in relation to 70% of the loan amount for a period of 5 years (from the expected commercial operation date), which will provide protection for the interest rate that will serve as the base interest rate in the financing transaction for the establishment of the Banie 4 project.

For details regarding the accounting treatment in the CAP transaction for protection against changes in the interest rate, see Note 2r.5.

8. For the project loans taken by Energix mentioned in Sections 2-8 above, financial covenants of a minimum ratio of [15]ADSCR to debt and a minimum ratio of LLCR[16] to debt of 1.1 each (in Sections 11-12, a ratio of 1.05).

---

[15] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

16 LLCR – Loan Life Cover Ratio – The excess available cash for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

E. BE's financing arrangements:

In order to finance the acquisition of the properties it owns as of the reporting date, BE took non-recourse loans totaling approx. GBP 474 million (approx. NIS 2 billion). To guarantee the loan, BE pledged the properties in favor of the lender with a senior lien.
The following are additional details regarding the loans:

		Interest Rate Hedging				Main Financial Covenants	
Amount in GBP thousands	Interest Rate	Hedge Amount	Hedge Transaction Type	Hedging Terms	Repayment Date	Maximum LTV Ratio	Minimum Interest Coverage Ratio
54,625	SONIA +1.97%	54,625	CAP	Maximum SONIA of 1.25%	October 2024	60%	2.25
132,300	SONIA +1.57%	132,300	CAP	Maximum SONIA of 1.88%	April 2024	75%	1.95
48,030	SONIA +2.12%	48,030	CAP	Maximum SONIA of 2%	February 2025 (*)	75%	2.00
63,360	SONIA +2.75%	63,360	CAP	Maximum SONIA of 1.95%	September 2023	65%	1.00
111,000	SONIA +2.30%	48,074	SWAP	Fixed SONIA of 0.48%	June 2026		
		62,926	CAP	Maximum SONIA of 1.85%		72.5%	N/R (**)
65,000	SONIA +2.00%	65,000	SWAP	Fixed SONIA of 1.18%	November 2026	60%	1.50

(*) From April 2022, quarterly payments of GBP 250 thousand.

(**) This loan requires a minimum ratio of NOI to debt of 4.15% (from June 2023 - a minimum ratio of 5%).

BE's financing arrangements:

Further to Note 4.b above, as part of its engagement for the purchase of buildings 1 and 2 at the Cambridge Business Park (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, in consideration for the payment of approx. GBP 8 million (approx. NIS 33 million) to the seller, 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 3.18%.

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).

F. As of December 31, 2022 and close to the publication of the financial statements, the Group is in compliance with all covenants to which it committed in conjunction with the loans mentioned in Sections (b) - (e) above.

G. Liens - see Note 13.

Note 13 – Liens, Collateral and Guarantees

A. The following is a description of the liabilities secured by liens on Group assets or for which the Group has provided some security for their repayment and a description of the assets pledged or provided as collateral as of December 31, 2022:

	Pledged Asset	Book Value of Liability	Book Value of Pledged Asset	Type of Lien	Comments
		As of December 31, 2022 (NIS thousands)	As of December 31, 2022 (NIS thousands)		
Liabilities of consolidated companies:					
Energix's liabilities:					
Loan in the amount of NIS 370 million	(1) Lien on all of the assets of the Project Company, Energix Neot Hovav Ltd., and Energix's rights in the Project Company (2) Bank deposit (reserve fund for debt service)	231,100	193,000	Fixed senior lien	
Loan in the amount of NIS 240 million	(1) Lien on all of the assets of Projects 2 Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	206,000	254,700	Fixed senior lien	
NIS loan facility in the amount of NIS 180 million	(1) Lien on all of the assets of Projects 3 Partnership, Limited Partnership and Energix's rights in this partnership (2) Bank deposit (reserve fund for debt service)	180,500	198,600	Fixed senior lien	See Note 12d.(2)
NIS loan facility in the amount of NIS 350 million (the amount has not yet been fully withdrawn)	(1) Lien on all of the assets of Competitive Procedure 3+4, a limited partnership and Energix's rights in the partnership (2) Bank deposit (reserve fund for debt service)	318,900	387,400	Fixed senior lien	See Note 12d.(3)
The loan amount is up to NIS 440 million	(1) Lien on all of the project assets and the Company's rights in the Banie 3 & Sepopol projects (2) 6 months debt service secured by a bank letter of credit	366,400	550,400	Fixed senior lien	See Note 12d (6)
Loan in the amount of NIS 650 million (not yet fully withdrawn)	(1) Lien on all of the assets of the ARAN Project Partnership, Limited Partnership and the Energix's rights in this partnership (2) A dedicated facility for debt service that can be exchanged for other collateral according to the provisions of the financing agreement	18,100	355,900	Fixed senior lien	See Note 12.b.(4)
BE liabilities					
6 loans in the total amount of approx. GBP 474 million	Investment property, including shares in the property companies and the revenues derived from the properties	1,996,821	4,085,349	Fixed senior lien and floating lien	See Note 12e.

Note 13 – Liens, Collateral and Guarantees

B. Guarantees provided by the Group:

As of December 31, 2022 and 2021, there are contingent liabilities with respect to the following guarantees:

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Guarantees provided by consolidated companies:	237,147	210,331

Note 14 – Other Long-Term Liabilities

	As of December 31	
Composition:	2022	2021
	NIS thousands	NIS thousands
Severance-pay liabilities, net	3,698	1,880
	3,698	1,880
Advance income and deposits from building tenants	30,961	28,211
Derivative financial instruments (see Note 22)	446,199	187,070
Long-term liability in respect of agreement with tax partner	163,739	184,976
Liability in connection with project in development	-	8,447
Others	72,182	24,876
	716,779	435,460

Note 15 – Engagements and Contingent Liabilities

A. Legal and tax proceedings against the Amot Group

Pending against the Amot Group and other parties, as of the reporting date and as of the approval of the financial statements, are 16 lawsuits, tax procedures and property tax charges, excises and levies pertaining to investment property totaling approx. NIS 66 million, with the Amot Group's share as a defendant amounting to approx. NIS 61 million.

For claims filed against the Amot Group and for exposure to tax levies, provisions were recorded in the financial statements in the amount of approx. NIS 17 million as of December 31, 2022 and December 31, 2021 (in the 'provisions' item and the 'expenses payable' item). The Amot Group management is of the opinion, based on the opinion of its legal and professional counsel, that these provisions are sufficient under the circumstances.

The following is the composition of the balance of the provision and the movement therein as of December 31, 2021 and 2022 and for the years ended on those dates:

	2022	2021
	NIS thousands	NIS thousands
Provision balance at the end of the year	16,483	16,483

As of the date of this report, there are no significant legal proceedings in the Amot Group.

B. Legal and tax proceedings against the Energix Group

Regarding legal proceedings against Energix, see Note 8b above.

Note 15 – Engagements and Contingent Liabilities (continued)

C. Long-term incentive plan settled in cash in BE

Under the Long Term Incentive Plan ("LTIP") adopted by BE, BE executives and employees are entitled to an amount equal to 12% of the excess capital return[17] beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2018 to December 31, 2021 (hereinafter - the "First Period") and the second from January 1, 2023 to December 31, 2027 (hereinafter: "the Second Period"). The Second Period includes a maximum grant ceiling (to all BE employees) of GBP 45 million.

In this context, for the First Period, in February 2022, the Company paid BE employees a cash grant in the amount of approx. GBP 26 million (approx. NIS 115 million). In 2021, the Group recorded expenses in respect of this plan in the amount of GBP 26 million (approx. NIS 115 million), of which a total of approx. GBP 19 million (approx. NIS 85 million) was capitalized to property in development.

D. Engagement with First Solar for the purchase of panels

Regarding an engagement for the purchase of panels, see Note 8c above.

E. Main liabilities and covenants:

Regarding the Group's main liabilities and covenants to banks and others, see Notes 11 and 12 above.

Note 16 – Equity

A. Composition of capital stock in nominal NIS

	As of December 31, 2022		As of December 31, 2021	
	Registered	Issued and Paid-up	Registered	Issued and Paid-up
	Thousands of Shares		Thousands of Shares	
Common stock of NIS 1 PV each (*)	500,000	179,808	500,000	174,124
Preferred shares of NIS 1 PV each (**)	500,000	-	500,000	-

(*) The shares are listed and traded on the Tel Aviv Stock Exchange. The number of shares includes dormant shares held by the Company.

(**) The shares are cumulative, participating and registered in the owner's name.

B. Developments in capital stock

The following are developments in the Corporation's capital stock over the past three years:

Date	Details	PV in thousands	Proceeds (Gross) in NIS thousands	Proceeds per Share in NIS
2020	Exercise of employee options	116	3,687	31.51
2021	Exercise of employee options	1,180	38,442	32.58
2022	Exercise of employee options	365	13,625	37.33
2022	Issuance of capital	5,319	271,182	51.0

C. Balance of Company shares held by the Company

As of December 31, 2022 and 2021, the Company holds 85 thousand shares of the Company's common stock of NIS 1 PV each, which constitute 0.047% of its issued and paid-up capital stock as of those dates.

[17] Regarding the first period – an amount equal to 14% of the excess capital return.

Note 16 – Equity

D. Dividend paid and dividends declared subsequent to the date of the Statement of Financial Position

In March 2001, the Company's Board of Directors decided to adopt a policy according to which the Company's management will announce, at the beginning of each year, the dividend amount the Company intends to distribute (subject to the law) in the following year. The annual dividend amount will be divided into 4 payments to be made at the end of each calendar quarter, and talking into account the Company's operating results according to its latest financial statements, the Board of Directors may make adjustments to the amount distributed. It should be emphasized that the Board of Directors may at any time, taking into account business considerations and in accordance with the provisions of any law, change the amounts to be distributed as dividends or decide not to distribute them at all.

In accordance with this decision, the Company annually announces the current dividend to be paid that year.

In March 2022, the Company's Board of Directors made a decision regarding the dividend policy for 2022 in the amount of NIS 1.26 per share, which will be paid in 4 quarterly payments as follows: at the end of the first and second quarters - NIS 0.31 per share, and at the end of the third and fourth quarters - NIS 0.32 per share. In addition, at its meeting in March 2022, the Company's Board of Directors decided to distribute an additional dividend in respect of 2021 in the amount of NIS 0.44 per share. Accordingly, during 2022, the Company paid its shareholders a dividend in the total amount of NIS 1.70 per share (NIS 298 million).

In March 2023, the Company's Board of Directors made a decision regarding the dividend policy for 2023 according to which a total dividend of NIS 1.28 per share will be paid in 2023, which will be paid in 4 quarterly payments of NIS 0.32 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

In accordance with the above, in March 2023, the Company announced a dividend for the first quarter of 2023 in the amount of NIS 0.32 per share (NIS 57.5 million) to be paid in April 2023.

In addition, at its meeting in March 2023, the Company's Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.18 per share (NIS 32.4 million).

In accordance with the above, the total dividend per share that the Company will pay in April 2022 will be NIS 0.50 per share (NIS 89.9 million).

As of December 31, 2022, the Company has retained earnings (distributable profits) of NIS 4,790 million.

The following are details of the dividends paid by the Company, from its distributable profits, over the past two years:

Payment Date	Declaration Date	Dividend per share	NIS thousands
06/04/2021	16/03/2021	0.50	86,430
07/06/2021	18/05/2021	0.30	52,099
02/09/2021	17/08/2021	0.31	53,843
02/12/2021	15/11/2021	0.31	53,851
12/04/2022	22/03/2022	0.75	130,760
14/06/2022	24/05/2022	0.31	54,065
14/09/2022	17/08/2022	0.32	55,809
15/12/2022	22/11/2022	0.32	57,511
Total		2.17	544,368

Note 16 – Equity (continued)

E. Share-Based Payment

The following is information regarding executive and employee remuneration plans in effect as of December 31, 2022:

1. Capital Remuneration Framework Plan

At the shareholders' meeting of October 9, 2018, a remuneration policy for the Company's officers was approved for the years 2019-2021, in accordance with the provisions of Amendment 20 to the Companies Law (hereinafter - "**Remuneration Policy for 2019-2021**"). On October 6, 2021, the shareholders' meeting approved a remuneration policy for the Company's officers for the years 2022-2024, which is not fundamentally different from the remuneration policy for the years 2019-2021 (hereinafter - "**the remuneration policy for 2022-2024**")[18] (the remuneration policy for the years 2019-2021 and the remuneration policy for the years 2022-2024, will be referred to collectively, hereinafter: "**the Remuneration Policy**").
For the implementation of the remuneration policy, The Company has a multi-year remuneration framework on a capital basis for Company employees and executives from February 2018, according to which each year near the publication of the yearly report Company employees and executives would be allocated non-tradable options of a economic value determined from time to time by the relevant Company organs (hereinafter: "**the Annual Portion**").

Allocation of the annual portion, each year, will be subject to the specific approval by the Company's Board of Directors (and regarding officers, the approval of the Remuneration Committee as well). It is also stated in the framework plan that the exercise price of the options will be as determined by the Board of Directors from time to time, subject to the remuneration policy as it will be from time to time. The remuneration policy for the years 2022-2024 determined that the exercise price of any such annual portion will be at least based on the higher of the following: (1) an average of the Company's share price on the stock exchange in the 30 days of trade that ended the day before the decision regarding the granting of the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4%. The exercise premium is nominal and is adjusted for dividends.

The framework plan from February 2018 was amended in October 2021. The amendment determined that the vesting period of the options will end at the end of a period determined by the Board of Directors but in any case not more than five years from the date of the Board of Directors' specific decision to a particular beneficiary and will be exercisable from their vesting until a date to be determined by the Board of Directors (regarding a director whose term has ended, specific instructions will apply, as detailed in the framework plan, before it is amended).

As part of the remuneration policy, as it was from time to time, and the capital remuneration framework plan, the Company allocated yearly portions from the capital remuneration framework plan, as follows (the allocations from 2022 are in accordance with the amendment of the framework plan from October 2021):

	Number of Recipients	Number of Options	Economic Value on Grant Day, in NIS thousands	Exercise Bonus per Option in NIS (before adjustments)	Vesting Period in Years	Expiry Date
2018	18(*)	920,619	3,197	35.18	2	30.4.21
2018	1(**)	7,676	27.5	38.92	2	21.8.21
2019	18(*)	735,338	3,411	41.22	2	30.4.22
2020	17 (***)	1,528,166	3,413	49.64	2	30.4.23
2021	15 (***)	365,010	3,399	44.96	2	30.4.24
2022	16 (***)	272,879	3,626	58.32	2	21.6.25
2023	16 (***)	962,621	4,322	35.01	2	11.6.26

(*) Including the Chairman of the Board of Directors and 6 directors. For additional information on the remuneration of directors and officers, see Note 18.
(**) External director appointed in July 2018.
(*) Including the Chairman of the Board of Directors and 5 directors. For additional information on the remuneration of directors and officers, see Note 18.

[18] The remuneration policy for the years 2022-2024 determined a number of changes in relation to the existing capital remuneration, as follows: (1) The annual portion allocated will be for a vesting period of two years and will be exercisable until the end of 3 years and 3 months from the grant date (with the exception of options allocated instead of a cash grant as stated in subsection 2 below); (2) The right to convert part/all of the annual grant of the Company's officers to a capital grant; (3) The exercise price of the options will be at least the higher of the following: (a) The average of the Company's share prices on the stock exchange in the 30 trading days ending one day before the Board of Directors' decision to grant the options (a weighted average of 20 trading days has passed, according to the remuneration policy for 2019-2021) (b) 4% above the share price at the end of the trading day on the stock exchange that preceded the day of the Board of Directors' decision to grant the options; these changes were applied, respectively, in the Board of Directors' decision dated March 22, 2022 regarding the allocation of options to the Company's employees, its officers and its directors.

Note 16 – Equity (continued)

2. Parameters used in calculating the benefit inherent in the options

The cost of the total benefit inherent in all the options in effect as of December 31, 2022 (the March 2020, March 2021 and March 2022 plans), based on the fair value on the date of granting, has been estimated at a total of NIS 10.4 million, of which a total of NIS 7.8 million has been amortized as of December 31, 2022. This amount is amortized to the Statement of Income over the vesting periods. Note 16 – Equity (continued)

The fair value of the options granted has been estimated using the Black and Scholes model. The parameters used to apply the model are as follows:

Plan	March 2023	March 2022	March 2021	March 2020	March 2019	August 2018	March 2018
Share price (in NIS)	30.75	56.08	43.23	38.66	39.63	36.04	32.57
Exercise price (in NIS)	35.01	58.32	44.96	49.64	41.22	38.92	35.18
Expected weighted volatility (*)	29.83%	34.60%	34.09%	20.66%	18.55%	18.79%	19.76%
Lifespan of options (in years)	2.00	3.00	2.88	2.87	2.87	2.75	2.86
Risk-free interest rate	3.91%	1.43%	0.27%	0.43%	0.74%	0.65%	0.46%
Expected dividend rate (**)	-	-	-	-	-	-	-
Total benefit (NIS thousands)	4,322	3,626	3,399	3,413	3,411	28	3,197
Amortization amount (NIS thousands)							
In 2022	-	1,373	1,721	425	-	-	-
In 2021	-	-	1,275	1,699	417	-	-
In 2020	-	-	-	1,278	1,676	10	366

(*) The expected volatility is determined based on historical volatility in the price of the Company's share. The lifespan of the average option warrant is determined based on management's forecast regarding the duration of the holding period of option warrants by option receivers taking their position in the Company and the Company's past experience regarding employee departure into consideration.

(**) Dividend-adjusted exercise bonus

3. The following are developments in the option warrants granted to Company employees and officers:

	2022		2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	In Thousands	NIS	In Thousands	NIS
Balance as of January 1	2,236	44.92	3,051	41.49
Grants per year	273	58.32	365	44.96
Exercised during the year (1)	(365)	37.33	(1,180)	32.59
Balance as of December 31	2,144	46.19	2,236	44.92
Options exercisable for shares as of December 31	1,507		350	
Expected proceeds from the exercise of option warrants outstanding as of December 31 (in NIS thousands) (2)	30,722		100,470	

(1) The weighted average of the share price on the options' exercise date for options exercised in 2022 was NIS 57.4. (2021 – NIS 47.70).

(2) A total of 1,506,674 options in circulation are from the March 2020 plan which is ex-cash and which expires in April 2023. Therefore, no future consideration was taken for them.

Note 17 – Additional Information on Income and Expense Items

A. Revenues from rental fees and management of investment property

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Rental fees (1)	1,114,087	916,464	842,920
Property management	105,091	72,917	48,712
	1,219,178	989,381	891,632

1. **Revenues from future minimum rental fees –** the aggregate amount of future minimum rental fee revenues based on signed irrevocable rental agreements in effect as of December 31, 2022 is as follows:

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
First Year	974,250	878,913
Second year	809,407	673,948
Third year	665,193	526,242
Fourth year	539,969	410,514
Fifth year	390,601	338,695
Sixth year and thereafter	981,433	948,698
	4,360,853	3,777,010

B. Fair value adjustments of investment property

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Fair value adjustment of Amot properties	999,764	860,598	(131,275)
Fair value adjustment - amortization of Amot's transaction costs	(18,248)	(120,583)	(12,417)
Fair value adjustment of BE properties	(281,683)	1,043,847	(16,993)
Fair value adjustment - amortization of BE's transaction costs	(13,915)	(68,393)	(27,097)
	685,918	1,715,469	(187,782)

1. **Fair value adjustment of Amot properties** – In the reporting period, Amot recorded a profit of NIS 1 billion from the fair value adjustment of investment property (before amortization of transaction costs). The profit is mainly due to an increase in NOI from the properties.

2. **Fair value adjustment of BE properties** – In the reporting period, BE recorded a loss of GBP approx. 69 million (approx. NIS 282 million) from the fair value adjustment of investment property (before amortization of transaction costs). The loss is mainly due to the increase in the discount rate of BE properties as well as the adjustment of the fair value of properties in the planning stages in view of the expected increase in construction costs and bank financing.

Note 17 – Additional Information on Income and Expense Items (continued)

C. Cost of investment property rental and operation

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Property maintenance and management costs	110,819	77,225	50,963
Taxes and fees	7,856	6,837	5,002
Wages and related expenses	21,587	13,669	10,083
Others	6,538	6,673	8,574
	146,800	104,404	74,622

D. Administrative and general expenses

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Wages and related expenses, management fees and grants	94,288	101,580	70,265
Amortization of benefit in respect of option warrants	16,692	13,751	15,738
Directors' wages and related expenses	1,490	1,137	940
Professional services	27,585	26,728	19,774
Charitable donations	6,748	6,291	5,751
Others	32,282	22,882	12,556
	179,085	172,369	125,024

(*) The expenses in 2021 include an amount of NIS 30 million in respect of a long-term incentive plan in BE. For details, see Note 15c.

E. Financing expenses

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Interest in respect of short-term credit	8,901	9,228	8,808
Interest in respect of long-term bank loans	129,742	68,745	74,396
Interest (including discount amortization) in respect of bonds	276,074	239,045	230,759
Total interest expenses	414,717	317,018	313,963
CPI-linkage differentials in respect of loans	71,116	23,488	3,782
Linkage differentials in respect of bonds	388,692	128,795	(25,575)
Total credit costs	874,525	469,301	292,170
Less credit costs capitalized to systems in development	(60,889)	(23,714)	(16,293)
Less financing capitalized to self-constructed investment property	(55,049)	(29,418)	(9,137)
	758,587	416,169	266,740
Miscellaneous, net	34,135	19,122	13,059
	792,722	435,291	279,799

Note 17 – Additional Information on Income and Expense Items (continued)

F. Financing income

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Interest on bank deposits, ETFs and monetary funds	14,208	2,214	2,074
Exchange rate differences, net	-	-	2,469
Interest in respect of loans to associates and other companies	26,720	21,676	4,646
Profits from transactions in financial derivatives	38,081	3,950	-
Profit from tradable securities held for trade	-	4,970	-
Miscellaneous, net	1,069	5	81
	80,078	32,815	9,270

Note 18 – Transactions with Related Parties and Interested Parties

A. Management Agreement with the Company CEO

In December 2021, the Company entered into a new management agreement (which replaced the previous agreement from November 2018) with Adva Financial Consulting Ltd. (hereinafter in this subsection: "**Adva**" or "**the Management Company**") (a company owned by Mr. Nathan Hetz (the Company CEO, director and a controlling shareholder until November 26, 2019) and by his wife Mrs. Clara Hetz equally) to receive management services provided by Mr. Nathan Hetz for a three-year period starting January 1, 2022, (the "**New Management Agreement**"), the main terms of which are as follows:

1. **Fixed component** – monthly management fees of NIS 275 thousand linked to the CPI for December 2018, plus VAT (in any case, the management fees will not be less than this nominal amount). Management fees for December 2022 amounted to a total of NIS 296 thousand.

   The management fees will also be paid for periods in which the management company will not provide management services to the Company, as follows: (1) 25 days for Mr. Nathan Hetz's annual vacation period; (2) up to 30 business days per calendar year for Mr. Nathan Hetz's sick days (which can be accumulated to up to 90 days).

2. **Annual bonus –** a bonus of NIS 2.4 million, linked to the CPI in lieu of December 2018, which will be paid in the following manner and under the following conditions:

   - NIS 1.2 million will be paid each year in which the annual FFO yield exceeds 6% (according to the equity at the beginning of that year).[19]
   - The balance of the bonus, which is not paid in any annual measurement, will be paid at the end of the 3-year agreement if the average FFO yield during the three-year agreement period exceeds 6%.

   * The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2022-2024.

   In 2022, the Company paid the management company a total of NIS 1.2 million as a cash bonus for 2021, as well as the balance of the bonus in respect of the years 2019-2021 in the amount of NIS 3.7 million. In April 2023, the Company will pay the management company a cash bonus for the year 2022 in the amount of NIS 1.2 million linked to the CPI in lieu of December 2018 (as of the date of publication of the report - NIS 1.3 million).

3. **Additional conditions:**

   1. In the event of any discontinuation of the agreement (whether due to its discontinuation of its cancellation by any of the parties), the Management Company shall be entitled to what it is owed in accordance with the agreement for 3 additional months from the end of the agreement, including a yearly bonus, until the conclusion of the three months in question.
   2. The Company and/or the Management Company have the right to cancel the agreement at any time before the end date, with 6 months advance written notice (during which the agreement will continued to apply and Mr. Nathan Hetz will continue to provide the Company with management services), regarding its desire to end the agreement.
   3. The Company will provide Mr. Nathan Hetz with a vehicle and bear its maintenance costs, the cost of the tax for providing the vehicle to Mr. Nathan Hetz will be borne by Mr. Nathan Hetz. The Company will also bear all expenses of Nathan Hetz and/or the management company for Nathan Hetz's activity as Company CEO as is customary in the Company.

[19] Company capital – Capital, less non-controlling interests, as of the beginning of the relevant year (December 31, 2022), plus capital raising and less special dividends during the same year, and all time-weighted.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

4. In accordance with Amendment 20 to the Companies Law, 1999 (hereinafter: "**the Companies Law**") and the remuneration policy, the agreement includes a provision according to which the management company will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the management company / Mr. Natan Hetz[20].

5. The remuneration policy and the agreement also determined that in the event of a significant change in legislation/regulation/ a significant change in accounting standards, the financial data will be calculated in the financial statements affecting the bonus in accordance with the legislation/regulation/accounting standards before the change.

6. In return or his service as Company officer, Nathan Hetz shall be entitled to compensation and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law at sums and scopes set from time to time by the Company. The above insurance will provide Nathan Hetz with coverage during his entire term as an officer and for a period of seven years after he ceases to serve as officer. In return or his service as Company officer, Nathan Hetz will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time, except in respect of all events and causes that occurred until October 11, 2011.

B. Management agreement with the Chairman of the Company's Board of Directors

In November 2021, the Company entered into an agreement with Orwer Ltd. (hereinafter - "**Orwer**" or the "**Management Company**") (a company owned by Mr. Aviram Wertheim (Chairman of the Company's Board of Directors) and his wife, in equal parts) to receive management services by Mr. Aviram Wertheim, as the Chairman of the Company's Board of Directors, in partial position in the amount required to fulfill his duties[21] for the period starting January 1, 2022 and ending December 31, 2024, as long as Mr. Aviram Wertheim serves as the Chairman of the Company's Board of Directors, as approved by the General Assembly in October 2021 (the "**Management Agreement**"). The management agreement replaced a previous agreement for the years 2019-2021.

The following are the main points of the Management Agreement, on the basis of which the Company paid Orwer for the management services of the Chairman of the Board of Directors, in 2022:

1. **Fixed component** – monthly management fees of NIS 60 thousand, plus VAT, linked to the CPI for December 2018, but no less than the above nominal amount. As of December 31, 2022, the monthly management fees amounted to NIS 65 thousand.

2. **Annual cash bonus** (for the years 2022-2024) to be derived from the Company's annual FFO return on the Company's capital[22], where the minimum bonus (with a 6% FFO yield) is NIS 430 thousand and the maximum bonus (with an FFO yield of 10% or more) is NIS 720 thousand. When calculating the annual bonus, the negative FFO balance from previous years accrued during the years of Aviram Wertheim's term as Chairman of the Board of Directors will be offset. The FFO is the FFO to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2022-2024. The above bonus amounts are linked to the CPI for December 2018 and will not be less than the nominal amounts. The amount of the bonus between floor and ceiling is calculated linearly. The annual bonus, determined according to the FFO yield as stated above, will be increased or decreased according to the Company's rating by the credit rating companies, so the credit rating could lead to a decrease in the bonus even to the canceling of the Chairman's bonus on the one hand (in the event that the rating drops below B- (Maalot rating), B3 (Midroog rating)) or to its increase by up to 10% on the other hand (in the event that the rating exceeds AAA (Maalot rating) or Aa1 (Midroog rating). In the event that the rating companies' rating is not identical, the calculation will be made according to the average factor of the two rating companies;
   In 2022, the Company paid Orwer the amount of NIS 489 thousand for a cash bonus for 2021. In April 2023, the Company will pay the amount of NIS 586 thousand, CPI-linked, for the cash bonus for 2022 in respect of December 2018 (as of the date of publication of the report - NIS 635 thousand), in accordance with the bonus formula detailed above.

3. **Additional conditions –** Orwer is entitled to a retirement grant equal to management fees for 6 additional months from the end of the agreement, including an annual bonus (calculated on a relative basis), until the end of the 6 additional months. According to the agreement, in return or his service as a Company officer, Aviram Wertheim will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. This insurance will cover Aviram Wertheim for the entire period of his service as officer and for a period of seven years after he ceases his service as an officer. In return or his service as Company officer, Aviram Wertheim will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

---

20 It should be noted that according to the terms of the new management agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the new management agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

21 The scope of the position is currently estimated at 50%.

22 "**Company capital**" – the capital, less non-controlling interests at the beginning of the relevant year, plus capital raising and less additional dividends during the year, and all time-weighted.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

Regarding the capital remuneration granted to Mr. Aviram Wertheim in recent years, in accordance with the decision of the General Assembly, see Note 18c(2) below.

According to Amendment 20 to the Companies Law and the remuneration policy, the agreement includes a provision according to which Orwer will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to Orwer / Mr. Aviram Wertheim[23].

C. Remuneration of directors

1. Remuneration of directors -

On January 11, 2010, the Company's Board of Directors decided, following the approval of the Audit Committee on that day according to the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000 ("**the Remuneration Regulations**") and according to the Companies Regulations (Easements on Transactions with Interested Parties), 2000 ("**the Easements Regulations**"), that as of April 1, 2010, the Company will pay the external directors, and the other directors who are not external directors and who are not employed by the Company, an annual remuneration equal to the maximum amount as detailed in the Second Supplement to the Remuneration Regulations, as will be applicable from time to time, depending on the Company's rating as it will be from time to time. The participation remuneration for attendance at meetings of the Board of Directors and its committees is at the fixed amount as specified in the Third Supplement to the Remuneration Regulations. For attendance at meetings of the Board of Directors and/or Board committees via telecommunications and for participation in the decisions of the Board of Directors and of its committees without actually convening, these directors will be paid a relative portion of the fixed amount as determined in Regulation 5 of the Remuneration Regulations.

The decision by the Company's Board of Directors to compensate Board members, as detailed above, is also compatible with the Company's previous remuneration policy for the years 2019-2021 and with the Company's current remuneration policy for the years 2022-2024. As of the date of publication of these financial statements, the maximum annual remuneration is NIS 114 thousand and the fixed participation remuneration is approx. NIS 3 thousand (these amounts are updated from time to time according to the updating mechanism in the Remuneration Regulations).

The total payments to which the external directors and directors of the Company are entitled (with the exception of Mr. Nathan Hetz and Mr. Aviram Wertheim), (for 2022 - 6 directors)[24], not including the Nathan Hetz and Aviram Wertheim, as stated) amounted to NIS 1,069 thousand.

2. Capital remuneration of directors -

On February 19, 2018, the Company's Board of Directors adopted a new options plan in accordance with Section 102 of the Income Tax Ordinance in a capital plan with a trustee (hereinafter: "**the Framework Plan**"); the Framework Plan is essentially similar to the previous options plan from August 2014, with the exception of a provision regarding directors whose term in office has ended, according to which options that have not vested by the end of their service will vest at the end of their service and will not expire and will be exercisable for up to one year from the end of their service. On October 10, 2021, the Framework Plan was amended (see Note 16e.(1) above).

At the meetings of the General Assembly dated October 9, 2018 and October 6, 2021, a decision was made to approve the granting of options, to the directors (including Adva Sharvit (daughter of Nathan Hetz, who was one of the Company's controlling shareholders, until November 26, 2019)) who are not employed by the Company, in accordance with the Company's stock option plan in effect as determined by the Board of Directors in the years 2019-2021 and 2022-2024, respectively. The value of the options to be granted each year will be an amount equal to one half (50%) of the annual remuneration to which the directors are entitled as member of the Board of Directors (not including remuneration for meeting attendance) for the calendar year ending before granting the options. The exercise price, the vesting period, the exercise dates, the right to exercise options that have yet to be realized in the event of the end of service, and the other terms of the options will be determined in accordance with the existing remuneration policy.

In accordance with the principles of the remuneration policy and the resolutions of the General Assembly mentioned above, in the years 2020-2022, the eligible directors were granted option warrants in accordance with the terms of the Framework Plan.

[23] It should be noted that according to the terms of the 2022 Agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the 2022 Agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

[24] It should be noted that Ms. Gittit Guberman ended her service in the Company in May 2022.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

In addition, in accordance with the decision of the Company's competent bodies, each year from the years 2020-2021 in which Mr. Wertheim served as Chairman of the Board, he was granted a capital grant by allocating non-tradable option warrants with an economic value (calculated according to an accepted economic model) in the amount of NIS 300 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount), and in 2022 Mr. Wertheim was granted a capital bonus in the amount of NIS 360 thousand. In addition, each of the years 2023-2024 in which Mr. Wertheim will serve as Chairman of the Board, he will be granted a capital grant by allocating non-tradable option warrants with an economic value (calculated according to an acceptable economic model) in the amount of NIS 360 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount).

The following is a list of the option warrants granted or for which a decision has been made to grant them to the directors and the Chairman of the Board of Directors in accordance with the above, between the years 2019-2022:

Date of the Decision	**Offeree Directors** (Entitled directors serving on the date of the decision regarding the grant)	**Number of Board Members**	**Number of Options Granted** (Includes 50% of the annual remuneration paid to each of the above directors (not including participation remuneration)	**Option Exercise Price on Allocation Date In NIS** (Unlinked, subject to adjustments)	**The cost of the total benefit included in the options issued to directors based on fair value according to the Black & Scholes Model on the granting date in accordance with guidelines in IFRS 2 ("Share-Based Payment") In NIS**
Board of Directors decision of March 18, 2020	Gittit Guberman (independent director), Amos Yadlin (independent director), Adva Sharvit, Zvi Eckstein and Shlomi Shuv	5	124,565	49.64	278,200
	Aviram Wertheim	1	135,132	49.64	301,803
Board of Directors decision of March 16, 2021	Zvi Eckstein, Gittit Guberman, Amos Yadlin, Shlomi Shuv and Adva Sharvit	5	30,005	44.96	279,450
	Aviram Wertheim	1	32,212	44.96	300,000
Board of Directors decision of March 22, 2022	Zvi Eckstein, Gittit Guberman (**), Amos Yadlin, Mia Likvernik, Shlomi Shuv and Adva Sharvit	5	22,430	58.32	298,046
	Aviram Wertheim	1	28,069	58.32	372,979
Board of Directors decision of March 12, 2023	Zvi Eckstein, Amos Yadlin, Mia Likvernik, Shlomi Shuv and Adva Sharvit	5	57,186(*)	35.01	256,770
	Aviram Wertheim	1	86,950(*)	35.01	390,405

(*) The options have yet to be allocated
(**) In regard to Gittit Guberman, options with an economic value of NIS 20.5 thousand were allocated, in respect of the relative period until the end of her service (May 15, 2022).
The options were granted under the terms detailed above and subject to the terms of the applicable framework plan.

D. Insurance, indemnity and exemption [25] [26]

Insurance arrangement for directors and officers in the Company, Amot and Energix -

The Alony-Hetz Group has an insurance arrangement for directors and officers for a period of up to 6 years, beginning on July 1, 2018 (hereinafter - the "**2018 Arrangement**"). The 2018 Arrangement is an umbrella arrangement for the entire Group, which includes, among others, the directors and officers of Amot and Energix.[27] The limit of liability for insurance under the 2018 arrangement, was up to USD 75 million per case and period, plus legal expense coverage. In addition, the Company, Amot and Energix, may, each at its sole discretion, purchase directors and officers insurance policies in an amount of additional insurance coverage of up to USD 25 million for directors and officers serving in each of the above companies (alone or together with any of the Group companies).

[25] This section applies to all Company officers (including those who are not directors).
[26] In return for his service as a Company officer, Mr. Nathan Hetz (CEO and director) and Aviram Wertheim (Chairman of the Company's Board of Directors) will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. The above insurance will provide Nathan Hetz and Aviram Wertheim with coverage during their entire term as officers and for a period of seven years after they serving as officers.
Regarding the exemption to which Mr. Nathan Hetz (CEO and Director) and Mr. Aviram Wertheim (Chairman of the Board) are entitled, see below.
[27] The 2018 Arrangement was approved by the General Meeting at its meeting on July 12, 2018.
The Remuneration Committee, at its meeting on May 17, 2018 and the Company's Board of Directors at its meeting on May 23, 2018, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of all of the above arrangements also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The policies that will be purchased under the 2018 Arrangement will insure the liability of the officers of the Company and its subsidiaries, as well as those who serve as directors on behalf of the Company in companies that are not subsidiaries. In addition, the policies that will be purchased under the 2018 Arrangement will also be insured in respect of events that can be insured according to the Streamlining of ISA Enforcement Procedures Law (Legislative Amendments), 2011 (hereinafter - the "**Enforcement Procedures Law**"), according to the Economic Competition Law, 1988 (the "**Competition Law**"), and/or according to any other law regarding officers' insurance in general and/or officers' insurance for administrative enforcement in particular, including and without detracting from the generality of that stated, according to Section 56h of the Securities Law and/or the provisions of Section 50p of the Competition Law.

According to the 2018 Arrangement, The Company will maintain the above insurance (according to the format as it will be determined from time to time) for the entire duration of an officer's service as well as for a period of 7 years from the end of service, will renew the policy on the proper date and bear all premium expenses and any associated or related expenses.

On May 2, 2018, the general meetings of Amot and Energix (after approval by the Remuneration Committee and the Board of Directors of each of the above companies, from March 2018) approved the joining of the 2018 Arrangement and the participation of Amot and Energix in the premium for the policies to be purchased over the aforementioned 6 years.

On September 8, 2020, the Company's General Assembly (in accordance with the recommendation of the Remuneration Committee of July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020) approved the following[28]:

a.) That the payment of the insurance premium for the purchase of umbrella insurance for the Alony-Hetz Group directors and officers for the period July 15, 2020 to July 14, 2021 will be in the amount of USD 298,798[29].

b.) That subject to the fact that the premium for the insurance policies of the directors and other officers to be purchased by the Company for periods from July 15, 2021 to June 30, 2024 under an umbrella insurance policy for the Alony-Hetz Group will be determined in negotiations between the Company and insurance companies and reinsurers (that are not related parties), and its cost will not be material to the Company at that time; the 2018 Arrangement ceilings, will not apply in relation to these insurance policies.

According to the principles determined in the above insurance arrangement, the Company purchases such insurance policies from time to time, with the last two policies it purchased being: (a) for the year from July 15, 2021 to July 14, 2022, within a limit of liability in the amount of USD 75 million per case and per period in addition to legal expense coverage under Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 414 thousand, and (b) for the year from July 15, 2022 to July 14, 2023 within a limit of liability in the amount of USD 65 million per case and per period in addition to legal expense coverage under Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 365 thousand.

Insurance in Carr: From time to time, Carr purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased in recent years is in the amount of USD 10 million per year, including coverage for legal expenses.

Insurance in BE: From time to time, BE purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased so far is in the amount of GBP 5 million each year, including coverage for legal expenses.

Indemnity and exemption –

The Company, Amot and Energix granted letters of indemnity and exemption to their officers, including directors who were also controlling shareholders at the time30 31or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount will not exceed 25% of the equity of the Company, Amot or Energix (as applicable) according to the latest financial statements published prior to the payment date.

28 The Remuneration Committee, at its meeting on July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of the detailed arrangement, as detailed above, also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

29 In practice, the premium paid in respect of the above policy is in the amount of approx. USD 294 thousand. The premium for the aforementioned period, and as long as it is not decided otherwise, in the following years as well, is distributed between the Company and Amot and Energix equally. With respect to previous insurance periods, the distribution of the premium was determined in accordance with the equity ratio of the three companies according to their last two annual financial statements (excluding non-controlling interests) before purchasing each policy.

30 Regarding the Company, the continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its October 6, 2014 meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and in the General Assembly of October 3, 2017 for a 3-year period from October 11, 2017 to October 10, 2020. On the other hand, the continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives in the same format was not renewed. Regarding a new exemption arrangement, see below.
Regarding Amot, the continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its February 16, 2015 meeting for a period of 3 years from November 15, 2014 to November 14, 2017. In its February 16, 2015 meeting, Amot's General Assembly did not approve the exemption for Company directors and officers who are controlling shareholders or related to controlling shareholders in the same format.
On May 2, 2018, Amot's General Assembly approved new letters of indemnity for directors and officers, which replaced the previous letters of indemnity. The General Assembly of May 2, 2018, also approved the granting of new letters of exemption, which will replace the existing letters of exemption from the granting date, in relation to events only from the granting date. The Assembly's approval is in relation to all directors and officers, as they will be from time to time (including directors and officers who are controlling shareholders or their relatives).

31 The continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by Energix's General Assembly in its October 4, 2014 meeting for a period of 3 years from April 6, 2014 to April 5, 2017 and in Energix's General Assembly of July 9, 2017 for a 3-year period from April 6, 2017 to April 5, 2020. The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives, was not approved in Energix's July 30, 2014 General Assembly. In addition, in Energix's General Assembly of July 9, 2017, the meeting approved the issue of new letters of exemption to Energix's directors and officers, including directors and officers who are controlling shareholders or their relatives, serving on the date of the meeting's approval and who will serve from time to time (regarding the controlling shareholders, the approval is for 3 years starting from the meeting's approval from July 9, 2017 to July 8, 2020).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

In March 2018, the Audit/Remuneration Committees (as applicable) and the Boards of Directors of Amot and Energix approved changes to the insurance, indemnity (and in Amot, also regarding the exemption) arrangement[32] for directors and officers. The changes were also approved by the General Assemblies of Amot and Energix of May 2, 2018, as the case may be, and in part of the insurance issue (meaning the umbrella insurance policies for directors and officers throughout the Group), they were also approved by the relevant organs in these companies.

Regarding the Company's existing remuneration arrangement:

On July 12, 2018 the Company's General Assembly approved the replacement of the letter of indemnity that existed at the time in the Company with a new letter of indemnity, granted by the Company to the directors and the other officers, as they may exist from time to time, including replacing the letters of indemnity of the directors and officers at the Company who are controlling shareholders or their relatives, and as they may be from time to time, all relative to the grounds occurring from the General Assembly's approval date (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity will continue to apply to grounds that occurred up to the General Assembly's approval date (July 12, 2018).

Regarding the Company's existing exemption arrangement:

On July 12, 2018, the Company's General Assembly approved a new arrangement for the granting of new letters of exemption to Company directors and officers, including Company directors and officers who are controlling shareholders in the Company or their relatives, serving on the date of the General Assembly's approval and as may serve from time to time, as long as the letters of exemption granted by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered thereby that occurred up to the General Assembly approval date and the exemption granted by the Company to directors and officers who were controlling shareholders or their relatives on that date (i.e., Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered thereby occurring up to October 11, 2011.

The exemption in accordance with the new arrangement will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than one granted the letter of exemption) has any personal interest.

Indemnity in Carr:

The Articles of Association of Carr and its subsidiaries state that Carr will compensate its directors, officers, employees and representatives, past and present, for any liability imposed on them or an expense they may bear subject to the fact that they have acted in accordance with the law in their positions as directors, officers, employees or representatives, as the case may be, in the broadest manner allowed according to the laws of the State of Delaware.

Indemnity in BE:

In February 2020, the BE Board of Directors approved the granting of letters of indemnity to BE's directors and in any legal entity in which BE is a shareholder (hereinafter, in this subsection - "**Related Entity**"). According to the letter of indemnity, subject to English law, BE undertakes, among other things, to indemnify the director of BE or of an entity related thereto, subject to the foregoing, up to the maximum limit permitted by applicable law, for any liability or expense, as detailed in the indemnity letter, to be imposed due to or in connection with an action he performed in his capacity as a director, officer, employee or agent of BE or of a related entity or of another legal entity where the director serves at any time at the request of BE or a related entity, as of February 6, 2018 or from the date of his appointment as director, the later of the two.

In any case, the amount of indemnity to be paid by BE, to all directors of BE or an entity related thereto, as a group, will not exceed 25% of BE's equity according to BE's current financial statements published before the date of payment under the indemnity letter (in addition to amounts received by the director under an insurance policy or otherwise).

[32] The exemption in its new format was approved by Energix's General Assembly on July 9, 2017.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

E. Additional details -

For additional information regarding remuneration amounts paid to Company directors in respect of the years 2020-2022, see Note 18h below.

1. Regarding the management fee agreement with Amot, see Note 6.c.4.
2. Regarding the management fee agreement with Energix, see Note 6.f.5.
3. The Company has a facility arrangement (in effect until May 2024) for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties.

F. Rental agreements -

In December 2015, the Company and Energix entered into rental agreements with Amot (each of the companies separately), as updated from time to time, according to which the Company and Energix rented from Amot during the reporting period, at rental terms customary in Amot in relation to building tenants ("**Market Terms**") (as they were at the time of the engagement) and in the normal course of business, offices with an area of approx. 772 sq.m. (the Company) and approx. 1,056 sq.m. (Energix), on the 40th floor of the "Amot Atrium Tower" in Ramat Gan (the "**Building**"), as well as parking spaces in the parking garage of the building. After a rental period of 5 years, the option given to the Company and Energix to extend the rental period by an additional 5 years was exercised.

The Company's annual rental cost amounts to approx. NIS 1.6 million and that of Energix to approx. NIS 1.9 million.

Amot also rents rooftops it owns to Energix in order for photovoltaic systems to be installed on them to generate electricity ("**rooftop rental agreements**"). According to the terms of the rooftop rental agreements, the rent paid by Energix to Amot is at a rate of 10% of the receipts that Energix actually receives from the IEC / essential service provider for the generation of electricity in the relevant system.

G. Negligible transaction -

The Company's Board of Directors has determined that a negligible transaction would be one meeting the following conditions:

1. It takes place in the ordinary course of the Company's business;
2. The transaction takes place under market conditions – the terms of the engagement are terms customary in the relevant market;
3. The transaction's projected contribution to profit and loss in annual terms (before the tax effect) or its annual financial scope in the event that the transaction is not recorded through the Statement of Income does not exceed 0.125% of the Company's equity according to its audited consolidated financial statements published as of December 31 of the year preceding the date on which the transaction was reported, or 0.5% of the Company's average profit or loss in absolute terms in the three calendar years preceding the date on which the transaction was reported according to the Company's audited consolidated financial statements; whichever is lower, whether in a single engagement or a series of engagements on the same issue over the course of the year; for this purpose, in the event that the Company does not have the full rights and obligations in the transaction, the transaction will be examined according to the Company's relative share in the transaction.
4. The transaction was approved by the Company's Board of Directors and the controlling shareholder/officer has informed the Company of his interest in the transaction (unless the personal interest is due solely to the presence of personal interest by a "**relative**" as defined in the Companies Law in a non-exceptional transaction).

The following is the list of negligible transactions in which the Group has engaged during and subsequent to the reporting period:

1. The Company, Amot and Energix engage from time to time with Value Base Issuing Underwriting and Management Ltd. ("**Value Base**") (a company whose parent company's shareholders include, among others, Nathan Hetz (15.76%), the CEO and a director in the Company, Chairman of the Amot Board of Directors and Chairman of the Energix Board of Directors), to receive advice and for the management of an offering and/or for the distribution of an offering. It should be noted that the engagement is usually made as part of a comprehensive engagement with several distributors[33].

2. Crime insurance policy: In 2020, 2021 and 2022, the Company purchased crime insurance policies with coverage in the amount of USD 10 million, for the Company, Amot and Energix. The Company's Board of Directors confirmed that the distribution of the premium between the Company and Amot and Energix for the crime insurance policies will be such that each company will bear a third of the premium cost (the total premium for the three companies was as follows: USD 47 thousand for the period from July 1, 2020 - June 30, 2021, USD 55 thousand for the period from July 1, 2021 - June 30, 2022 and USD 60 thousand for the period from July 1, 2022 - June 30, 2023).

[33] In November 2022, the Company carried out a private issuance of bonds (Series L) by way of an expansion of the existing series to classified investors with Value Base as the sole distributor for the issuance.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

3. **Agreement for the (virtual) sale/purchase of electricity** – During the reporting period, Amot and Energix entered into an agreement according to which, starting from September 1, 2021, Energix sells/supplies virtual electricity to the Orot Mall in Or Akiva, which is fully owned by Amot. The electricity is sold in accordance with the terms of Energix's supplier license, virtually (based on the infrastructure of the Israel Electric Company as the system administrator). Prior to the date of the engagement with Energix, Amot paid the Electric Company a total cost based on two components: the rate of the generation component and the rate of the fixed cost component (together: the "**original cost**"). As part of the transaction, the sale of the aforementioned electricity will be carried out at a price that reflects a discount of 2% of the generation component rate, plus the fixed cost. According to the agreement, to the extent that the cost of selling electricity to Amot, for Energix, exceeds the original cost, the sale of electricity to Amot will be at the original cost. The engagement is for 5 years with each party having the right to cancel the agreement with advance notice.

H. Benefits to key management personnel of the Company

	Number of Recipients	For the Year ended December 31		
	2022	2022	2021	2020
		NIS thousands	NIS thousands	NIS thousands
Management fees and grants	4	13,501	12,385	11,259
Amortization of benefits relating to share-based payments	9	2,418	2,301	2,252
Other directors' wages	6	1,069	743	674
Directors' and officers' insurance	16	421	394	266
		17,409	15,823	14,451

I. Additional information on transactions with related parties

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
In current assets		
In other receivables	617	415
In current liabilities		
In payables and credit balances	332	26

Note 19 – Earnings per Share

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands		
Profit (loss) used to calculate basic earnings per share from continuing operations	(281,467)	1,557,947	302,998
Adjustments:			
Adjustment of diluted profit from consolidated companies	(12,023)	(10,841)	(1,979)
Profit (loss) used to calculate diluted earnings per share	(293,490)	1,547,106	301,019

	Thousands of Shares		
Weighted average of the number of regular shares used to calculate basic earnings (loss) per share from continued operations	176,049	173,455	172,784
Adjustments:			
Option warrants	-	205	276
Weighted average of the number of regular shares used to calculate the diluted earnings (loss) per share	176,049	173,660	173,060
Weighted average number of securities excluded from calculation of diluted earnings (loss) per share, since their effect was anti-dilutive			
Option warrants	2,144	1,886	1,521
	2,144	1,886	1,521

Note 20 – Taxes on Income

A. Composition of tax expenses

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Current taxes			
Current tax expenses	46,973	74,603	117,004
Tax expenses (income) in respect of previous years	(1,736)	50,534	7,010
	45,237	125,137	124,014
Deferred tax expenses (income)	(34,986)	230,640	81,935
Tax income from a tax partner	(57,815)	(30,825)	(11,299)
Total tax expenses (income) recognized in the statement	(47,564)	324,952	194,650

B. Tax laws applicable to the Group

The provision for current taxes made by the Company and its subsidiaries in Israel was determined based on the provisions of the Income Tax Ordinance (New Version) 1961.

The provision for current taxes of consolidated companies operating outside of Israel was determined taking into account the tax laws applicable in those countries.

C. Tax rates applicable to the Group

1. Tax rates applicable to companies in Israel:

The income tax rate applicable to the Company and the consolidated companies in Israel in 2020-2022 is 23%.

2. Tax rates applicable to companies operating outside of Israel:

- Tax rates applicable to companies operating in the United States range mainly between 21% and 30.88%. Dividends distributed by investments in the United States (Carr, Boston Partnerships) will be liable for withholding tax in the in the U.S. at a rate of 30% and taxed in Israel at the corporate tax rate while receiving a credit for the withholding tax deducted in the United States.
- BE operates as a REIT according to UK tax provisions. A tax rate of 15% applies in the UK when distributing a dividend.
- A tax rate of 19% applies to Energix's activity in Poland.

D. Tax Assessments

1. In December 2021, the Company signed an assessment agreement with the Income Tax Authority for the years 2015-2019, following which the Company paid taxes in the total amount of NIS 175 million in January 2022. The Company's books had full provisions, except for NIS 32 million which were recorded as tax expenses in previous years.
2. The consolidated companies in Israel under the Company's full ownership have self-assessments considered final, up to and including the 2017 tax year.
3. The consolidated corporations in the United States and Canada under the Company's full ownership have self-assessments considered final, up to and including the 2018 tax year.
4. In December 2021, Amot signed final tax assessment agreements with the Income Tax Authorities for the years 2016-2019, after which Amot paid taxes in the amount of approx. NIS 134 million (not including interest and linkage, Amot has full provisions, except for NIS 37 million which were recorded in tax expenses in previous years).
5. In December 2020, 10 of Amot's consolidated companies signed final tax assessment agreements with the Income Tax Authority for the years 2015-2018, after which Amot paid taxes in the amount of NIS 10 million (for which Amot had made full provisions). In February 2021, Amot also signed a partial tax assessment agreement for 2019, after which it paid taxes in the amount of NIS 4 million (for which Amot had made full provisions).
6. Amot has been issued final tax assessments up to and including the 2019 tax year, 10 of Amot's consolidated companies have been issued final tax assessments up to and including the 2018 tax year and a partial agreement for 2019, a consolidated company of Amot was issued final assessments up to and including the 2020 tax year, 15 of Amot's consolidated companies and 8 companies accounted for by Amot using the equity method have been issued tax assessments considered final up to and including the 2017 tax year.

Note 20 – Taxes on Income (continued)

7. Energix has tax assessments considered final up to and including the 2017 tax year. Energix's consolidated companies in Israel have yet to receive tax assessments since their establishment. Energix's consolidated companies in Poland have tax assessments considered final up to and including the 2016 tax year. Energix has final income tax payroll withholding assessments up to and including the 2016 tax year.

E. Tax balances presented in the Statement of Financial Position:

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Tax balances presented in the Statement of Financial Position		
Current assets (liabilities):		
Current tax assets	48,796	16,855
Current tax liabilities	(57,938)	(365,251)
	(9,142)	(348,396)
Deferred tax assets (liabilities) (*):		
In non-current assets	59,937	46,145
In non-current liabilities	(1,822,737)	(1,914,430)
	(1,762,800)	(1,868,285)

(*) Deferred taxes in respect of depreciation differences, income and expense timing differences, losses for tax purposes and expected capital gains were recorded according to expected tax rate of 23%.

F. Composition and movement in deferred taxes

For 2022	As of December 31, 2021	Recorded to profit and loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,566,135)	(198,342)	(43)	-	(1,764,520)
Electricity-Generating Facilities	(131,210)	(37,737)	(1,617)	-	(170,564)
Associates	(370,252)	221,782	(49,945)	-	(198,415)
Financial assets measured at fair value through profit or loss	3,592	(957)	(31)	-	2,604
Projects in the United States (*)	29,757	(7,900)	4,528	-	26,385
Hedging	(66,650)	(21,305)	119,358	5,205	36,608
Tax losses	218,520	77,164	(1,325)	(4,783)	289,576
Others	14,093	3,191	(1,155)	(603)	15,526
	(1,868,285)	35,896	69,770	(181)	(1,762,800)

For 2021	As of December 31, 2020	Recorded to profit and loss (*)	Recorded to Other Comprehensive Income	Classified against Current Tax Liabilities	As of December 31, 2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,368,117)	(232,559)	(32)	34,573	(1,566,135)
Electricity-Generating Facilities	(102,480)	(28,730)	-	-	(131,210)
Associates	(360,330)	(14,067)	4,145	-	(370,252)
Financial assets measured at fair value through profit or loss	6,055	(2,463)	-	-	3,592
Projects in the United States (*)	9,698	20,059	-	-	29,757
Hedging	(37,781)	(6,142)	(38,410)	15,683	(66,650)
Tax losses	73,415	4,269	(11,427)	152,263	218,520
Others	(18,968)	35,446	2,739	(5,124)	14,093
	(1,798,508)	(224,187)	(42,985)	197,395	(1,868,285)

(*) Mainly deferred taxes in connection with electricity-generation projects in the United States, including in connection with an obligation in respect of an agreement with the tax partner.

Note 20 – Taxes on Income (continued)

G. Losses for tax purposes carried forward to the coming years

As of December 31, 2022, the Company and its consolidated companies in Israel and abroad (not including companies in the Amot and Energix Group) have losses carried forward for tax purposes to the coming years in the amount of NIS 667 million.

Amot and its consolidated companies have losses that can be carried forward for tax purposes to the coming years in the total amount of NIS 426 million.

Energix has losses that can be carried forward for tax purposes to the coming years in Israel and abroad in the amount of approx. NIS 297 million.

BE has losses that can be carried forward for tax purposes to the coming years in the amount of NIS 15 million.

H. Amounts for which deferred taxes were not recognized

	As of December 31	
	2022	2021
Amounts for which deferred tax assets were not recognized:	NIS thousands	NIS thousands
Losses for tax purposes for which deferred taxes were not recognized	147,700	96,206
Other deductible temporary differences	143,478	-
	291,178	96,206

Amounts for which deferred tax liabilities were not recognized:

As of December 31, 2022, the Company did not recognize deferred tax liabilities for a total of NIS 414 million for temporary differences relating to investments in investees due to the lack of expected realization of these investments and the decision not to distribute taxable dividends in the foreseeable future. Of this amount, NIS 120 million stems from the undistributed profits of consolidated companies abroad. In the event that the profits of investees abroad will be distributed in the future as a dividend, they will be taxed at a rate of 25% while receiving a tax credit in respect of the tax deducted at source overseas, or alternatively, corporate tax on the inherent dividend, and receipt of an indirect credit for the tax paid by the distributing company abroad and the tax deducted at source, all in accordance with the conditions specified in Section 126(c) of the Income Tax Ordinance.

I. Taxes on income related to other comprehensive income components:

For the year ended December 31, 2022	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	697,288	-	697,288
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	(587,469)	104,653	(482,816)
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(49,922)	16,512	(33,410)
Company share in other comprehensive income (loss) of associates	41,975	(9,382)	32,593
Total	101,872	111,783	213,655

Note 20 – Taxes on Income (continued)

For the Year ended December 31, 2021	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(398,844)	290	(398,554)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	2,037	1,051	3,088
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,156	376	1,532
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(4,819)	1,262	(3,557)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	267,498	(61,716)	205,782
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(38,213)	12,372	(25,841)
Company share in other comprehensive income (loss) of associates	36,479	(7,510)	28,969
Total	(134,706)	(53,875)	(188,581)

For the Year ended December 31, 2020	Pre-Tax Amounts	Tax Effect	After-Tax Amount
	NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(367,017)	(8,211)	(375,228)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	(24,548)	6,870	(17,678)
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	6,768	2,209	8,977
Realization of capital reserve from exchange rate 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	(18,381)	5,131	(13,250)
Profit (loss) from exchange rate differentials in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	159,040	(36,557)	122,483
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	13,330	(2,218)	11,112
Company share in other comprehensive income (loss) of associates	(363)	(687)	(1,050)
Total	(231,171)	(33,463)	(264,634)

Note 20 – Taxes on Income (continued)

J. Theoretical tax

The difference between the tax amount calculated according to regular tax rates and the amount of provisions for taxes is explained as follows:

	For the Year ended December 31		
	2022	2021	2020
	NIS thousands	NIS thousands	NIS thousands
Profit before taxes on income	291,008	2,358,444	660,135
Statutory tax rate	23.00%	23.00%	23.00%
	66,932	542,442	151,831
Group share in the profits of associates for which deferred taxes were not recognized	(3,408)	(513)	4,788
ITC revenues – see Note 7d.	(44,518)	(23,735)	(11,299)
Exempt income, non-deductible expenses, taxable income not recorded in the books and expenses not recorded in the books but recognized for tax purposes	(978)	10,733	22,831
Tax effect in respect of temporary differences for which deferred taxes were not recorded (deferred taxes created against losses carried forward) (*)	64,135	(225,689)	(9,706)
Taxes for previous years	(1,736)	50,544	6,901
Effect of deferred taxes created at tax rate different from the main tax rate	(8,841)	(1,356)	(1,013)
Differences related to investment property (**)	(108,283)	(37,951)	14,075
Others, net	(10,867)	10,477	16,242
	(114,496)	(217,490)	42,819
	(47,564)	324,952	194,650
Effective tax rate	(16.34%)	13.78%	29.49%

In 2022, the Group did not record deferred tax income in the amount of NIS 68 million (in 2021 - deferred tax expenses in the amount of NIS 224 million) in respect of revaluation gains on real estate assets in BE. This is in view of the decision not to distribute dividends stemming from capital gains from the realization of real estate assets in the foreseeable future – for details, see Note 2T.
(**) Mainly the effect of the CPI on the change in the reserves for deferred taxes of the investment property assets due to the adjustment of the tax base of the assets to the CPI.

Note 21 – Operating Segments

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

and (2) additional area of activity – investment in renewable energy, which consists of its investment in Energix.

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

Segment revenues and results

	For the year ended December 31, 2022							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	629,678	(780,842)	(151,653)	(187,566)	122,215	(2,898)	(582,523)	(953,589)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	(6,891)	-	(127)	5,667	(1,351)
Revenues from decrease in holdings in investees	-	2,293	-		-		18,098	20,391
Other revenues, net (*)	10,629	-	-	394	7,743	-	2,413,856	2,432,622
	640,307	(778,549)	(151,653)	(194,063)	129,958	(3,025)	1,855,098	1,498,073
Administrative and general	-	-	-	-	-	35,210	143,872	179,082
Financing expenses, net	-	-	-	-	-	142,218	570,426	712,644
Other expenses, net (*)	-	-	-	-	-	-	315,339	315,339
	-	-	-	-	-	177,428	1,029,637	1,207,065
Profit before tax	640,307	(778,549)	(151,653)	(194,063)	129,958	(180,453)	825,461	291,008
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	2,012,423	(1,205,884)	(102,770)		527,325			
Revaluation profits (losses) (in the investee's books), before tax (**)	984,285	(1,889,877)	(295,598)		-			
Net profit (loss) (in the investee's books)	1,171,146	(1,607,059)	(184,016)		235,910			
Company share in net profits (loss)	629,678	(780,842)	(151,653)		122,215			

For additional information regarding Carr's concise financial information, see Note 6g 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 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2022							
	Income-Generating Property Segment				Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,698,814	2,844,673	3,169,275	756,482	1,136,147	12,696	(8,548,058)	4,070,029
Investment in securities measured at fair value through profit and loss	-	-	-	157,639	-	18	58,594	216,251
Other assets	-	-	77,497	-	-	458,369	31,491,891	32,027,757
	4,698,814	2,844,673	3,246,772	914,121	1,136,147	471,083	23,002,427	36,314,037
Liabilities:	-	-	-	-	-	5,601,631	17,120,986	22,722,617

Note 21 – Operating Segments (continued)

Segment revenues and results

	For the Year ended December 31, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	519,319	53,723	965,535	75,244	42,178	1,742	(1,531,022)	126,719
Net profits (losses) 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 (loss) (in the investee's books)	932,186	115,586	994,332		79,204			
Company share in net profits (loss)	519,319	53,723	965,535		42,178			

(*) 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 21 – Operating Segments (continued)

Segment assets and liabilities:

	As of December 31, 2021							
	Income-Generating Property Segment				Segment Energy	Unattributed Assets and Liabilities	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees (including an investment in an associate held for sale)	4,198,566	2,989,792	2,854,231	828,346	769,069	13,875	(7,252,620)	4,401,259
Investment in securities measured at fair value through profit 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	15,442,112	20,127,028

Note 21 – Operating Segments (continued)

Segment revenues and results

	For the Year ended December 31, 2020								
	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Income-Generating Property Segment	Segment Energy	Unattributed Results	Adjustments	Total
	Amot	CARR	PSP	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Group share in profits (losses) of investees, net	160,596	129,118	12,631	(34,508)	(3,802)	43,222	(601)	(206,986)	99,670
Dividend revenues from investments in securities measured at fair value through profit or loss	-	-	-	-	(15,100)	-	(150)	-	(15,250)
Revenues from decrease in holdings in investees	-	-	201,035	-	(82)	-	-	-	200,953
Other revenues, net (*)	9,000	-	-	-	60	5,074	-	950,966	965,100
	169,596	129,118	213,666	(34,508)	(18,924)	48,296	(751)	743,980	1,250,473
Administrative and general	-	-	-	-	-	-	32,757	92,267	125,024
Financing expenses, net	-	-	-	-	-	-	96,659	173,870	270,529
Other expenses, net (*)	-	-	-	-	-	-	-	194,785	194,785
	-	-	-	-	-	-	129,416	460,922	590,338
Profit before tax	169,596	129,118	213,666	(34,508)	(18,924)	48,296	(130,167)	283,058	660,135
Additional information on segment results:									
Revenues (in the investee's books) including revaluation profits	624,893	841,062	1,564,687	82,788		263,069			
Revaluation profits (in the investee's books), before tax	(143,640)	(7,344)	373,078	(44,090)		-			
Net profit (in the investee's books)	289,455	274,144	1,071,735	(3,519)		77,821			
Company share in net profits	160,596	129,118	12,631	(34,508)		43,222			

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

Note 21 – Operating Segments (continued)

Geographic information

	For the Year ended December 31, 2022							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy		
	Israel	U.S.A.	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	1,026,351	-	192,827	-	-	-	-	1,219,178
Fair value adjustment of investment property	981,516	-	(295,598)	-	-	-	-	685,918
Group share in profits (losses) of associates, net	24,208	(968,407)	(6,491)	-	-	-	(2,899)	(953,589)
Revenues from sale of electricity and green certificates	-	-	-	130,099	353,835	41,503	-	525,437
Other	(320)	2,295	(830)	19,984	-	-	-	21,129
	2,031,755	(966,112)	(110,092)	150,083	353,835	41,503	(2,899)	1,498,073
Costs and expenses								
Cost of investment property rental and operation	129,600	-	17,200	-	-	-	-	146,800
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	22,939	25,025	8,177	-	56,141
Depreciation and amortizations	3,237	-	2,020	48,310	29,000	25,404	4,427	112,398
	132,837	-	19,220	71,249	54,025	33,581	4,427	315,339
Administrative and general expenses							179,082	179,082
Profit before financing	1,898,918	(966,112)	(129,312)	78,834	299,810	7,922	(186,408)	1,003,652

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2022							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	UK	Israel	Poland	USD		
	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)	18,263,120	-	5,509,162	-	-	-		23,772,282
Investments in associates	403,088	3,601,155	53,090	-	-	-	12,696	4,070,029
Connected electricity-generating facilities	-	-	-	944,618	1,059,428	906,082	-	2,910,128
Electricity-generating facilities in development	-	-	-	771,689	343,119	698,317		1,813,125
Right-of-use asset	-	-	-	180,769	115,985	94,233		390,987
Securities measured at fair value through profit and loss (**)	-	-	216,233	-	-	-	18	216,251
	18,666,208	3,601,155	5,778,485	1,897,076	1,518,532	1,698,632	12,714	33,172,802

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,844,673 thousand and for an investment in Boston in the amount of NIS 756,482 thousand.

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

Note 21 – Operating Segments (continued)

Geographic information (continued)

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

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2021							
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	UK	Israel	Poland	USD		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including property in development and property intended for sale)	16,451,527	-	4,924,588	-	-	-		21,376,115
Investment in associates (including investment in associate held for sale)	486,566	3,818,138	72,536	10,429	-	-	13,590	4,401,259
Connected electricity-generating facilities	-	-	-	802,578	502,325	610,025	-	1,914,928
Electricity-generating facilities in development	-	-	-	417,578	507,388	566,924	-	1,491,890
Right-of-use asset	-	-	-	150,444	81,425	44,962	-	276,831
Securities measured at fair value through profit and loss (**)		-	209,575	-	-	-	144	209,719
	16,938,093	3,818,138	5,206,699	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.

Note 21 – Operating Segments (continued)

Geographic information (continued)

	For the Period ended December 31, 2020								
	Income-Generating Property	Income-Generating Property	Income-Generating Property	Income-Generating Property	Energy	Energy	Energy	Others and Unassigned Expenses	Total
	Israel	USD	Switzerland	UK	Israel	Poland	USD		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits									
Revenues from rental fees and management of investment property	764,754	-	-	126,878	-	-	-	-	891,632
Fair value adjustment of investment property	(143,692)	-	-	(44,090)	-	-	-	-	(187,782)
Group share in profits (losses) of associates, net	(994)	125,316	12,631	(36,539)	(141)	-	-	(603)	99,670
Revenues from sale of electricity and green certificates	-	-	-	-	106,796	148,352	6,655	-	261,803
Other	(3,298)	(82)	201,035	(13,620)	724	542	-	(151)	185,150
	616,770	125,234	213,666	32,629	107,379	148,894	6,655	(754)	1,250,473
Costs and expenses									
Cost of investment property rental and operation	61,898	-	-	12,724	-	-	-	-	74,622
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	-	14,785	21,739	1,041	-	37,565
Depreciation and amortizations	2,276	-	-	416	46,052	25,346	5,920	2,588	82,598
	64,174	-	-	13,140	60,837	47,085	6,961	2,588	194,785
Administrative and general expenses								125,024	125,024
Profit before financing	552,596	125,234	213,666	19,489	46,542	101,809	(306)	(128,366)	930,664

Note 22 – Financial Instruments

A. Capital Management Policy

The Group manages the capital to ensure that the Group's companies will be able to continue to operate as a going concern while maximizing the return for shareholders and optimizing the Company's debt and equity balances.

The Company's capital structure includes debt instruments, cash and cash equivalents and the equity of the Company's majority shareholders. The Company's Board of Directors and the Company's CEO regularly monitor the Company's capital structure. This monitoring includes, among other things, an examination of the cost of capital and an examination of the risks associated with each of the capital components. Based on the recommendations of the Board of Directors, the Group manages its capital structure by paying dividends, issuing capital, raising debt and repaying debt.

The Company's bonds (Series H, I, J, K, L, M and O) are rated AA- with stable rating outlook by Maalot the Israel Securities Rating Company Ltd. (hereinafter: "**Maalot**"). The issuer's rating is the same.

The Company's bonds (Series H, I, J, L, M and O) are rated Aa3 (with a stable outlook) by Midroog Ltd. (hereinafter: "**Midroog**"). The issuer's rating is the same.

Amot's bonds (Series B, D, E, F, G and H) are rated Aa2 with a stable rating outlook by Midroog Ltd., and are rated AA with a stable rating outlook by Maalot, the Israel Securities Rating Company Ltd.

Energix's bonds (Series A and B) of Energix are rated A2 with a stable rating outlook by Midroog Ltd. and are rated A with a stable rating outlook by Maalot, the Israeli Securities Rating Company Ltd.

Regarding the main financial covenants related to the bonds, see Note 11.

Regarding the main financial criteria with banks, see Note 12.

B. Financial instrument groups

Financial instrument balances by category

	As of December 31	
	2022	**2021**
	NIS thousands	**NIS thousands**
Financial assets		
Cash and cash equivalents	1,694,701	1,163,289
Deposits	506,995	81,656
Loans and receivables	396,783	347,203
Derivative financial instruments	272,788	420,368
Financial assets measured at fair value through profit or loss	216,251	209,719
	3,087,518	2,222,235
Presented under current assets	2,409,023	1,621,592
Presented under non-current assets	678,495	600,643
Financial Liabilities		
Derivative financial instruments	738,511	202,656
Lease liability	560,696	383,810
Financial liabilities at amortized cost	19,146,020	16,789,255
	20,445,227	17,375,721
Presented under current liabilities	2,506,182	1,777,289
Presented under non-current liabilities	17,939,045	15,598,432

Note 22 – Financial Instruments (continued)

C. Financial risk management

The Group's activities expose it to risks related to various financial instruments, such as market risk (including currency risk, fair value interest rate risk, cash flow risk for interest rates and changes in the CPI), liquidity risk and credit risk. The Group's risk management plan focuses on minimizing potential adverse effects on the Group's financial performance. In some cases, the Group uses derivative financial instruments to hedge certain exposures to risks.

Risk management is primarily carried out by the CEO and CFO through regular monitoring of developments in the relevant markets.

The following is information regarding the risks associated with financial instruments:

1. Credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group. The Group's management estimates that the Group's credit risk as of the reporting date is low for the following reasons:

- Cash and cash equivalents, deposits, monetary funds and derivative financial instruments in Israel and abroad are held in institutions which the Company management believes estimates possess a high level of financial strength.
- In Israel and the UK, the Group has a policy that ensures that the revenues from rental fees and property management are received after contracting with clients who have an appropriate payment history, while providing appropriate collateral to secure future payments. In some of the cases the rental fees are paid in advance.
- Most of the Group's revenues from the sale of electricity in Israel are received from the essential service provider, the Electric Company.
- Most of the Group's revenues from the sale of electricity and green certificates in Poland are received from an international broker. Based on the Group's past experience, payments from the broker are paid regularly to the Group. As a rule, the Group engages with companies with stable financial strength and low credit risk.
- Electriciy and green certificates are sold in the United States to a financially strong local electric company with a high credit rating.

2. Liquidity risk

<u>Liquidity risk management</u>

Liquidity risk refers to the risk that the Group will have difficulty meeting obligations related to its financial liabilities that are settled in cash or another financial asset.

Liquidity risk management is the responsibility of the Group companies' management, which manage short, medium and long-term financing and liquidity risk management plans according to the Group companies' needs. The Group manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Group manages liquidity risk by managing the available credit facilities (see Note 12), bank and loan instruments, through continuous supervision of actual and expected cash flows and adjusting the maturity characteristics of financial assets and liabilities. In addition, the Group maintains high accessibility to the capital market and public and private debt.

Note 22 – Financial Instruments (continued)

Interest and liquidity risk tables:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates: For information regarding financial liabilities that constitute derivative financial instruments, see Section 3 below:

	As of December 31, 2022						
	Average nominal interest rate	First Year	Second Year	Third year	Fourth Year	Fifth Year Onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans – CPI-linked with fixed interest	3.09	91,046	89,287	85,990	81,646	1,376,878	1,724,847
Loans in GBP (*)	3.39	340,342	845,579	223,212	766,667	-	2,175,800
Loans in PLN (**)	5.10	33,126	40,894	38,000	37,358	423,901	573,279
NIS bonds – unlinked with variable interest	5.49	76,826	412,359	392,995	373,788	354,582	1,610,549
NIS bonds and convertible bonds – unlinked with fixed interest	2.72	558,469	419,114	408,431	397,598	3,360,708	5,144,320
NIS bonds – CPI-linked with fixed interest	1.79	994,109	745,479	884,244	866,532	6,415,408	9,905,772
Others – Liability for a lease and for an agreement with the tax partner	5.26	60,106	47,674	48,085	44,347	1,272,881	1,473,093
		2,154,024	2,600,387	2,080,957	2,567,936	13,204,357	22,607,660

	As of December 31, 2021						
	Average nominal interest rate	First Year	Second Year	Third year	Fourth Year	Fifth Year Onward	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans – CPI-linked with fixed interest	1.96	79,198	79,532	77,998	74,345	1,256,292	1,567,365
USD loans – variable interest	1.71	579	-	-	-	-	579
Loans in GBP (*)	3.20	50,698	580,470	823,379	207,167	474,937	2,136,651
Loans in PLN	5.11	20,666	19,898	24,057	24,761	297,235	386,617
NIS bonds – unlinked with variable interest	2.34	30,775	30,775	353,829	346,073	669,064	1,430,516
NIS bonds and convertible bonds – unlinked with fixed interest	2.44	291,315	407,435	463,794	330,471	2,481,037	3,974,053
NIS bonds – CPI-linked with fixed interest	2.26	926,944	914,970	668,925	776,587	5,216,823	8,504,249
Others – Liability for a lease and for an agreement with the tax partner	5.53	31,890	38,841	28,651	28,550	766,957	894,889
		1,432,065	2,091,819	2,464,690	1,812,716	11,459,580	19,260,869

(*) The above loans bear variable interest. The Group fixed the interest rate for the balance of the loan by means of hedge instruments (of the SWAP type and CAP options) – for details, see Note 12e.

(**) The above loan bears variable interest. In relation to 70% of the loan amount, the Group engaged in CAP options so that the WIBOR interest rate will not exceed 2%, for a period of 7 years (from the expected date of commercial operation) – for details, see Note 12d.6. and 12d.7.

The above tables do not include an engagement in cross currency swap transactions with financial entities in Israel for the conversion of some of the bonds of the Company and of Energix into a liability in PLN and in USD.

Note 22 – Financial Instruments (continued)

Financial assets:

The Group has several main sources for repayment of its financial liabilities. As of December 31, 2022, the sources include cash and cash equivalents in the amount of NIS 1.7 billion and unutilized credit facilities of NIS 1.8 billion. The Company also has non-pledged tradable assets in the amount of NIS 8.3 billion.

3. Market risk

Market risk is the risk that a change in market prices such as: price, foreign currency exchange rates, the CPI and interest rates will affect the Group's revenues or the value of its holdings in financial instruments. The purpose of market risk management is to manage and supervise exposure to market risk using accepted parameters.

The following are the groups exposed to market risk:

A. Foreign currency risks

The Group operates internationally and is exposed to currency risk resulting from changes in the exchange rates of various foreign currencies, mainly the USD, the GBP and the PLN. Currency risk stems from transactions denominated in foreign currency and from the existence of financial assets and financial liabilities denominated in foreign currency that is not the Company's functional and reporting currency (NIS).

The Company's practice is to hedge its exposure to foreign currency for investments abroad, as follows:

1. The investment component financed in foreign capital is hedged through credit in the investment currency or through financial derivatives (forward and cross currency swap transactions). Therefore, this component is not exposed to changes in the foreign currency against the NIS.
2. The investment component financed by equity is partially hedged as follows and is therefore exposed to changes in foreign exchange rates against the NIS.
3. 35%-45% of the Company's equity is "allocated" (through hedging, as needed) to the NIS. The capital balance of 55%-65% will be exposed to the Company's various functional currencies, including the NIS, according to the investment ratio on an expanded solo basis, but management will have the authority to increase or decrease exposure in each currency.
4. The investment ratio is determined according to market value.

The Company's CEO and CFO routinely monitor the net position of all foreign currency activities and, as necessary, derivative transactions are executed on the same currency. From time to time, the Group has a positive or negative cash flow from the payment of transactions in the above currencies. The currency exposure stemming from the expected net cash flow is mainly managed through currency swap transactions between the various currencies.

Energix routinely hedges its net investments in projects exposed to changes in foreign exchange rates against the NIS, so that no more than 20% of the equity invested in those projects, relative to an individual currency, will be exposed to foreign currency. The net hedge of the investment is executed through derivative transactions.

The following are details regarding the main foreign currency risk hedging agreements:

Hedge of investment in foreign activity:

- Foreign currency risk for investments in foreign activity (for Carr holdings as an investment in an associate), the balance of which, as of December 31, 2022, is USD 808 million, is partially hedged by foreign currency forward transactions in the amount of USD 544 million and by a cross currency swap transaction in foreign currency in the amount of USD 56 million.
- Foreign currency risk for investments in foreign activity (for holdings in the Boston property companies as an investment in an associate), the balance of which, as of December 31, 2022, is USD 215 million is partially hedged by foreign currency forward transactions in the amount of USD 149 million and by a cross currency swap transaction in the amount of USD 14 million.
- Foreign currency risk for investments in foreign activity (for holdings in BE as an investment in investees), the balance of which, as of December 31, 2022, is GBP 748 million, is partially hedged by foreign currency forward transactions in the amount of GBP 470 million.
- Foreign currency risk in respect of investments in the Brockton Funds (as securities measured at fair value through profit or loss) the balance of which, as of December 31, 2022, is GBP 37 million (the part held directly by the Company) is partially hedged by foreign currency forward transactions in the amount of GBP 35 million.
- Foreign currency risk for Energix's activity in Poland, the foreign currency exposure balance of which, as of December 31, 2022, is PLN 1,314 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of PLN 805 million and by cross currency swap transactions in foreign currency in the amount of PLN 267 million.
- Foreign currency risk for Energix's activity in the United States, the foreign currency exposure balance of which, as of December 31, 2022, is USD 1,156 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of USD 287 million and by cross currency swap transactions in foreign currency in the amount of USD 67 million.

Note 22 – Financial Instruments (continued)

The following table lists the foreign currency swap derivative transactions as of December 31, 2022:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Type of Settlement
In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	632,555	USD	2,065,481	NIS	3,265	(147,600)	Gross
Short-term	Forward	359,984	GBP	1,463,796	NIS	4,066	(51,809)	Gross
Short-term	Forward	715,000	PLN	510,558	NIS	0,714	(44,219)	Gross
Long-term	Forward	347,000	USD	1,136,416	NIS	3,275	(41,441)	Gross
Long-term	Forward	162,277	GBP	643,007	NIS	3,962	(14,641)	Gross
Long-term	Forward	90,000	PLN	59,130	NIS	0,657	(7,511)	Gross
(*)	CCS	136,667	USD	445,533	NIS	3,260	(35,194)	Gross
(*)	CCS	266,667	PLN	241,680	NIS	0,906	39,798	Gross

The following table lists the foreign currency swap derivative transactions as of December 31, 2021:

Settlement Date	Type of Transaction	Sale	Sale Currency (Delivery)	Purchase	Purchase Currency (Receipt)	Average Exchange Rate	Fair Value	Type of Settlement
In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	In Thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	505,037	USD	1,668,782	NIS	3,304	94,643	Gross
Short-term	Forward	330,083	GBP	1,436,969	NIS	4,353	52,876	Gross
Short-term	Forward	540,000	PLN	461,514	NIS	0,855	50,307	Gross
Long-term	Forward	333,443	USD	1,068,635	NIS	3,205	41,964	Gross
Long-term	Forward	61,115	GBP	270,358	NIS	4,424	16,600	Gross
Long-term	Forward	50,000	PLN	36,240	NIS	0,725	376	Gross
(*)	CCS	155,000	USD	505,488	NIS	3,261	18,480	Gross
(*)	CCS	300,000	PLN	271,890	NIS	0,906	55,566	Gross

(*) The Company engaged in cross currency swap transactions with a financial entity in Israel so some of the bonds (Series I) were converted into a liability in USD. The transactions are settled in parts according to the repayment schedule of the bonds (Series I).

(*) Energix engaged in cross currency swap transactions with a financial entity in Israel so some of the bonds (Series A) were converted into a liability in PLN and in USD. The transactions are settled in parts according to the repayment schedule of the bonds (Series A).

Note 22 – Financial Instruments (continued)

Sensitivity analysis of financial instruments to changes in exchange rates

The following table lists sensitivity tests for changes of 10% in the main foreign currency exchange rates against the NIS and their effect on equity (before the tax effect) as of December 31, 2022 and 2021 (before the tax effect). 10% is the rate that is analyzed because the Company's management believes that it represents the reasonably possible change in the exchange rates.

31.12.2022	Effect on the Comprehensive Income			
	In USD	In PLN	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands	NIS thousands	NIS thousands	Thousands of NIS
Assets				
Cash and cash equivalents	5,233	21,981	196	13,998
Designated cash and pledged deposits	3,760	11	-	-
Financial assets at amortized cost	2,924	7,948	-	15,592
Financial assets measured at fair value through profit or loss	-	-	-	21,623
Liabilities				
Financial liabilities at amortized cost	(6,319)	(5,020)	(766)	(207,415)
Others – Liability for a lease and for an agreement with the tax partner	(14,804)	(12,115)	-	(6,979)
	(9,206)	12,805	(570)	(163,181)

- **The effect of a change in the exchange rate on derivative financial instruments (which are not shown in the above table) is as follows:**

  An increase (decrease) of 5% and 10% in the USD will reduce (raise) the value of the derivative financial instruments by NIS 196 million and by NIS 393 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will reduce (raise) the value of the derivative financial instruments by NIS 111 million and by NIS 221 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will reduce (raise) the value of the derivative financial instruments by NIS 43 million and by NIS 86 million, respectively.

December 31, 2021	Effect on the Comprehensive Income			
	In USD	In PLN	Other (Mainly EUR)	In GBP
10% change (+/-)	NIS thousands	NIS thousands	NIS thousands	Thousands of NIS
Assets				
Cash and cash equivalents	16,241	5,485	5,130	13,638
Restricted deposits	3,323	10	-	-
Financial assets at amortized cost	361	1,455	16	13,055
Financial assets measured at fair value through profit or loss	-	-	-	20,958
Liabilities				
Financial liabilities at amortized cost	(4,918)	(28,885)	(391)	(202,546)
Others – Liability for a lease and for an agreement with the tax partner	(18,569)	(4,625)	-	(2,673)
	(3,562)	(26,560)	4,755	(157,568)

- **The effect of a change in the exchange rate on derivative financial instruments (which are not shown in the above table) is as follows:**

  An increase (decrease) of 5% and 10% in the USD will reduce (raise) the value of the derivative financial instruments by NIS 154 million and by NIS 309 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will reduce (raise) the value of the derivative financial instruments by NIS 82 million and by NIS 164 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will reduce (raise) the value of the derivative financial instruments by NIS 34 million and by NIS 68 million, respectively.

Note 22 – Financial Instruments (continued)

B. Market risks – Price risk

Exposure to changes in market prices of electricity and green certificates

Energix's operations in Israel are based on fixed rate tenders. In Poland and the United States, Energix is exposed to changes in electricity prices and in green certificates in the market, regarding the generated capacity that is not subject to a fixed tariff according to a tender (in the new projects in Poland whose commercial operation was completed in 2022) or to sale agreements for electricity and/or green certificates at predetermined prices (in some Energix projects in the United States). This exposure may affect Energix's revenues, its cash flow, and accordingly also its compliance with various criteria and coverage ratios which it undertook as part of the financing agreements.

As part of the management of such exposure, Energix uses various means:

- Fixing the prices of electricity and green certificates it sells by entering into transactions for the sale, at future dates and at a fixed price, of part of the electricity capacity and green certificates that it is expected to generate. The outputs are sold to the purchasing entity at a fixed price. For details regarding the engagement in transactions for the fixing of prices of electricity and green certificates in Poland, see Note 7e. above.
- Hedging of electricity prices through swap transactions in which Energix entered into an agreement with a third party (who does not directly purchase the electricity or certificates), to replace the market price with a predetermined price. For details regarding the engagement in transactions to hedge changes in electricity prices in the United States, which are treated as accounting cash flow hedging, see Note 7d above.

The following table shows the effect of a 10% increase or decrease in relevant electricity prices in the United States on the comprehensive income in respect of derivative financial instruments exposed to electricity price risk in the United States (before the tax effect):

	As of December 31, 2022	
	10% Increase	10% Decrease
	Comprehensive Income (NIS thousands)	
Financial derivatives – SWAP transaction for electricity price hedging in the United States	(44,485)	44,485

C. Market risks – Interest risk

Fair value risk – The Group has investments in financial instruments bearing fixed interest, as well as financial liabilities classified as long-term loans and bonds issued by the Company, Amot and Energix bearing fixed interest. The Group does not have exposure to the risk of a change in the fair value of these financial instruments, which will affect the Company's profit or loss, as these financial instruments are measured at amortized cost.

Cash flow risk – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates. As of December 31, 2022, 92% of the long-term financial liabilities (loans and bonds) bear fixed interest (as of December 31, 2021 - 81%).

The interest rate risk is managed by the Group companies' management by maintaining a mix of fixed- and variable-interest loans as well as by examining engagement in interest-rate swaps.

Interest rate sensitivity analysis

The following table details the effect of an increase of 3% in the SONIA/WIBOR/ Bank of Israel interest rate on the profit and loss in respect of financial liabilities exposed to cash flow risk due to a change in interest rate (before the tax effect)[34]:

	As of December 31, 2022		As of December 31, 2021	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans in PLN	64,806	1,993	258,801	5,952
Loans in GBP	-	-	1,514,695	22,505
Loans in USD	-	-	574	17
Variable interest bonds	1,411,905	41,981	1,329,126	39,874
Total	1,476,711	43,974	3,103,196	68,348

[34] After the effect of transactions (of the SWAP type and CAP options) in which the Group engaged to hedge the exposure to rising interest rates - see Note 12 above.

Note 22 – Financial Instruments (continued)

D. Market risks – Risks due to changes in the CPI

CPI-linked loans expose the Group to cash flow risk due to changes in the CPI that are not accompanied by a corresponding change in the fair value of the financial instruments. As of December 31, 2022 and December 31, 2021, approx. 55% of the long-term financial liabilities (loans and bonds) are CPI-linked.

The effect of a 3% increase in the CPI on profit and loss for financial liabilities exposed to such risk (before the tax effect) is as follows:

	As of December 31, 2022		As of December 31, 2021	
		3% Increase		3% Increase
	Book Balance	Loss	Book Balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans	1,505,247	(45,157)	1,344,441	(40,333)
Tradable NIS bonds (*)	8,616,868	(258,506)	7,457,944	(223,738)
Other NIS bonds	-	-	6,633	(199)
Total	10,122,115	(303,663)	8,809,018	(264,270)

(*) Including NIS bonds in the amount of approx. NIS 1.7 billion that were converted to CPI-linked bonds through a swap transaction.

E. Collateral – For information on the book value of financial assets used as collateral for the liabilities listed above, see Note 13.

D. Expanded solo information

Financial instrument balances by category

	As of December 31	
	2022	2021
	NIS thousands	NIS thousands
Financial assets		
Cash and cash equivalents	409,110	113,137
Loan to a consolidated company	77,497	153,854
Other receivables	8,773	13,136
Derivative financial instruments	20,846	220,947
Financial assets measured at fair value through profit or loss	157,657	157,341
	673,883	658,415
Presented under current assets	506,294	410,543
Presented under non-current assets	167,589	247,872
Financial Liabilities		
Derivative financial instruments	222,680	4,451
Payables and credit balances	93,711	82,878
Short-term credit, long-term loans and bonds	5,201,822	4,102,382
	5,518,213	4,189,711
Presented under current liabilities	862,989	568,033
Presented under non-current liabilities	4,655,224	3,621,678

Note 22 – Financial Instruments (continued)

d. Expanded solo information (continued)

Liquidity risk:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates:

	As of December 31, 2022						
	Interest Rate Average Nominal	Projected Cash Flow	First Year	Second Year	Third Year	Fourth Year	Fifth Year and Thereafter
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS bonds – unlinked with variable interest	**5.49%**	1,610,549	76,826	412,359	392,995	373,788	354,582
NIS bonds – unlinked with fixed interest	**3.68%**	3,919,480	470,286	332,466	323,318	314,019	2,479,391
Linked fixed-interest NIS bonds	**3.47%**	555,468	244,750	6,398	6,398	6,398	291,524
		6,085,498	791,862	751,224	722,711	694,205	3,125,496

	As of December 31, 2021						
	Interest Rate Average Nominal	Projected Cash Flow	First Year	Second Year	Third Year	Fourth Year	Fifth Year and Thereafter
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	Thousands of NIS
Variable-interest USD loans	**1.71%**	579	579	-	-	-	-
NIS bonds – unlinked with variable interest	**2.34%**	1,430,515	30,775	30,775	353,829	346,073	669,064
NIS bonds – unlinked with fixed interest	**3.09%**	2,661,220	203,155	319,252	377,146	245,358	1,516,308
Linked fixed-interest NIS bonds	**4.45%**	469,079	239,431	229,647	-	-	-
		4,561,392	473,939	579,674	730,976	591,431	2,185,373

The Company, expanded solo, has several main sources for repayment of its financial liabilities. As of December 31, 2022, the sources include cash and cash equivalents in the amount of NIS 409 million and unutilized credit facilities of NIS 550 million. The Company also has non-pledged tradable assets in the amount of NIS 8.3 billion.

Note 23 – Fair Value of Financial Instruments

The Group's financial instruments mainly include cash and cash equivalents, deposits, tradable securities, customers, other receivables, long-term investments in tradable securities, short-term credit, other payables and long term financial liabilities (mainly loans and bonds), transactions in derivatives.

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

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

	As of December 31, 2022		As of December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities				
Long-term loans (including maturities)	3,879,948	3,575,817	1,806,730	1,887,071
Bonds (including maturities)	14,869,207	14,222,509	12,654,709	13,721,308
	18,749,155	17,798,326	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.

A. Financial instruments presented in the financial statements at fair value:

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the Statement of Financial Position according to their fair value, to a hierarchy that includes the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

The fair value of tradable securities is determined according to the closing rates as of December 31, 2022 and 2021, quoted on the various stock exchanges, multiplied by the quantity of the tradable financial instrument held by the Group on that date.

Level 2: Data that are not the quoted prices included in Level 1, that are observed directly (i.e. prices) or indirectly (data derived from prices) regarding financial assets and liabilities.

Financial derivatives (forward contracts, SWAP and CCS) – The fair value of assets and liabilities is determined according to quotes from banking institutions with which the Group has engaged or by an independent appraiser. These quotes are derived from spot rates and interest rate differences between the currencies in the transactions.

Level 3: Data regarding financial assets and liabilities not based on observable market data.

The fair value of other non-negotiable investments is determined according to the present value of future cash flows discounted at a discount rate that reflects the level of risk inherent in the financial instrument.

Classification of financial instruments measured at fair value is based on the lowest level at which significant data was used to measure the fair value of the entire instrument.

Note 23 – Fair Value of Financial Instruments (continued)

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

	As of December 31, 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	-	39,798	-	39,798
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	8,264	-	8,264
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	158,337	-	158,337
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	53,807	-	53,807
Financial assets measured at fair value through profit and loss:				
Tradable securities	18	-	-	18
Real estate investment funds (1) (2)	-	-	216,233	216,233
	18	272,787	216,233	489,038
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(191,284)	-	(191,284)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1) (3)	-	-	(196,547)	(196,547)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(35,194)	-	(35,194)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(315,485)	-	(315,485)
	-	(541,963)	(196,547)	(738,510)

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

	For the year ended December 31, 2022
	NIS thousands
Balance as of January 1, 2022	143,802
Investments	4,418
Amounts recorded to profit and loss in the period	467
Amounts recorded to other comprehensive income in the period	(129,001)
Balance as of December 31, 2022	19,686

Note 23 – Fair Value of Financial Instruments (continued)

2. Description of valuation processes used to determine the fair value of Brockton Real Estate Investment Funds:

Brockton III Fund:

Investment in the Brockton III Fund is recorded in the Company's books according to the Company's share in the Fund's equity, which approximates the Fund's fair value. The fair value of the Fund's assets is measured based on various valuation methodologies, the common valuation methodologies including:

- Use of an EBITDA multiplier based on multipliers used in fair value assessments in traded companies or in data from the most recent transactions carried out in the market.
- Discounting of cash flows from net rental revenues according to discount rates used for the most recent real estate transactions.
- For properties in development, a property's fair value is determined by estimating the fair value of the property after its completion, net of the present value of estimated construction costs expected for its completion.

3. Description of valuation processes used to determine the fair value of the SWAP contract for fixing electricity prices in the US:

In the measurement of the fair value of hedging transactions on electricity prices in the US, the Group uses quoted market data as well as estimates and assessments based on data other than observed quoted prices such as yield curves and future electricity prices in the US electricity market. These estimates include assumptions regarding future electricity prices for periods in which there are no observable electricity prices in the market as well as assumptions regarding the discount rates that are used to determine the fair value of these derivatives. Changes in assessments and estimates as mentioned may lead to material changes in the fair values. These basic assumptions are the result of subjective judgment exercised in an environment of uncertainty, sometimes extremely significant, and therefore changes in the basic assumptions may lead to changes in the fair value of these derivatives, sometimes materially, and therefore affect the Group's financial position as of December 31, 2022 and the results of its operations for that year.

The following are the main assumptions used to calculate the fair value:

	As of December 31, 2022
Discount rate	5.18%-3.82%
Future electricity price range (*)	124.48- 39.11
Fixed price range in agreements(*)	44- 26.5

(*) Differences in the range are due mainly to seasonality

Note 23 – Fair Value of Financial Instruments (continued)

	As of December 31, 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)	-	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) (2)	-	-	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) (3)	-	-	(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 23 – Fair Value of Financial Instruments (continued)

The fair value of non-traded financial instruments is estimated using accepted pricing models, such as the present value of future cash flows discounted at discount rates reflecting, according to the Company's management, the level of risk inherent in the financial instrument. The Company relies partially on discount interest rates quoted in an active market as well as on various valuation techniques based, among other things, on interest quotes from financial bodies. The fair value estimate was calculated by estimating future cash flows and determining the discount rate according to rates close to the date of the Statement of Financial Position and based, among other things, on assumptions by the Company's management. Therefore, for most of the financial instruments, the fair value estimate below is not necessarily an indication of the realization value of the financial instrument as of the end of the reporting period. The fair value assessment was prepared in accordance with discount rates close to the date of the Statement of Financial Position and does not take into account the interest rate fluctuations from the calculation date until the date of publishing of the financial statements. Under other discount rate assumptions, fair values will be received that may be significantly different from those estimated by the Company's management, mainly with regards to financial instruments at fixed interest or those bearing no interest. Furthermore, in determining fair value, the Company did not account for commissions that may be payable upon repayment of the instrument nor do they include the tax effect. The gap between the balances in the Statement of Financial Position as of December 31, 2022 and 2021 and the fair value balances as estimated by Company's management may not necessarily materialize.

B. The main methods and assumptions used to calculate the fair value of financial instruments (whether for the purpose of determining their value in the financial statements or for the presentation of their fair value in this note only):

1. **Financial instruments included under current asset items** – (cash and cash equivalents, deposits, trade receivables and other receivables) – The balance in the Statement of Financial Position as of December 31, 2022 and 2021 approximates the fair value.

2. **Financial instruments included under current liability items** – (short term credit and other payables) – The balance in the Statement of Financial Position as of December 31, 2022 and 2021 approximates the fair value.

3. **Financial Instruments included under non-current liabilities** – see Note 22b above.

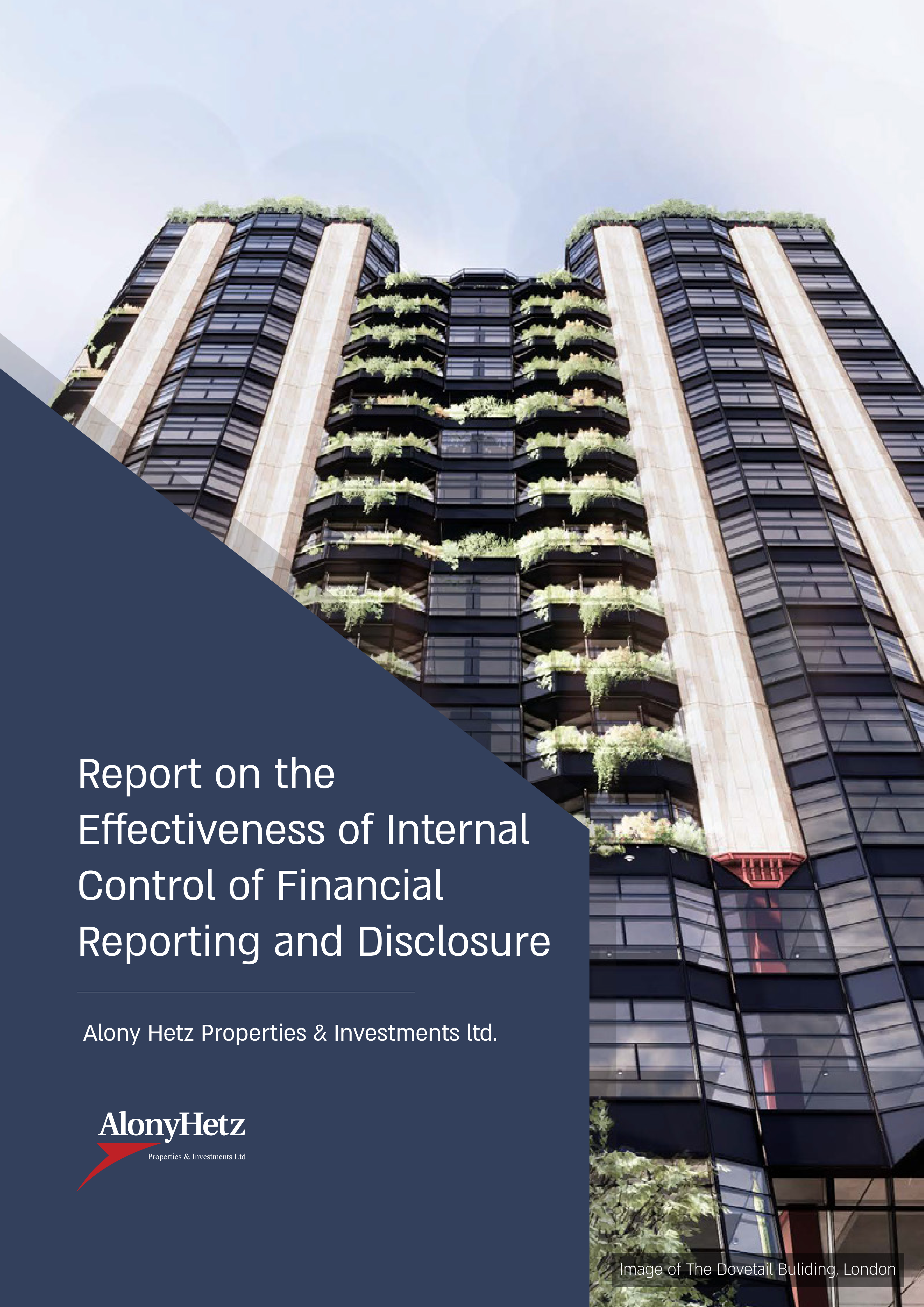
Note 24 – Changes in Liabilities due to Financing Activity

	Balance as of December 31, 2021	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	9,909	11,220	-	-	-	21,129
Bonds	12,522,792	1,856,489	(59,369)	-	358,011	14,677,923
Loans from banking corporations	3,580,777	(111,510)	-	34,898	363,207	3,867,372
Lease liability	383,810	(13,616)	-	21,533	168,969	560,696
Liability for agreement with the tax partner	271,245	(46,267)	-	(32,716)	51,509	243,771
Others	815	-	-	-	-	815
	16,769,348	1,696,316	(59,369)	23,715	941,696	19,371,706

	Balance as of December 31, 2020	Cash Flow from Financing Activity	Change in Fair Value	Exchange Rate Differences	Other Changes	Balance as of December 31, 2021
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	101,537	(91,628)	-	-	-	9,909
Bonds	11,211,608	1,374,999	(150,579)	-	86,764	12,522,792
Loans from banking corporations	2,292,422	1,381,650	-	(95,248)	1,953	3,580,777
Lease liability	227,528	(6,914)	-	(11,395)	174,591	383,810
Liability for agreement with the tax partner	139,767	174,509		(9,860)	(33,171)	271,245
Others	804	-	-	-	11	815
	13,973,666	2,832,616	(150,579)	(116,503)	230,148	16,769,348

Note 25 – Events Subsequent to the Balance Sheet Date

1. Regarding the Board of Directors' decision on the dividend policy for 2023, and regarding the dividend for the first quarter of 2023 and regarding an additional dividend for 2022, see Note 16d.
2. Regarding the decision of the Company's Board of Directors on capital remuneration for directors, officers and employees in 2023, see Note 16e.
3. Regarding a public offering by the Company by way of an expansion of the bonds (Series M) and (Series O), see Notes 11g and 11h.
4. Regarding an engagement in an amendment to a credit facility agreement with the Bank of Israel, see Note 12b.



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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Image of The Dovetail Buliding, London

Annual Report on the Effectiveness of the Internal Control on Financial Reporting and Disclosure according to Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 controls over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;
2. Moti Barzilay, VP of Business Development;
3. Oren Frenkel, Chief Financial Officer;
4. Hanan Feldmus, Legal Counsel;

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

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

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

Management, under the supervision of the Board of Directors, conducted an examination and assessment of the internal control over financial reporting and disclosure in the corporation and its effectiveness.

The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by management under the supervision of the Board of Directors was carried out with the implementation of the guidelines published by the Securities Authority in November 2010 in connection with the implementation of the evaluation of the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, in accordance with Regulation 9b of the Securities Regulations (Periodic and Immediate Reports), 1970.

Management's assessment of the effectiveness of internal control over financial reporting and disclosure under the supervision of the Board of Directors: A process based on the Corporation's assessment of risks pertaining to the financial reporting and disclosure.

The Company's management, under the supervision of the Board of Directors, examined the potential risks of material misstatement in the financial statements, based on its knowledge of the Corporation, its operations, organizational structure and its various processes, and based on its understanding of the Corporation's reporting and disclosure risks. The Corporation's management focused on the financial reporting items and on disclosure items which may be more likely to include a material error. The Corporation's management, under the supervision of the Board of Directors, has also examined the planning and operational effectiveness of the controls and the procedures that adequately address these risks.

The Corporation's assessment of the effectiveness of the internal control was based on the following four components:

1. Organization-level controls;
2. General information system controls;
3. Controls over the processes for closing the accounting period and preparing financial statements and disclosure;
4. Controls in very significant business processes:
   - Very significant business process – investments in companies.
   - Very significant business process – accounts and debt management.
   - Very significant business processes in the subsidiary Amot Investments Ltd. (hereinafter: "**Amot**"): investment property and revenues from rental fees and investment property management.
   - Very significant business processes in the subsidiary Energix Renewable Energies Ltd. (hereinafter: "**Energix**"): procurement for projects and revenues from the sale of electricity and green certificates.
   - Very significant business processes in the subsidiary Brockton Everlast Inc. Limited (hereinafter - "**BE**"): investment property and revenues from rental fees of investment property.

Evaluation of the general effectiveness, including: Updating of the document "Mapping and Identifying the Accounts and Business Processes" regarding the processes which the Corporation's management considers to be very significant for the financial reporting and disclosure.
Updating of the processes and controls, examining key controls and examining the effectiveness of controls in the context of internal control components.
Performing a validation (testing) process for the effectiveness of internal control on the financial reporting and disclosure.

The management of the subsidiaries - Amot, Energix and BE - independently performed, each in relation to itself, a process of assessing the effectiveness of the internal control over financial reporting and disclosure under the supervision of the Amot, Energix and BE Boards of Directors, respectively. With regard to Amot, Energix and BE, the Company's Board of Directors and management relied on the process of examining and assessing the effectiveness of internal control and the report on the effectiveness of the internal control over the financial reporting and disclosure reported by the Amot management, the Energix management and the BE management, respectively.

Based on the management's assessment of the effectiveness under the supervision of the Board of Directors as described above, and based on the assessment of the effectiveness of the Amot management, the Energix management and the BE management under the supervision of the Amot Board of Directors, the Energix Board of Directors and the BE Board of Directors, respectively, **the Corporation's Board of Directors and management have concluded that the internal control over the financial reporting and disclosure in the Corporation, as of December 31, 2022, is effective.**

Executive statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement

Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have reviewed the periodic reports of Alony-Hetz Properties and Investments Ltd. (hereinafter - the "**Corporation**") for 2022 (hereinafter - the "**Reports**");

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

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

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

   A. All significant deficiencies and weaknesses in the determination or operation of internal controls over financial reporting and disclosure that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law, and –
   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

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

   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –
   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;
   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as of the reporting date.

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

March 12, 2023

Signature, Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 9B(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970.

Executive Statement

Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the financial statements and other financial information contained in the reports of Alony-Hetz Properties and Investments Ltd. (hereinafter: the "**Corporation**") for the year 2022 (hereinafter - the "**Reports**");

2. To the best of my knowledge, the financial statements and other financial information included in the reports do not include any misrepresentation of a material fact and do not lack the representation of a material fact that is necessary in order that the representations included therein, in view of the circumstances in which those representations are included, not be misleading in relation to the reporting period;

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

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

   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure, as it relates to the financial statements and the other financial information included in the financial statements, that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law; and –
   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

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

   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent that it is relevant to the financial statements and to other financial information included in the statements, is brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –
   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;
   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports as of the reporting date; my conclusions regarding my assessment have been brought up before the Board of Directors and management, and are integrated into this report.

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

March 12, 2023	-- Signature, Oren Frenkel, Chief Financial Officer;

Additional Information on the Corporation

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

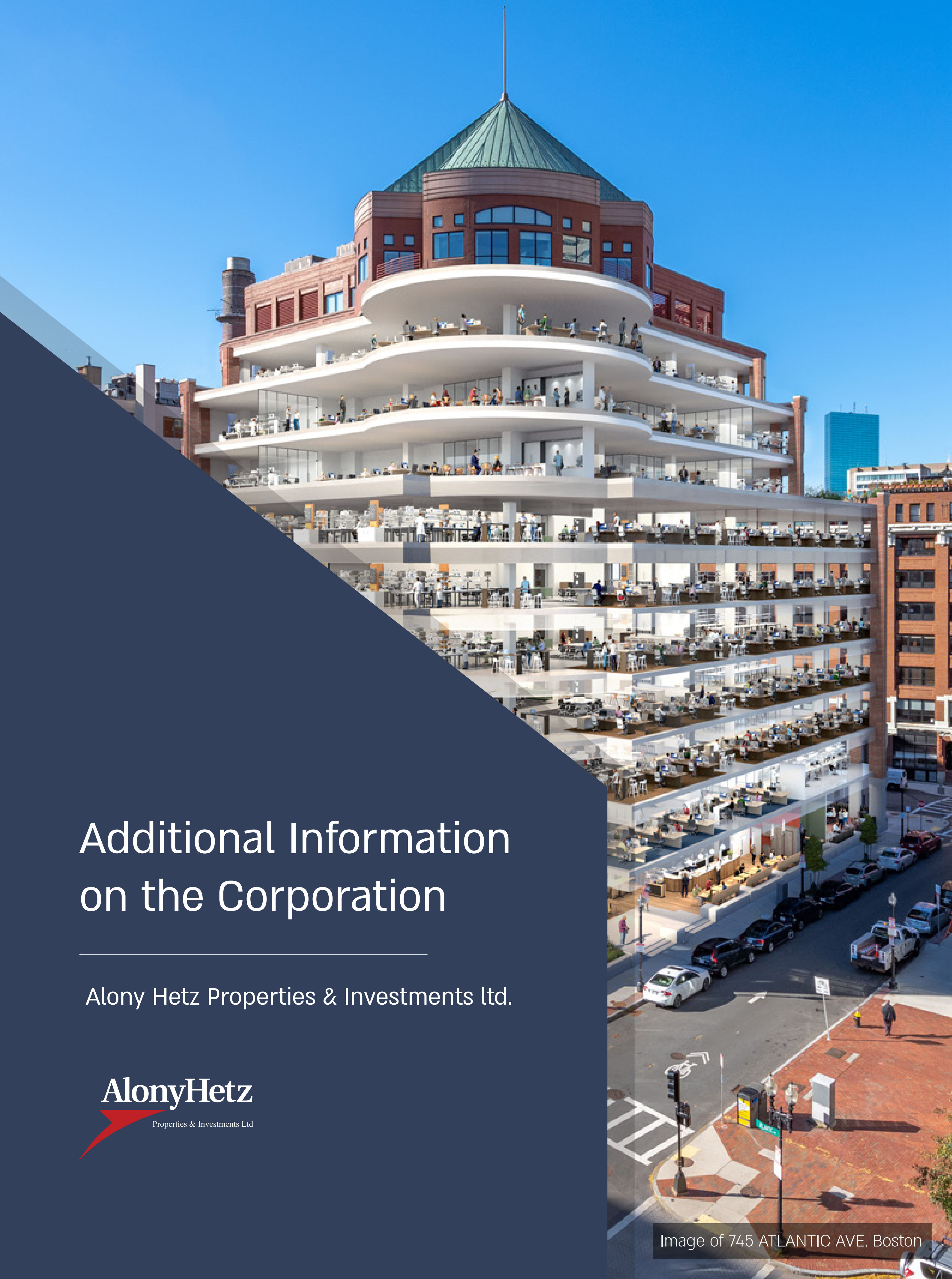


Image of 745 ATLANTIC AVE, Boston

Additional Information on the Corporation

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970

(Hereinafter: "**the Regulations**")

Contents

Company Name:	Alony-Hetz Properties and Investments Ltd.
Company registration no.:	520038506
Address:	Address: Amot Atrium Tower, 2 Jabotinsky Street, Ramat Gan
Telephone:	03-7521115
Fax:	03-7514730
Email:	office@alony-hetz.com
Website:	www.alony-hetz.com
Balance Sheet Date:	December 31, 2022
Date of the report:	March 12, 2023
Reporting period:	The year ended December 31, 2022

All data in this report is presented in the presentation currency, as defined in Note 2(i) to the financial statements, unless stated otherwise.

Regulation 10c – Use of Proceeds from Securities with Reference to Proceeds' Designation according to the Prospectus

In the Company's shelf prospectus dated May 6, 2021 ("**the Shelf Prospectus**") and in the previous shelf prospectus, no amount was raised. In the above shelf prospectuses, it was determined that if securities are offered according to the shelf prospectuses, the proceeds received from these offerings will be designated for various purposes, as the Company decides from time to time and/or as specified in the shelf offer report. During 2022 and subsequent to the date of the report, the Company raised debt and capital through shelf offering reports. The consideration received in respect of these issues is intended for the Company's ongoing operations, including the recycling of existing debt and/or investing, according to the decisions of the Company's Board of Directors and/or the Company's management from time to time.

Regulation 11 – Investments in significant subsidiaries and significant associates as of December 31, 2022

A.

Company Name	Number of Shares/ Participation Units	Market Value as of December 31, 2022 NIS thousands	Balance Sheet Value as of December 31, 2022 NIS thousands	Ownership as of the Balance Sheet Date	Right to Appoint Directors
Amot Investments Ltd.	252,718,672	5,218,641	4,698,814	53.79%	53.79%
Energix – Renewable Energies Ltd.[1]	276,060,936	3,058,755	1,136,147	50.39%	50.39%
Carr properties Holdings LP	774,748,098	-	2,844,673	52.33%	50%
Brockton Everlast Inc.	539,626,463	-	3,169,275	83.20%	Regarding the right to appoint directors in BE, see Note 6.d.4 to the financial statements.

B. Material loans and material capital notes issued (received) by the Company to subsidiaries and associates: As of December 31, 2022, the Company has capital notes for subsidiaries, wholly owned by the Company, in the amount of NIS 3.2 million.

Regulation 12 – Changes in Investments in Significant Subsidiaries and in Significant Associates in the Reporting Period

Date	Description	Company Name	Number of Shares/Units/Options	Cost (Proceeds) in NIS thousands
January 2022	Off-market purchase	Energix – Renewable Energies Ltd.	1,494,000	19,437
January 2022	Purchase as part of a public offering	Energix – Renewable Energies Ltd.	13,000,000	168,580
February 2022	Investment in units (*)	Brockton Everlast Inc.	11,104,050	72,454
March 2022	Purchase on the stock market	Energix – Renewable Energies Ltd.	96,635	1,249
March 2022	Off-market purchase	Energix – Renewable Energies Ltd.	1,118,018	14,591
May 2022	Purchase as part of a public offering	Amot Investments Ltd.	6,999,800 ordinary shares[2]	159,147
June 2022	Investment in units	Carr Properties Holdings LP	45,754,728	201,503
September 2022	Investment in units (*)	Brockton Everlast Inc.	13,917,750	81,468
October 2022	Investment in units (*)	Brockton Everlast Inc.	56,656,880	332,899

(*) Indirectly, through wholly owned private subsidiaries. The investment is in units of Brockton Holding LP, which owns BE.

1 The par value of Energix shares is NIS 0.01 PV per share.

2 As part of the public offering, approx. 7 million options (Series 11) were issued to the Company, which have expired as of the date of the report.

Regulation 13 – Income from significant subsidiaries and associates and the corporation's income from them for the year ended December 31, 2022 (in Thousands of NIS) (*)

Company Name	Net Profit (Loss) for the Period	Other Comprehensive Income (Loss) for the Period	Dividends/capital amortization received	Management Fees and Participation in Expenses, net	Interest Income (Expenses), net
Amot Investments Ltd.	1,171,146	-	349,606	10,629	-
Energix – Renewable Energies Ltd.	235,910	(17,844)	55,212	7,743	-
Carr properties Holdings LP(*)	(1,607,042)	85,812	-	484	-
Brockton Everlast Inc.	(184,016)	34,481	67,075	664	2,306

(*) The data for net income for the period and other comprehensive income include non-controlling interests.

Regulation 20 – Trading on a Stock Exchange – Securities Listed for Trade – Dates and Reasons for Suspension of Trade

- During 2022, 364,807 non-tradable options that were issued to directors, officers and employees were exercised for NIS 364,807 PV shares of common stock.
- There was no suspension of trading during the reporting period, except in respect of the publication of financial statements.

Regulation 21 – Remuneration of Interested Parties and Senior Officers

21.1. The following are details regarding the remunerations granted in the reporting year, as recognized in the Company's financial statements for the reporting year, which were paid to each of the seven highest remunerated senior officers of the Company or in a corporation under its control that were granted in connection with their term in the Company or in a corporation under the Company's control (of which, 3 officers serve in the Company itself) (the data are in NIS thousands):

Name of Recipient	Position	Employment Percentage	Holdings in Company Capital[3]	Remuneration for Management Fees / Wages[4]	Remuneration for Annual Bonus	Remuneration for Deferred Bonus	Total Remuneration	Benefit in respect of Share-based Payment	Value of Additional Benefits	Total
Mr. Nathan Hetz	CEO	Full time	14.33%	3,483	1,294	1,294	6,072	-	154[5]	6,225
Mr. David Marks	CEO Brockton Everlast Inc.	Full time	-	3,643	-	-	3,643	2,362	72 [6]	6,077
Mr. Richard Selby	Chief Investment Manager Brockton Everlast Inc.	Full time	-	3,643	-	-	3,643	2,362	68 [6]	6,073
Mr. Jason Blank	Deputy Chairman of the Board of Directors and President Brockton Everlast Inc.	Full time	-	3,643	-	-	3,643	2,362	40 [6]	6,045
Mr. Asa Levinger	CEO of Energix Renewable Energies Ltd.	Full time	-	1,607	-	-	1,607	4,035	-	5,642
Mr. Moti Barzilay	VP of Business Development	Full time	-	2,189	1,127 [7]	-	3,316	1,030	154 [5]	4,500[7]
Mr. Oren Frenkel	CFO	Full time	-	1,634	475	-	2,109	1,229 [8]	138 [5]	3,476

21.2. Additional information on the terms of employment of senior officers

21.2.1. Background – remuneration policy:

On October 6, 2021, the Company's General Assembly approved the remuneration policy for officers for the years 2022-2024, which is based on the Company's remuneration policy for the years 2019-2021 (hereinafter - the "**Existing Remuneration Policy**"). For additional information regarding the existing remuneration policy, please refer to the Immediate Report for the convening of the General Assembly on August 25, 2021 (Ref: 2021-01-137562) and to the Immediate Report on the Results of the General Assembly published on October 6, 2021 (Ref: 2021-01-152283) (together: "**the October 2021 Assembly Reports**").

21.2.2. Company CEO.

On October 6, 2021, the General Assembly confirmed terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2022. For additional information, see the October 2021 Assembly Reports and Note 18(a) to the financial statements.

3 Holdings in Company capital as of December 31, 2022 (not including reference to options in circulation of each officer).
4 With the exception of Avshalom Mosler, Asa Levinger, Jason Blank, David Marks and Richard Selby, who receive remuneration as wages, the other remunerations recipients receive management fees.
5 Mainly for a company car benefit.
6Mainly for insurance benefits.
7 It should be noted that the Remuneration Committee and the Board of Directors, at their meetings in March 2023, approved, subject to the following, a cash bonus to Moti Barzilai for 2022 in the amount of NIS 1,265 thousand. The aforementioned amount means that the total Moti Barzilai's total remuneration is NIS 138 thousand higher than the **nominal** amount specified in the Company's remuneration policy as a ceiling for the total compensation for each of the Company VPs (an amount that has not been updated since the beginning of 2019). The Company intends to bring an amendment to the remuneration policy for the approval of the General Assembly as required. The above-mentioned excess amount will be paid to Mr. Moti Barzilai only subject to and after the approval of the General Assembly to amend the aforementioned compensation policy.

8 Which include non-tradable options with an economic value of NIS 475 thousand that can be exercised immediately.

1. Other Senior Officers
VP of Business Development

The Company has an agreement with Mr. Moti Barzilay dated June 26, 2019 (as amended in January 2022 and in May 2022), for management services as the Company's VP of Business Development. Under the agreement, each party may terminate the agreement at any time, with written notice of 6 months. According to the agreement, as amended in May 2022, the monthly management fees in respect of April 2022 and thereafter were updated to the amount of NIS 180 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount). The monthly management fees for February 2023 amounted to approx. NIS 188 thousand (including linkage differences). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the VP of Business Development for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2023 meetings, the Remuneration Committee and the Board of Directors decided the following:

a) Annual cash bonus for the year 2022 in the amount of NIS 1,265 [7] thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy.
b) Capital bonus for 2023 with an economic value of NIS 1,130 thousand, according to the existing remuneration policy - see Subsection 3 below.

Regarding the officers liability insurance and provision of exemptions and indemnities to the VP of Business Development, see Note 18c(3) to the financial statements.

2. CFO

The Company has an agreement with Mr. Oren Frenkel dated June 26, 2019 (as amended in January 2022 and in May 2022) for the receipt of management services as the Company's CFO. Under the agreement, each party may terminate the agreement at any time, with advanced written notice of 6 months. According to the agreement, as amended in May 2022, the monthly management fees in respect of April 2022 and thereafter were updated to the amount of NIS 135 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount). The monthly management fees for February 2023 were approx. NIS 141 thousand (including linkage differences). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the CFO for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2023 meetings, the Remuneration Committee and the Board of Directors decided the following:

a) Annual cash bonus for the year 2022 in the amount of NIS 475 thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy.
b) Capital bonus for 2023 with an economic value of NIS 1,320 thousand, according to the existing remuneration policy (including non-tradable options that are immediately exercisable with an economic value of NIS 475 thousand) - see Subsection 3 below.

Regarding the officers liability insurance and provision of exemptions and indemnities to the CFO, see Note 18d to the financial statements.

3. Capital remuneration for the VP of Business Development and for the CFO

The following are details on option warrants (non-tradable) exercisable into Company shares, which, according to the previous remuneration policy and according to the Company's existing remuneration policy, have been allocated to the Company's VP of Business Development and to the CFO and have not yet been exercised as of the publication of this report, and option warrants for which a decision was made for their allocation on March 12, 2023, but have not yet been allocated:

Date of the Board of Directors' Decision to Grant the Options	VP of Business Development - Economic Value of the Options in NIS thousands on the Grant Date	VP of Business Development Number of Options	VP of Finance - Economic Value of the Options in NIS thousands on the Grant Date	VP of Finance - Number of Options	Exercise Price as of Dec. 31, 2022 (in NIS)	Expiration Date
March 18, 2020	1,000	447,748	720	322,378	45.36	30.4.2023
16.3.2021	1,000	107,373	720	77,309	41.84	30.4.2024
22.3.2022	1,080	81,276	810	60,957	56.62	21.6.2025
March 12, 2023	1,130	251,670	1,320	293,987[9]	35.01[10]	11.6.2026

9 Including 105,791 immediately exercisable options
10 The exercise price as of March 12, 2023.

According to the agreements signed with the Company's VP of Business Development and the CFO, they are entitled to a company car and mobile phone. In addition, the agreements with them determine that management fees will also be paid for up to 22 business days (monthly gross) per calendar year, in which the management services are not provided and that failure to provide management services for a period of up to 18 business days per calendar year (which can be accumulated up to a total of 90 days) as a result of illness will not impact the payment of full management fees.

The management agreements with the Company's VP of Business Development and the CFO determine that the officers will repay the company or receive from the company, as applicable, amounts paid or which should be paid to them as a capital bonus or a cash bonus, if the amounts paid to them were paid on the basis of data that turned out to be misrepresented and restated in the Company's financial statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the Company's VP of Business Development and/or to the VP of Finance, as the case may be.

4. **Senior executives at Brockton Everlast Inc.**

Jason Blank (Deputy Chairman of the Board of Directors and President of BE), David Marks (BE CEO) and Richard Selby (Chief Investment Manager) constitute the active senior management team of Brockton Everlast Inc. who hold (together) BE as of December 31, 2022 and as of the date of the report at 3.22% (hereinafter - "**BE Managers**" and "**BE**", respectively). Two of BE's managers, Jason Blank and David Marks, also serve as directors of BE. The main terms of engagement with the BE Managers until the end of 2027, as the partnership agreement was updated in respect of 2022 and thereafter (which replaces the previous arrangement for 2022), which is expected to be signed in the coming weeks, are as follows:

a) An annual remuneration for each of the BE Managers, including related expenses, of GBP 900,000 in return for their work at BE.

The BE Managers will also be entitled to this salary for absence from work for annual vacation and for sick leave.

b) Under the Long Term Incentive Plan ("**LTIP**") adopted by BE, BE executives are entitled to 60% of an amount equal to 12% of the future growth in BE's NAV beyond the threshold of 6% per year to be paid by BE with reference the period beginning January 1, 2023 and ending December 31, 2027 (hereinafter - the "**Relevant Period**"), where the relevant period includes a maximum grant ceiling (to all BE employees, including the BE Managers) in the amount of GBP 48 million. The BE Managers must invest in BE 50% of the consideration received by them (less tax) under the LTIP plan related to the relevant period, in exchange for the allotment of BE units[11].

c) As part of an incentive plan through the granting of options, BE Managers are entitled to receive options for the years 2022 to 2027, which will be granted to them during a period that will begin on the date of updating the partnership agreement and end on the date of approval of BE's financial statements for the year 2027 (hereinafter - the "**Option Grant Period**"), exercisable for BE units (hereinafter - the "**Options**"), as follows: the options are granted to BE Managers during the option grant period, such that each year they will be granted an amount of options exercisable for BE units equivalent to GBP 500,000 (calculated as detailed below), so that during the option grant period, each of them will be granted an amount of options exercisable for BE units equivalent to GB{ 3,000,000. The number of units will be calculated on the basis of the NAV known at the time of approval of BE's annual financial statements for the relevant year preceding the option grant date (i.e. for the years 2022 up to and including 2027). The options are exercisable for BE units from time to time, by each of the BE Managers for an amount of GBP 0.01, during a period that will begin on the date of approval of BE's financial statements for 2027 and end on December 31, 2032 (hereinafter - the "**Exercise Period**"). In addition, there is an adjustment mechanism for the number of options allocated but not yet exercised in each case of a dividend distribution to the partners in BE. There is also a mechanism for accelerating the exercise of the options on dates prior to the start of the exercise period, upon the occurrence of certain events that include a merger, listing for trading, termination of Alony-Hetz's control or cases of the termination of employment of any of the BE Managers (in such a case the acceleration of the exercise applies only to that BE Manager).

d) The BE managers are committed to secrecy, non-solicitation of employees and non-competition. The agreement with them includes a mechanism determining different results, including expropriation of their holdings in BE, in the event that one of them ceases working at BE on a date before 2027, whether voluntarily or if they violated their commitment to BE.

5. **CEO of Energix Renewable Energies Ltd.**

Mr. Asa (Assi) Levinger, the Energix CEO, is employed according to an employment agreement signed between him and Energix and updated from time to time. In August 2022, the Energix General Assembly (hereinafter in this subsection - the "**General Assembly**") approved a new remuneration package and updated the terms of employment of the Energix CEO, according to the decisions of the Energix Remuneration Committee and Board of Directors at their meetings in August 2022. According to the terms of the remuneration package, the terms of employment of the Energix CEO, in effect for six years starting July 1, 2022 are as follows:

a) The Energix CEO's (gross) salary is NIS 120 thousand. The monthly salary of the Energix CEO will be linked (on a monthly basis) to the last known index published as of the date of approval of the General Assembly, provided that it is no less than

[11] The share price will be determined according to the equity per share (IFRS) on the date of the investment with reference to the relevant period.

NIS 120 thousand plus the related terms, social benefits and company car, the cost of his monthly wage will amount to a total of NIS 150 thousand (the "**wage cost**").

b) The Energix CEO will be entitled to a measurable annual grant ceiling in a fixed amount of 6 months of the wage cost, with the actual amount of remuneration being dependent on performance according to the measurable component of the remuneration plan. It should be clarified that the annual grant may be paid in cash or as a capital remuneration instead of cash.

c) The CEO of Energix shall be entitled to long-range capital remuneration worth NIS 3,000 thousand per year, each year for 6 years. Accordingly, after the approval of the General Assembly, the Energix CEO was granted options to purchase Energix's ordinary shares with a total value of NIS 18,000 thousand, which will vest to realization in three equal portions over a period of 4, 5 and 6 years from the date of approval of Energix's Board of Directors for the updated remuneration package. The exercise price will be NIS 17.68, the exercise of the warrants is in a cashless mechanism and is subject to achieving a target price per share of NIS 21.44, which reflects a price that is twice the share price prior to the approval of Energix's Board of Directors (subject to adjustments and dividend distributions).

d) It should be noted that the long-term capital remuneration granted to the Energix CEO as part of the 2022 remuneration package is in addition to and in continuation to the long-term capital remuneration granted to the Energix CEO as part of the 2019 remuneration package, which includes a long-term capital remuneration in relation to three years starting in June 2022, with a total value of NIS 3,375 thousand.

e) The employment agreement of the Energix CEO will expire on July 1, 2028, or earlier, subject to advance notice of 90 days by Energix or 6 months by the Energix CEO. In the event that the employment of the Energix CEO is terminated by Energix (not under circumstances that disqualify him for severance pay), the Energix CEO will be entitled to a 3-month adaptation period, during which he will be entitled to full pay, including the related conditions.

f) The wage cost of the Energix CEO (employer cost, not including bonuses and options) in 2022 amounted to approx. NIS 1,607 thousand.

g) The following is a breakdown of the grants given to the Energix CEO in respect of 2022, as approved by Energix's Remuneration Committee and Board of Directors in March 2022:

(1) Information regarding the annual bonus in respect of 2022, which is given in full as capital remuneration instead of cash, and therefore the Company's Board of Directors used its authority and accelerated all the options so that they can be exercised immediately:

Type of Remuneration	Bonus Ceiling according to Remuneration Plan and in accordance with the Energix CEO's Employment Agreement	Bonus Ceiling for 2022 according to Decisions by Energix's Remuneration Committee and Board of Directors	Actual Entitlement	Value in NIS	Actual Grant
Measurable bonus component A	6 months of wage cost The annual ceiling and the weighting for each component are determined in advance in the Remuneration Committee and the Board of Directors	1.8 months of salary cost (30% of 6 months)	5.28 months of wage cost	For the measurable component: Approx. NIS 792 thousand	The total grant in the amount of NIS 792 thousand was converted into approx. 266 thousand options that vested immediately
Measurable grant component B		1.8 months of wage cost (30% of 6 months)			
Measurable grant component C		1.68 months of wage cost (40% of 6 months)			

(2) As part of the capital remuneration for 2022, which was granted to the Energix CEO in accordance with his employment agreement as it was in effect in March 2022, the Energix CEO was allotted 122 thousand options in April 2022, at a value of NIS 408 thousand, in accordance with the Energix options plan.

(3) On February 26, 2023, Energix's Board of Directors approved the allocation of an annual tranche of capital remuneration for 2023 and a capital remuneration instead of a cash bonus for 2022 according to Energix's capital remuneration plan from 2014 to the Energix CEO, as follows:

Number of Options	266,270
Of which, options replacing a cash bonus, fully accelerated	266,270
Share price (in NIS)	10.49
Exercise price (in NIS) (*)	11.38
Fair value of options	2.97
Expected volatility	39%
Lifespan of options (in years)	3.08
Final exercise date	36 months from actual date of granting
Risk-free interest rate	4.07%
Expected dividend rate	-

(*) The exercise price of any option will be determined based on the higher of the following: (a) the average of the share prices on the stock exchange in the 30 trading days preceding the date of the Board of Directors' decision to grant the options; or (b) 8% above the stock price at the end of the stock exchange day of trade preceding the date of the Board of Directors' decision to grant the options.

21.3. Details of the remuneration granted to interested parties in the Company not listed in Section 1 above, by the Company or by a corporation under its control

21.3.1. Chairman of the Company's Board of Directors

On October 6, 2021, the General Assembly approved the management agreement of the Chairman of the Company's Board of Directors for the years 2022-2024. For additional information on the existing management agreement with the Chairman of the Company's Board of Directors and for the capital remuneration granted to the Chairman of the Board of Directors, see the 2021 Assembly Reports and Note 18b to the financial statements.

21.3.2. Remuneration of directors

For details regarding the remuneration of directors and capital remuneration of directors, see Note 18c to the financial statements.

On March 12, 2022, the Company's Board of Directors, in accordance with the existing remuneration policy and the decision of the General Assembly dated October 6, 2021, decided to allocate 725,337 options to directors and officers[12] (it was also decided to grant 86,950 options to the Chairman of the Board), and from that amount, 57,186 options will be allocated to 5 directors who are not employed by the Company, The options will be allocated according to an option plan in accordance with Section 102 in a capital track with a trustee adopted by the Company's Board of Directors on February 19, 2018, as amended in October 2021.

21.3.3. Exemption and indemnity

Regarding letters of exemption and letters of indemnity that were given to the Company's directors and officers, see Note 18d to the financial statements.

21.3.4. Liability insurance for officers

Regarding officers' liability insurance, including directors' liability insurance, see Note 18d to the financial statements.

Regulation 21A – The Company's Controlling Shareholders

The Company does not have a controlling shareholder.

Regulation 22 – Transactions with Controlling Shareholders or Transactions in which Controlling Shareholders have a Personal Interest

As stated in Section 21A above, the Company does not have a controlling shareholder.

Regulation 24 – Shares and other Company Securities Held by Interested Parties and Senior Officers in the Corporation

For details regarding holdings of interested parties and senior officers in shares and other securities of the Company, and in the securities of Amot and Energix as of December 31, 2022, see the immediate reports published by the Company on January 3, 2023 (Refs: 2023-01-001914 and 2023-01-001929) (hereinafter, in this section - the "**Immediate Reports**"). The information presented in the immediate report is presented here by way of reference.

Regulation 24A – Registered and Issued Capital and Convertible Securities, as of March 12, 2023

	NUMBER OF CONVERTIBLE SHARES/SECURITIES
Registered capital	1,000,000,000 (*)
Issued capital	179,807,809
Issued capital held by shareholders who are not the Company or a subsidiary	179,722,469**
Issued capital owned by the Company (dormant shares)	85,340
Non-tradable options to employees and officers[13]	2,144,563

(*) Of which 500,000,000 are regular shares and 500,000,000 are preferred shares.

(**) This total does not include 85,340 dormant shares owned by the Company.

Regulation 24B – Shareholders' Registry

For the Company shareholders' registry, see the immediate report published by the Company on January 23, 2023 (Ref: 2023-01-010518). The information presented in the report is presented here by way of reference.

Regulation 25A – Registered Address

See the beginning of first page of this report for Additional Information Regarding the Corporation (Page 2 above).

12 In addition, the Board of Directors' decision also included an approval to allocate 150,334 options to Company employees.

13 It should be noted that on March 12, 2023, the Company's Board of Directors approved the allocation of 962,621 option warrants to the Chairman of the Company's Board of Directors, to the directors, officers and employees, which, as of the publication of this periodic report, have not yet been allocated and which have not been taken into account.

Regulation 26 – The Corporation's Directors

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	MIA LIKVERNIK
ID:	055585277	51673192	33433152	051112027	001331206	028951192	054133632
Date of birth:	October 25, 1958	October 7 1952	8/10/1976	20/11/1951	9/04/1949	25/09/1971	29.12.1956
Address:	8 Hatarbut, Ramat Hasharon	12 Litvinsky, Ramat Gan	1 Simtat HaRimon, Rishpon	11 Smadar, Carmei Yosef	22a Hatet-Zayin, Tel Aviv	1 Yafe Nof, Givatayim	Be'eri 12, Tel Aviv
Citizenship:	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on Board of Directors committees:	No	No	No	Member of the Remuneration Committee as of May 16, 2022	Member of the Audit Committee (Chairman), Financial Statement Approval Committee and Remuneration Committee	Member of the Audit Committee, Financial Statement Approval Committee (Chairman) and Remuneration Committee (Chairman)	Member of the Financial Statement Examination Committee and Audit Committee from March 22, 2022.
Independent/external director?	No	No	No	Yes - independent director	Yes - external director	Yes - external director	Yes - independent director
Employed by the corporation, a subsidiary, an associate or an interested party?	Active salaried Chairman of the Board of Directors	Company CEO since January 1, 1993	No	No	No	No	No
In office as of:	November 26, 1996	October 28, 1990	August 16 1998	November 23, 2015	May 13, 2018	July 12, 2018	November 15, 2021
Education:	BA Degree in Business Administration and Accounting – College of Management, Academic Studies, Certified Public Accountant.	BA in Economics and Business Administration, Bar Ilan University, BA in Accounting, Tel Aviv University, Certified Public Accountant.	Ph.D in Neuroscience, Haifa University, MBA in Business Administration, the Hebrew University of Jerusalem, MSc in Neurobiology (Neuroscience), Haifa University, BSc in Marine Biology from Ruppin College.	BA in Economics, Ben Gurion University, MA in Public Administration, Harvard University.	BA in Economics, Tel Aviv University, PhD in Economics, University of Minnesota	BA in Business Administration with Specialization in Accounting, College of Management Academic Studies MBA in Business Administration, Ben Gurion University	MA in History of the Middle East and Africa and BA in Law, Tel Aviv University Studying for MA in Gender Studies, Tel Aviv University Certified Attorney at Law.
Employment over the past five years:	Alony-Hetz Properties and Investments Ltd.	Company CEO from January 1, 1993, Chairman of the Board of Directors of Amot Investments Ltd., Chairman of the Board of Directors of Energix Renewable Energy Ltd., Chairman of the Board of Directors of	PhD student of Neuroscience – Haifa University. Chairman of the Hetz Center at the Givat Olga Technoda, CEO of the Hetz Umatara NGO and Director at the Feat Fund Limited Partnership.	Head of the Institute for National Security Studies INSS (until May 2021), Chairman of the Ben Gurion Heritage Institute on a voluntary basis, Chairman of the Fidel Association on a voluntary basis. Owner of an international lecture and consulting company.	Professor of Economics, Dean of the Tiomkin School of Economics and Head of the Aharon Institute for Economic Policy at Reichman University, lecturer on Economics at Wharton School of Business	Head of the Accounting program and Deputy Dean of the Arison School of Business Administration at Reichman University, academic supervisor for accounting courses and academic	Founder and Chairman of Keshet Donor Fund (Public Benefit Company); Active Chairman of NTA (Government Company), External lecturer for Master's Degree in the

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	MIA LIKVERNIK
		Carr Properties and Chairman of the Board of Directors of Brockton Everlast.		From February 2023, Founding President and Member of the Board of Directors of MIND Israel (Public Benefit Company), a consulting firm for advanced strategic thinking.	Administration at the University of Pennsylvania, academic and strategic advisor at the Center for Financial Growth, Bank Hapoalim.	consultant for accounting at the Open University, the Department of Management and Economics, owner and CEO of IFRS Consulting.	Tel Aviv University Law Department.
Serves on the board of directors of:	The Company (Chairman), Amot Investments Ltd., Energix Renewable Energies Ltd., PSP Swiss Property AG, Carr Properties Corporation and director in consolidated companies of the Company, of Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies and in private companies owned by him and by family members.	The Company, Amot Investments Ltd. (Chairman), Energix Renewable Energy Ltd. (Chairman), Carr Properties Corporation (Chairman), Brockton Everlast Inc. (Chairman), director in the consolidated companies of the Company, of Energix, and of Carr, in joint companies of Alony-Hetz Properties and Investments Ltd. and of Oxford Properties and director in private companies under its ownership and under the ownership of his family.	The Company, Feat Fund Investments - Limited Partnership.	The Company, Ben Gurion Heritage Institute, Chairman of the Fidel Fund and Mind Israel (Public Benefit Company).	External director in the Company.	External director in the Company, Director at the Israeli Association of Valuators (Non-Profit), external director at Midroog Ltd.	The Company, Keshet Donor Fund (Chairman, Public Benefit Company); Israel Museum, NTA (Chairman) and Clal Holdings.
Family member of another interested party in the corporation?	No	Father of Adva Sharvit	Daughter of Nathan Hetz	No	No	No	No
Does the Company consider them as having accounting and financial expertise for the purpose of complying with the minimum number on the Board of Directors?	Yes	Yes	No	No	Yes	Yes	Yes

Regulation 26A – Senior Corporate Officers

SENIOR OFFICERS	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	MAYA YAAKOV	NAAMA EMMANUEL	MORAN SADE	YISRAEL GEWIRTZ
ID:	022939276	023944176	055080428	036402733	039265327	037058443	033762139
Date of birth:	13/9/1967	24/7/1968	25/1/1958	13/7/1979	15/12/1983	6/03/1985	19/02/1977
In office as of:	October 2005	April 2008	March 2007	June 2008	April 2014	October 2022	May 2017
Position at the corporation:	VP of Business Development	CFO	Legal Counsel and Company Secretary	Accountant	Accountant	Accountant	Internal Auditor
Position in the corporation's subsidiary or interested party	Director at Amot, director at Energix, director at Carr Properties Corporation, director at joint Alony-Hetz Properties and Investments and Oxford Properties companies, director at Brockton Everlast Inc. and director at Company subsidiaries. Member of Brockton Capital Funds steering committees	Director at Energix, director at Brockton Everlast Inc. and director at consolidated companies of the Company and Energix.	None	None	None	None	Internal Auditor at Energix Renewable Energies Ltd.
Interested party or family member of interested party or senior officer in the corporation:	No	No	No	No	No	No	No
Education:	MBA, BA in Economics and Accounting, Tel Aviv University. Certified Public Accountant	MST, University of San Jose, CA. BA in Business Administration and Accounting, College of Management Certified Public Accountant	Attorney, BA of Law, Tel Aviv University.	MBA (with a Specialization in Business Taxation), College of Management, BA in Accounting and Economics, Tel Aviv University. Certified Public Accountant.	BA in Accounting, Management and Economics, Tel Aviv University. Certified Public Accountant	MA in Finance for Accountants, the College of Management Academic Track and BA in Accounting and Business Administration, the College of Management Academic Track.	BA in Accounting and Economics, Bar Ilan University. Certified Public Accountant. Certification in Risk Management Assurance (CRMA) and Certified Internal Auditor (CIA) from the U.S. Institute of Internal Auditors
Employment over the past five years:	Current position	Current position	Current position	Current position	Current position	Comptroller at Energix Renewable Energies Ltd., Financial Reporting Manager at El Al.	Partner in Fahn Kanne Management and Control Ltd.

Regulation 26B – Independent Authorized Signatories

The Company has no independent authorized signatories.

Regulation 27 – The Corporation's Accountant

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

Regulation 28 – Amendment of Memorandum or in Articles of Association

There were no changes made to the Company's Memorandum or Articles of Association in 2022.

For an up-to-date version of the Company's Articles of Association, see the immediate report published by the Company on July 12, 2018 (Ref: 2018-01-063447).

Regulation 29 – Recommendations and Decisions of the Board of Directors

a)

1. At its meeting on March 22, 2022, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.31 per share for the first quarter of 2022, in accordance with the dividend policy for 2022. In addition, at its above meeting, the Company's Board of Directors decided to distribute an additional dividend in respect of 2021 in the amount of NIS 0.44 per share.
2. At its meeting on May 24, 2022, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.31 per share, for the second quarter of 2022, in accordance with the dividend policy for 2022.
3. At its meeting on August 17, 2022, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share for the third quarter of 2022, in accordance with the dividend policy for 2022.
4. At its meeting on November 22, 2022, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share for the fourth quarter of 2022, in accordance with the dividend policy for 2022.
5. The Company did not engage in transactions with interested parties that are not in accordance with market conditions. For details of transactions between the Company and its interested parties, see Note 18 to the financial statements and Regulation 21 above.

b) General Assembly decisions: In 2022, no special General Assemblies were held and no decisions were made contrary to the recommendation of the Board of Directors.

Regulation 29A – Company Decisions

6. Regarding Company decisions on the subject of indemnification, exemption and insurance, see Note 18 to the financial statements.
7. On May 18, 2021, the Company's Board of Directors (on the recommendation of the Audit Committee) approved the Company to extend, by three years, the existing arrangement with Energix for the execution forward transactions. For additional information, see Note 18.e.3 to the financial statements. It should be noted that the framework transaction was defined as an exceptional transaction by the Audit Committee only for the sake of caution.

Aviram Wertheim, Chairman of the Board of Directors

Nathan Hetz – Director and CEO

Corporate Governance Questionnaire

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Banie, Poland

Corporate Governance Questionnaire for 2022

	Board of Directors' Independence	Answer
1.	Two or more external directors served at the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as noted in Section 363a(b)(10) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which two external directors did not serve during the reporting year (including a period of service approved retroactively, while separating between the different external directors).	Correct Director A: Prof. Zvi Eckstein – served throughout the year. Director B: Shlomi Shuv – served throughout the year. Number of external directors serving in the corporation as of the publication of this questionnaire: 2.
2. a	Rate[1] of independent directors[2] serving in the corporation as of the date of publication of this questionnaire.	4/7
2. b	Rate of independent directors determined in the corporation's[3] bylaws[4]	N/A (no instructions were determined in the bylaws).
3.	In the reporting year, an examination was conducted with the external directors (and the independent directors) and they were found to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law in the reporting year regarding the absence of affiliation of the external (and independent) directors serving in the corporation, and they comply with the conditions required for serving as an external (or independent) director.	Correct
4.	None of the directors serving at the corporation during the reporting year are subordinate[5] to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if the corporation has employee representation). If your answer is "Incorrect" (meaning that the director is subordinate to the CEO) – note the rate of directors failing to meet this restriction.	Correct
5.	All directors who announced the existence of their personal interest in approving a transaction on the agenda of the meeting were absent from the discussion and did not vote as aforesaid (except for discussion and/or voting under the circumstances in Section 278(b) of the Companies Law): If your answer is "Incorrect" - Was it for the presentation of a specific subject in accordance with Section 278(a) final clause? And note the rate of meetings in which such directors attended the discussion and/or participated in the vote, except for the circumstances noted in Subsection (a)	Correct
6.	The controlling shareholder (including his relatives or representatives on his behalf), who is not a director or other senior officer of the corporation, was not present at board meetings held during the reporting year[6].	N/A (the corporation does not have a controlling shareholder).

[1] In this questionnaire, "**rate**" means a certain number out of the total. For instance, 3/8.
[2] Including "external directors", as defined in the Companies Law.
[3] In this questionnaire – "bylaws" including in accordance with a specific legal provision applicable to the corporation (for instance in a banking corporation – the Supervisor of Banks instructions).
[4] A bond company does not have to answer this section.
[5] Regarding this question – the very fact of service as a director in an investee corporation under the corporation's control will not be considered "subordination", while on the other hand, the service of a director in a corporation serving as an officer (with the exception of a director) and/or an employee in a corporation held by the corporation will be considered "subordinate" for this question.
[6] It should be noted that our answer relates to the controlling shareholder (including his relative and/or his representative), who is not a director but not to other senior officers of the corporation.

	Competence and capabilities of the directors	Answer
7.	The corporation's bylaws do not have a provision limiting the possibility of immediately terminating the service of all of the corporation's directors who are not external directors (in this regard – a regular majority vote is not considered a limitation).[7]	Correct
7a.	Director's term of office determined in the bylaws:	N/A
7b.	Required majority determined in the bylaws for the termination of the service of directors:	N/A
7c	Legal quorum determined in the bylaws at the general assembly for the termination of the service of directors:	N/A
7d.	Required majority for making these changes in the bylaws:	N/A
8.	The corporation was responsible for preparing a training program for new directors, on the subject of corporate business and regarding the laws applicable to the corporation and the directors, and also prepared an advanced program for the training of incumbent directors, which is adapted, inter alia, to the role of the director in the corporation.	Correct The program was operated in the reporting year.
9a.	The corporation established a mandatory minimum number of directors on the board of directors who are required to have accounting and financial expertise. If your answer is "Correct" - note the minimum number determined.	Correct, A minimum number of 3 directors was determined.
9b.	Number of directors serving in the corporation during the reporting year – In the event of changes in the number of directors during the reporting year, the lowest number should be listed (with the exception of a period of 60 days from the change) of directors of any kind serving in the reporting year.	Number of directors with accounting and financial expertise[8]: 5. Number of directors with professional qualifications[9]: 2.
10a	Throughout the reporting year, the composition of the board of directors consisted of members of both genders. If your answer is "Incorrect" - note the period of time (in days) in which this was not upheld. This question may be answered "Correct" if the period of time in which directors of both genders did not serve does not exceed 60 days, however, any (Correct/Incorrect) answer must note the period of time (in days) in which directors of both genders did not serve in the corporation.	Correct
10b.	Number of directors of each gender serving on the corporation's board of directors as of the publication of this questionnaire:	Men: 5 Women: 2

[7] A bond company does not have to answer this section.
[8] After the assessment of the Board of Directors, in accordance with the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.
[9] See footnote 8.

	Board meetings (convening of the General Assembly)	Answer
11a	The number of board meetings held throughout each quarter in the reported year:	A total of 11 meetings were held during 2022, as follows: First quarter (2022): 4 Second quarter: 1 Third quarter: 4 Fourth quarter: 2
11b.	Next to the name of each of the directors serving in the corporation during the reporting year, note their participation rate in meetings of the board of directors (in this sub-section – including the meetings of the board of directors committees in which they are members, and as noted below) that took place during the reporting year (and referring to their term in office): (Add additional lines according to the number of directors)	

11b.	Name of Director	Attendance rate at board meetings	Attendance rate at Audit Committee meetings[10]	Attendance rate at Financial Statements Examination Committee meetings[11]	Attendance rate at Remuneration Committee meetings[12]	Rate of his participation in the meetings of other Board committees of which he is a member (stating the name of the committee)	
	Aviram Wertheim	100%	N/A	N/A	N/A	N/A	
	Nathan Hetz	100%	N/A	N/A	N/A	N/A	
	Zvi Eckstein	73%	100%	100%	100%	N/A	
	Shlomi Shuv	100%	100%	100%	100%	N/A	
	Mia Likvernik	100%	100%	100%	N/A	N/A	
	Adva Sharvit	82%	N/A	N/A	N/A	N/A	
	Amos Yadlin	82%	N/A	N/A	N/A	N/A	

12.	During the reporting year, the board of directors held at least one discussion on the subject of the management of the corporation's business by the CEO and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.	Correct

[10] For directors who are members of this committee.
[11] For directors who are members of this committee.
[12] For directors who are members of this committee.

	Separation between the Positions of CEO and Chairman of the Board of Directors	Answer
13.	A chairman of the board of directors served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no chairman of the board served in the corporation does not exceed 60 days (as stated in Section 363a(2) of the Companies Law), however, any (Correct/Incorrect) answer must note the period of time (in days) in which a chairman of the board did not serve in the corporation.	Correct
14.	A CEO served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no CEO served in the corporation does not exceed 90 days as stated in Section 363a(6) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which a CEO did not serve in the corporation: ___.	Correct
15.	In a corporation in which the chairman of the board also serves as the corporation's CEO and/or has the authorities of the CEO, the double service has been approved in accordance with Section 121(c) of the Companies Law[13].	N/A
16.	The CEO is <u>not</u> related to the Chairman of the Board.	Correct
16a.	State family relationship between the parties:	N/A
16b.	The service was approved in accordance with Section 121(c) of the Companies Law[14]	N/A
17.	The controlling shareholder or his relative <u>does not</u> serve as CEO or senior officer in the corporation, except as a director.[15]	N/A

[13] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[14] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[15] Note that as of November 26, 2019, the Company does not have a controlling shareholder.

	Audit Committee	Answer
18.	The following did not serve on the Audit Committee in the reporting year.	
18a.	The controlling shareholder or his relative	N/A (the Corporation does not have a controlling shareholder).
18b.	Chairman of the Board of Directors	Correct
18c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct
18d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct
18e.	A director whose main earnings are from the controlling shareholder.	N/A (the Corporation does not have a controlling shareholder).
19.	Those who are not entitled to be members of the Audit Committee, including the controlling shareholder or his relatives, were not present in the reporting year at the meetings of the Audit Committee, except in accordance with Section 115(e) of the Companies Law.	Correct
20.	A legal quorum for discussions and decision-making at all of the Audit Committee meetings held in the reporting year was a majority of the committee members, and most of those present were independent directors, and at least one of them was an external director. If your answer is "Incorrect" - state the number of meetings in which the requirement was not upheld.	Correct
21.	The Audit Committee held at least one meeting during the reporting year in the presence of the internal auditor and the auditing accountant, and without the presence of officers of the corporation who are not committee members, on the subject of deficiencies in the corporation's business management.	Correct
22.	In all Audit Committee meetings at which people not entitled to be committee members were in attendance, it was with the approval of the chairman of the committee or at the committee's request (regarding the corporation's legal counsel and secretary, who is not a controlling shareholder or related to one).	Correct
23.	During the reporting year, arrangements were in effect that had been established by the Audit Committee regarding the treatment of complaints of the corporation's employees in the matter of deficiencies in the management of its business and regarding the protection given employees who complained.	Correct
24.	The Audit Committee (and/or the Financial Statements Examination Committee) is satisfied that the extent of the work of the auditing accountant his wage regarding the financial statements in the reporting year are sufficient for performing appropriate auditing and reviewing work.	Correct

	The duties of the Financial Statements Examination Committee (hereinafter – the Committee) in its preliminary work for the approval of the financial statements	Answer
25a.	Note the amount of time (in days) that the Board of Directors has determined as a reasonable time for submitting the Committee's recommendations for the Board of Directors' discussion for approval of the financial statements.	3 days
25b.	Number of days that passed between submission of the recommendations to the board of directors and the date of the Board meeting for the approval of the financial statements	First quarter report: 5 Second quarter report: 3 Third quarter report: 5 Annual report: 4
25c.	Number of days that passed between submission of the Draft Financial Statements to the directors and the date of the Board discussion for the approval of the financial statements:	First quarter report: 5 Second quarter report: 3 Third quarter report: 5 Annual report: 4
26.	The corporation's auditing accountant participated in all of the meetings of the committee and the board of directors, in which the corporation's financial statements were discussed, which refer to periods included in the reporting year. If your answer is "Incorrect", note his participation rate.	Correct
27.	The Committee complied with all of the conditions below during the entire reporting year and until the publication of the annual report:	
27a.	The number of its members was not less than three (on the date of the committee discussion and approval of the statements).	Correct
27b.	All of the conditions in Section 115(b) and (c) of the Companies Law (regarding the tenure of members of the Audit Committee) were complied with.	Correct
27c.	The Chairman of the Audit Committee is an External Director.	Correct
27d.	All of the members are directors and the majority are independent directors.	Correct
27e.	All of its members are capable of reading financial statements and at least one of the independent directors has accounting and financial expertise.	Correct
27f.	The Committee members submitted declarations prior to their appointment.	Correct
27g.	The legal quorum for discussions and decision-making in the Committee is a majority of its members, on the condition that the majority of those present are independent directors, at least one of whom is an external director.	Correct
27h.	If your answer for one or more of the sub-sections of this question is "Incorrect", specify regarding which report (periodic/quarterly) the condition was not complied with and the condition that was not complied with.	N/A

	Remuneration Committee	Answer
28.	In the reporting year, the committee consisted of at least three members and there was a majority of external directors (on the date of the committee's discussion).	Correct
29.	The terms of service and employment of all members of the Remuneration committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000.	Correct
30.	The following did not serve on the Remuneration Committee in the reporting year –	
30a.	The controlling shareholder or his relative	N/A (the corporation does not have a controlling shareholder).
30b.	Chairman of the Board of Directors	Correct
30c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct
30d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct
30e.	A director whose main earnings are from the controlling shareholder.	N/A (the corporation does not have a controlling shareholder).
31.	The controlling shareholder or his relative did not attend the Remuneration Committee meetings in the reporting year, unless if the chairman of the committee stated that any of them were needed to present a certain subject.	N/A (the Corporation does not have a controlling shareholder).
32.	The Remuneration Committee and the Board of Directors did use their authority under Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a remuneration policy despite the opposition of the General Assembly. If your answer is "Incorrect", note the type of transaction approved as stated and the number of times their authority was used in the reporting year.	Correct

	Internal Auditor	Answer
33.	The Chairman of the Board of Directors or the corporation's CEO is the Internal Auditors organizational supervisor at the organization.	Correct
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan for the current year. The audit topics examined by the internal auditor in the reporting year: (a) Internal Enforcement Plan; (b) Information Systems - Backups; (c) Insurance and (d) Wages (including executive wages).	Correct
35a.	Scope of internal auditor transactions in the corporation in the reported year (in hours[16])	310 hours
35.b	A discussion was held in the reporting year (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	Correct
36.	The Internal Auditor is not an interested party in the corporation, a relative, an auditing accountant or anyone acting on his behalf and does not conduct significant business relations with the corporation, its controlling shareholder, his relative or corporations under his control.	Correct

	Transactions with interested parties	Answer
37.	The controlling shareholder or his relative (including a company under his control) are not employed by the corporation or provide management services. If your answer is "Incorrect" (meaning that the controlling shareholder or their relatives are employed by the corporation or provide management services), note – - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): - Were such employment agreements and/or management services approved by the legally mandated organs.	N/A (the Corporation does not have a controlling shareholder).
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's area of activity (in one area or more). If your answer is "incorrect" – note whether an arrangement was determined for setting boundaries between the corporation's activity and that of its controlling shareholder.	N/A (the Corporation does not have a controlling shareholder).

Signatures:

Chairman of the Board of Directors: Aviram Wertheim

Chairman of the Audit Committee: Zvi Eckstein

Chairman of the Financial Statements Review Committee: Shlomi Shuv

Date of signing: March 12, 2023

---

[16] Including work hours invested in audits of investees. It should be noted that the public subsidiaries, Amot Investments Ltd. and Energix Renewable Energy Ltd., have their own internal auditors.

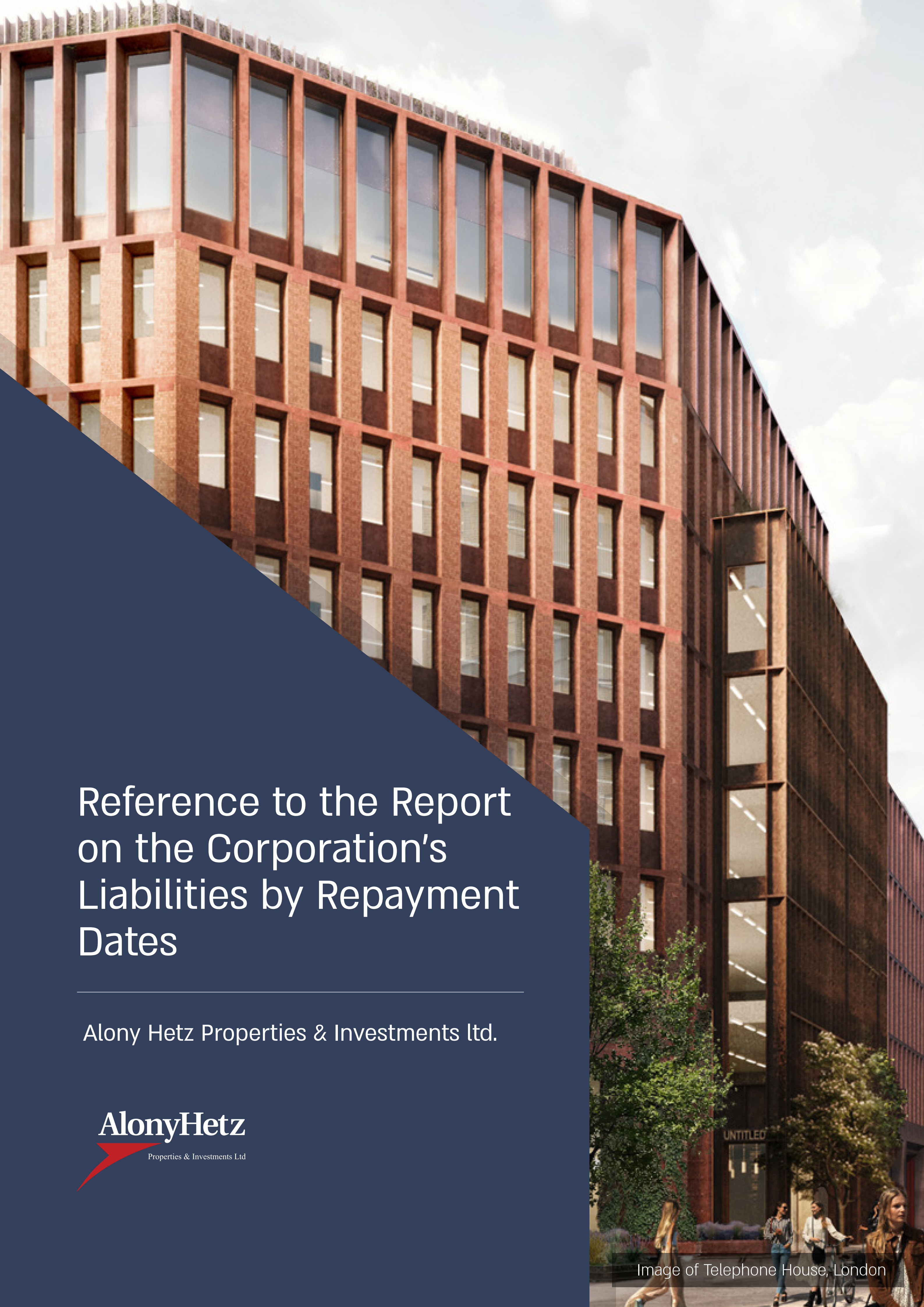


Image of Telephone House, London

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

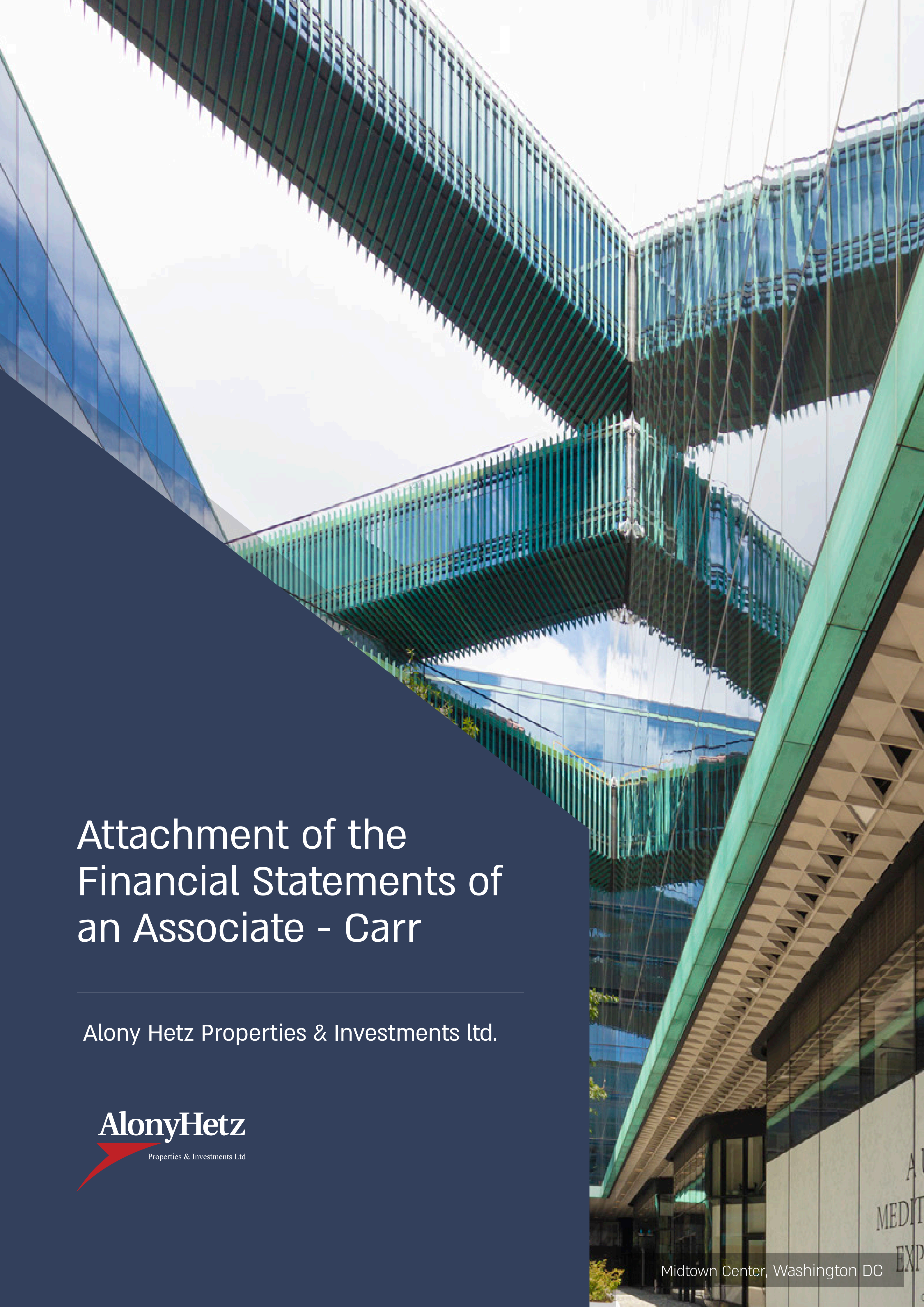
Report on the Status of Liabilities by Repayment Dates, as of December 31, 2022

Regarding the status of liabilities by repayment dates as of December 31, 2022, see the Immediate Report dated March 13, 2023.

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz Properties & Investments Ltd



Midtown Center, Washington DC

CARR PROPERTIES HOLDINGS LP

Consolidated Financial Statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021

CARR PROPERTIES HOLDINGS LP

Table of Contents

Report of Independent Auditors

To the Management of Carr Properties Holdings, LP

Opinion

We have audited the accompanying consolidated financial statements of Carr Properties Holdings, LP and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income (loss), of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

February 16, 2023

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

		December 31,	
	Notes	**2022**	**2021**
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,606,762 and $2,415,564)	5,11	$ 2,107,521	$ 2,403,873
Properties in development (cost of $8,876 and $160,848)	5,11	8,876	169,254
Investments in associates and joint ventures	6	671,714	705,632
Goodwill	8	9,326	9,326
Derivative assets	10	36,524	3,601
Straight line rent receivable		112,003	95,701
Deferred leasing costs and other, net		37,003	38,783
		2,982,967	3,426,170
Current assets			
Trade receivables, net		4,594	6,133
Prepaid expense and other assets		11,314	14,124
Restricted cash	10	6,364	5,310
Cash and cash equivalents	2,10	36,629	28,373
		58,901	53,940
Total assets		$ 3,041,868	$ 3,480,110
EQUITY			
Equity attributable to common shareholders	17	$ 1,666,533	$ 1,606,196
Equity reserve from increase in CPP		9,488	9,829
Equity reserve for cash flow hedges	11	6,400	(15,173)
Retained earnings (accumulated deficit)		(137,667)	292,854
Equity attributable to non-redeemable non-controlling interests	17	114,400	144,161
Total equity		1,659,154	2,037,867
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 604,289	$ 567,981
Notes payable, net of current portion and deferred financing fees	9,10	372,641	508,870
Lease liabilities, net of current portion	7	145,908	143,170
Redeemable non-controlling interests, net of current portion	17	—	2,233
Derivative liabilities, net of current portion	11	—	2,550
Security deposits		4,427	3,956
Other liabilities		10,720	12,863
		1,137,985	1,241,623
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	136,902	2,578
Current portion of lease liabilities	7	614	524
Redeemable non-controlling interests, current	17	70,987	152,448
Rent received in advance		7,967	9,296
Trade and other payables	2	28,259	35,774
		244,729	200,620
Total liabilities		1,382,714	1,442,243
Total equity and liabilities		$ 3,041,868	$ 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	February 16, 2023	

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

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

	Notes	For The Years Ended December 31, 2022	2021
Revenues			
Rental revenue		$ 170,239	$ 174,743
Recoveries from tenants		18,598	28,452
Parking income		9,637	7,934
Property management fees and other	14	4,974	3,916
Total revenues		203,448	215,045
Operating expenses			
Property operating expenses			
Direct payroll and benefits		9,289	9,119
Repairs and maintenance		10,335	10,169
Cleaning		5,523	5,131
Utilities		8,584	6,982
Real estate and other taxes		35,487	39,210
Other expenses	13	22,008	17,955
Property operating expenses		91,226	88,566
Non-property general and administrative expenses	12	19,838	23,308
Total operating expenses		111,064	111,874
Other operating loss			
Net loss from fair value adjustment of investment properties	5	(496,719)	(45,730)
Realized loss on disposition of investment properties	4	(3,166)	(24,804)
(Loss) income from investments in associates	6	(28,882)	53,967
Total other operating loss and expense		(528,767)	(16,567)
Operating (loss) income		(436,383)	86,604
Other (expense) income			
Loss on extinguishment of debt	9	—	(3,474)
Other income		365	391
Revaluation of redeemable non-controlling interests		23,501	(4,506)
Interest expense	9	(49,746)	(42,138)
Pre-tax (loss) income		(462,263)	36,877
Income and franchise tax expense		1,154	1,611
Net (loss) income		$ (463,417)	$ 35,266
Attribution of net (loss) income			
Common shareholders		$ (430,521)	$ 32,323
Non-redeemable non-controlling interests		(32,896)	2,943
		$ (463,417)	$ 35,266
Other comprehensive income			
Items that may be subsequently reclassified to income or loss:			
Unrealized (loss) gain on cash flow hedges	11	$ 25,865	$ 8,120
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		25,865	25,622
Total comprehensive (loss) income		$ (437,552)	$ 60,888
Attribution of comprehensive (loss) income			
Common shareholders		$ (408,948)	$ 55,204
Non-redeemable non-controlling interests		(28,604)	5,684
		$ (437,552)	$ 60,888

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

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

	Notes	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, 2020		1,393,348	$ 1,606,196	$ 9,756	$ (38,054)	$ 262,864	$ 1,840,762	$ 143,031	$ 1,983,793
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	92	92
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(4,328)	(4,328)
Change in equity reserve from increase in CPP		—	—	73	—	—	73	(73)	—
Net Income		—	—	—	—	32,323	32,323	2,943	35,266
Unrealized loss on cash flow hedges	11	—	—	—	6,479	—	6,479	1,641	8,120
Amortization of terminated cash flow hedge		—	—	—	1,148	—	1,148	77	1,225
Write off of previously terminated cash flow hedge					15,254		15,254	1,023	16,277
Distributions	17	—	—	—	—	(2,333)	(2,333)	(245)	(2,578)
Balance as of December 31, 2021		1,393,348	1,606,196	9,829	(15,173)	292,854	1,893,706	144,161	2,037,867

	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		—	—	—	—	—	—	(72)	(72)
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(1,795)	(1,795)
Issuance of common shares, net of offering costs		45,755	60,337	—	—	—	60,337	—	60,337
Issuance of common shares, non-cash		41,391	—	—	—	—	—	—	—
Change in equity reserve from increase in CPP		—	—	(341)	—	—	(341)	4,116	3,775
Net loss		—	—	—	—	(430,521)	(430,521)	(32,896)	(463,417)
Unrealized gain on cash flow hedges - intrinsic	11	—	—	—	19,565	—	19,565	4,160	23,725
Unrealized gain on cash flow hedges - time value		—	—	—	2,008	—	2,008	132	2,140
Non-controlling interest partner contribution		—	—	—	—	—	—	500	500
Distributions	17	—	—	—	—	—	—	(3,906)	(3,906)
Balance as of December 31, 2022		1,480,494	$ 1,666,533	$ 9,488	$ 6,400	$ (137,667)	$ 1,544,754	$ 114,400	$ 1,659,154

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

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

	Notes	For The Years Ended December 31, 2022	2021
Cash flows from operating activities			
Net income		**$ (463,417)**	**$ 35,266**
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	5	496,719	45,730
Write off of previously terminated cash flow hedge		—	16,277
Loss (income) from investments in associates	6	28,882	(53,967)
Loss on extinguishment of debt	9	—	3,474
Return on investments in associates	6	180	—
Income and franchise tax expense		1,154	1,611
Interest expense, net excluding amortization of deferred financing fees		48,153	40,069
Amortization of deferred financing fees		1,728	2,204
Amortization of equipment leases		404	269
Amortization of Equipment & Software		248	233
Amortization of deferred leasing costs and lease incentives		5,426	5,268
Amortization of note payable premium		(135)	(135)
Provision for bad debt expense		859	280
LTIP Compensation		816	5,648
Revaluation of redeemable non-controlling interests		(23,501)	4,506
Changes in assets and liabilities			
Trade receivables		680	6,626
Straight line rent receivable		(16,302)	(23,260)
Purchase of interest rate cap		(11,530)	—
Prepaid expense and other assets		2,810	(4,218)
Trade and other payables		(4,655)	88
Rent received in advance		(1,329)	(5,440)
Cash generated by operations		**67,190**	**80,529**
Cash paid for interest		(42,240)	(37,197)
Net cash provided by operating activities		**24,950**	**43,332**
Cash flows from investing activities			
Proceeds from sale of investment property held for sale		—	18,496
Proceeds from sale of income generating property	5	—	302,930
Acquisition of income generating property, including prepaid acquisition costs	5	—	(195,674)
Contributions to investment in associates	6	(9,879)	(24,549)
Return of capital from investments in associates	6	14,735	10,154
Acquisition of development property land		(2,708)	—
Additions to deferred leasing costs		(9,362)	(7,904)
Additions to tenant improvements		(11,456)	(22,800)
Additions to construction in progress, including capitalized interest		(5,453)	(44,377)
Other capital improvements on income generating properties		(20,419)	(32,440)
(Increase) decrease in restricted cash		(567)	7,117
Net cash provided by (used in) investing activities		**(45,109)**	**10,953**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	17	(61,978)	(1,078)
Distribution to non-controlling interest partner	5	(1,795)	(4,328)
Contribution from non-controlling interest partner		500	—
Principal portion of lease payments	8	(1,185)	(636)
Issuance of common shares, net of offering costs	17	60,337	—

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

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

	Notes	For The Years Ended December 31, 2022	2021
Borrowings under credit facility	9	95,000	595,000
Repayments under credit facility	9	(60,000)	(454,000)
Borrowings on notes payable	9	546	67,606
Repayments of notes payable	9	(2,684)	(253,912)
Payment of deferred financing fees		(139)	(6,222)
Distributions to common shareholders and non-redeemable non-controlling interests	17	(115)	(2,562)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		(72)	92
Net cash (used in) provided by financing activities		**28,415**	**(60,040)**
Net (decrease) increase in cash and cash equivalents		**8,256**	**(5,755)**
Cash and cash equivalents, beginning of the period		**28,373**	**34,128**
Cash and cash equivalents, end of the period		**$ 36,629**	**$ 28,373**
Supplemental disclosures of cash flow information:			
Capitalized interest		$ 774	$ 4,108
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		175	709
Lease liabilities arising from obtaining/revaluing right-of-use assets	8	1,275	14,919
Non-cash interest expense	9	2,737	1,557
Debt and other liabilities assumed in acquisition of 100 Congress	5	—	120,625
Debt and other liabilities deconsolidated due to disposition of Midtown Center	5	—	(525,000)
Debt and other liabilities deconsolidated due to disposition of 100 Congress	5	—	(140,560)
Issuance of redeemable non-controlling interests	17	1,775	864

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

1. Organization and Description of Business

Carr Properties Holdings LP (collectively, the "Partnership", "Holdings", "our", or “CPH”) was formed as a Delaware limited partnership. The Partnership’s corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. The Partnership owns a 100% interest in Carr Properties Corporation (“CPC”), which owns a 90.02% interest in a consolidated subsidiary, Carr Properties Partnership (“CPP”). Through CPP, and various consolidated subsidiaries, the Partnership engages in owning, operating and developing commercial office and residential real estate properties in 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, one consolidated operating property owned through a joint venture, one consolidated operating property owned through a joint operation, two non-consolidated operating properties owned through joint ventures, one non-consolidated development property owned through a joint venture, and one consolidated development property owned through a 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. ("Clal") in Holdings as of December 31, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These financial statements are presented in United States dollars, which is the Partnership's functional and reporting currency. The Partnership has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

The Partnership reports cash flows from operating activities using the indirect method. Interest received and paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership’s business activities.

(c) Principles of Consolidation

General

The consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities over which the Partnership has the power to govern the entities’ financial and operating policies, generally accompanying an ownership of more than 50% 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 and joint ventures

Associates are entities over which the Partnership has significant influence but does not unilaterally control the voting rights nor the most significant activities of the entities. Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognized at cost, with the carrying amount increased or decreased based on the Partnership's share of profits, losses, contributions and distributions. The Partnership also uses the equity method to account for investments in associates when its ownership interest is less than 20% if it can exert significant influence. Significant influence is derived when the Partnership is the general partner or managing member, participates in the policy making processes, including preparation of the budgets and initiation of contracts, or is involved in certain decisions in the investee.

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

Joint Arrangements

The Partnership may enter into contractual arrangements related to the ownership of investment or development properties. The Partnership evaluates such arrangements in accordance with IFRS 11 - J*oint Arrangements* to determine the type of joint arrangement by assessing its contractual rights and obligations. This determination includes the assessment of joint control and the classification of a joint arrangement as a joint operation or a joint venture. Joint arrangements that are classified as a joint operation will result in the Partnership recognizing its proportionate ownership interest in the underlying assets, liabilities, revenue and expenses. Joint arrangements that are classified as a joint venture will be accounted for using the equity method in accordance with IAS 28 - *Investments in Associates and Joint Ventures.*

Non-Controlling Interests

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

(d) Leases

The Partnership has material ground leases under its Columbia Center, 1701 Duke Street, and 300 E Second 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 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. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at fair value at the acquisition date. Acquisition related costs for asset acquisitions are capitalized in the period incurred.

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.

Assets Held for Sale

The Partnership classifies an investment property or investment in associate as held for sale when it has determined that its carrying amount will be recovered principally though a sale transaction rather than its continuing use. The sale must be considered highly probable whereby management has the authority to approve the action, commits to a plan to sell the asset, and the sale of the asset is probable with completion expected within one year.

Assets are not amortized while they are classified as held for sale. The assets and liabilities of an investment held for sale are presented separately from the other assets and liabilities in the consolidated balance sheet.

(f) Investment Properties

In accordance with IAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Partnership, is classified as investment property. Investment properties are properties held to earn rental income and are accounted for using the fair value model. Investment property also includes property that is being constructed or developed for future use 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 "Net loss from fair value adjustment of investment properties" and "Realized loss on disposition of investment properties" on the Consolidated Statements of Operations and Comprehensive Income (Loss), in the period in which they arise. The Partnership determines the fair value of its investment property in accordance with IFRS 13 - *Fair Value Measurement* ("IFRS 13"). The fair value of an investment property reflects the estimated price that an underlying property would realize in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects any expected cash outflows in respect to investment property. Some of those outflows are recognized as a liability, including lease liabilities in respect of land classified as investment property. This includes material ground/air rights leases, where the corresponding leased land asset is measured, consistent with other investment properties, at fair value, at each balance sheet date. For variable lease payments that are not based on an index or rate, they are are not recognized in the Consolidated Balance Sheets, and instead expensed as incurred. For See note 7 - "Leases" for additional details regarding initial measurement of ground/air rights leases.

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 profit after such consideration.

Total properties in development measured at cost, at December 31, 2022 and 2021 totaled $8.9 million and $0.0 million, respectively. Real estate taxes, insurance, and overhead are capitalized onto the cost basis of the asset. Borrowing costs incurred for the construction of assets are also capitalized during the period of time that is required to complete and prepare the asset for its intended use. Thereafter, borrowing costs are charged to earnings. Interest capitalized, including debt financing costs, on investment property that is being constructed, developed or redeveloped totaled $0.9 million at a weighted average rate of 3.76% for the year ended December 31, 2022 and $5.1 million at a weighted average rate of 2.99% for the year ended December 31, 2021.

Development rights are development opportunities in the early phase of the development process where the Partnership either has an option to acquire land, enter into a leasehold interest or where the Partnership is the buyer under a long-term conditional contract to purchase land. The Partnership capitalizes related pre-development costs incurred in pursuit of new developments for which the Partnership currently believes future development is probable. Repairs and maintenance costs are charged to expense as incurred and are included in the Consolidated Statements of Operations and Comprehensive Income.

(g) Goodwill

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 to determine whether any indicators of impairment are present. The Partnership also performs an annual impairment test or more frequently when there is an indicator of an impairment on the goodwill balance, which has an indefinite life. No such losses have been identified and reflected in the accompanying consolidated financial statements.

(h) Restricted Cash

The Partnership classifies cash that is restricted as to usage or withdrawal as restricted cash. Restricted cash includes amounts established pursuant to various agreements for property taxes, insurance and other future lease operations. Restricted cash consists of funds restricted by agreements with financial institutions. These funds will be released upon completion of agreed-upon events, tasks, or time-lines as specified in the respective agreements. For purposes of the Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(i) Fair Value Measurements

The Partnership measures the fair value of its assets and liabilities in accordance with IFRS 13 - *Fair Value Measurement*. This standard requires assets and liabilities to be categorized into a hierarchy based on the lowest level input that is significant to the fair value measurement of the asset or liability. Disclosure of fair value measurements is according to the following hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Partnership recognizes transfers into and transfers out of the fair value hierarchy levels as of the date of the event or changes in circumstances that causes the transfer. There were no transfers in and out of level 1, 2, or 3 for the year ended December 31, 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 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 are 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. If a derivative is not in a qualifying hedge transaction, the Partnership would report fair value changes 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. As tenants are assessed for collectibility, when collectibility is in doubt, the Partnership recognizes revenue on a cash basis for those tenants, and previously recognized straight-line revenue is reserved. Recognition of rental revenue commences when control of the leased space has been transferred to the tenant and the leased space is or can be ready for its intended use.

In connection with a tenant’s execution, or modification, of a lease, if the Partnership makes cash payments to, or on behalf of, the tenant for purposes other than funding the construction of landlord assets, the Partnership defers the amount of such payments as lease incentive assets. Lease incentives assets are recorded as reductions of base rent which are amortized on a straight-line basis over the term of the lease.

Rental revenue also includes payments received in connection with lease termination agreements. Lease termination income is recognized during the period from execution of a lease termination agreement through the effective date of termination. When a tenant's lease for space in a property is terminated early but the tenant continues to lease such space under a new or modified lease in the property, the net revenue from the early termination of the lease is recognized evenly over the remaining life of the new or modified lease in place on that property, unless the Partnership cannot determine that collectability of the lease termination revenue is reasonably assured.

Future cash revenues under non-cancelable leases as of December 31, 2022 are as follows:

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

Years Ending December 31,	Amount
2023	152,077
2024	141,674
2025	126,766
2026	116,598
2027	107,826
Thereafter	415,807
	$ 1,060,748

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 construction management 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 eliminated in consolidation.

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 have been eliminated in consolidation.

Parking Income

The Partnership generates revenues from the parking garages located within its operating properties through management agreements. The Partnership operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(k) Deferred Financing Fees and Notes Payable

The Partnership amortizes the costs incurred to obtain debt financing over the terms of the underlying obligation using the straight-line method, which approximates the effective interest method, in accordance with IFRS 9, *Financial Instruments*. Debt financing costs are netted against the related loan balance and are amortized to interest expense. Deferred financing fees, net of accumulated amortization, were $4.9 million and $6.6 million at December 31, 2022 and 2021, respectively. Amortization expense net of the capitalized portion of deferred financing fees totaled $1.7 million and $2.2 million for the years ended December 31, 2022 and 2021, respectively.

In accordance with IFRS 9, notes payable are recognized initially at fair value, net of transaction costs incurred. After initial recognition, notes payable are subsequently measured at amortized cost. Amounts payable within one year of the balance sheet date are classified as current.

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

(l) Deferred Leasing Costs

The Partnership defers costs incurred to obtain new tenant leases or to extend existing tenant leases. Deferred leasing costs are direct costs that are essential in originating a lease and include third-party commissions and legal leasing costs. These costs are amortized over the life of the related lease. If a tenant terminates its lease prior to the contractual termination, the unamortized balance of any previously deferred leasing costs are expensed in the period the lease is terminated. Amortization expense on deferred leasing costs is recorded within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income. Deferred leasing costs, net of accumulated amortization, are included within "Deferred leasing costs and other, net" on the Consolidated Balance Sheets.

(m) Trade Receivables

Trade receivables are recorded initially at cost and are carried net of a provision for bad debt expense. The Partnership applies IFRS 9 simplified approach to measuring expected credit losses. The determination as to the collectability of trade receivables and, correspondingly, the adequacy of this allowance is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, days past due, and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense, reported in "other expenses" on the Consolidated Statements of Operations and Comprehensive Income (Loss). Accounts receivable are written-off when they are deemed to be uncollectible and the Partnership is no longer actively pursuing collection.

Bad debt expense, net of recoveries, totaled $0.9 million and $0.3 million for the years ended December 31, 2022 and 2021, respectively.

The aging analysis of trade receivables, net of the provision for bad debts of $0.6 million and $1.0 million as of December 31, 2022 and 2021, respectively, is as follows:

	December 31,	
Trade receivables	**2022**	**2021**
Current	$ 4,159	$ 5,141
30 - 90 days	518	741
Over 90 days	482	1,272
AR allowance [1]	(565)	(1,021)
Trade receivable, net	$ 4,594	$ 6,133

[1] AR allowance is not inclusive of straight-line rent allowance and lease incentive allowance, which is reported in "Straight line rent receivable" on the Consolidated Balance Sheet.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term deposits with original maturities of three months or less which are subject to an insignificant risk of changes in value. The majority of the Partnership’s cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of $0.25 million. The Partnership has not experienced any losses to date on its invested cash. For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are comprised of the following:

	December 31,	
	2022	**2021**
Cash at banks	$ 36,412	$ 28,102
Short-term investments	217	271
Cash and cash equivalents	$ 36,629	$ 28,373

(o) Prepaid Expenses and Other Assets

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

Prepaid expenses and other assets include deposits, prepaid insurance and other prepaid operating expenses.

(p) Trade and Other Payables

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

(q) Security Deposits

Certain leases require tenants pay a deposit as a guarantee to return the property at the end of the lease term in a good condition or to cover a portion of future lease payments for leases with terms ranging from 16 to 193 months. Such deposits are treated as financial liabilities in accordance with IFRS 9 and are initially recorded at face value as defined in the terms of the lease agreements, which approximates fair value. Security deposits are maintained as a non-current liability until refunded to the tenant. Amounts expected to be refunded within the next 12 months are recorded in "Trade and other payables" on the Consolidated Balance Sheets.

(r) Income Taxes

The Partnership owns 100% interest in CPC, which has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Partnership is a flow-through entity for income tax purposes and generally will not be subject to federal income tax on its taxable income. The only provision for federal income taxes in the accompanying consolidated financial statements relates to the Partnership's indirect ownership in the taxable REIT subsidiary ("TRS") of CPC.

No provision has been made in the consolidated financial statements for federal, state, or local income taxes, for which the partners of CPH are individually responsible for reporting and paying directly, nor for non-income measure taxes (which include the net worth tax in Massachusetts and the gross margin tax in Texas). The Partnership is directly liable for certain taxes, primarily District of Columbia, Texas, and Massachusetts taxes and federal and state taxes of its TRS. The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2019 forward (with limited exceptions). If such examinations result in changes to the Partnership's profits and losses, the tax liability of the partners could be changed accordingly. Deferred income tax assets and liabilities are provided for using the liability method on temporary differences between the tax basis and carrying amounts of assets and liabilities. Deferred income liabilities are measured at the tax rates that are expected to apply to the year when the liability is settled, based on the tax rates and laws that have been enacted at the balance sheet date.

The Partnership's primary investment is the units it owns in CPC, whose primary investment is the units it owns in CPP, a limited partnership that is taxed as a partnership for federal and state income tax purposes. While the majority of CPP's net income is not taxed at the entity level and is passed through to the partners, CPP is liable for its share of federal income taxes on the taxable income of the TRS it owns, which is taxed as corporation for federal and state income tax purposes.

The significant components of the Partnership's deferred tax assets and liabilities which are included within "Deferred leasing costs and other, net" and "Other liabilities", respectively, on the Consolidated Balance Sheets are as follows:

	Year Ended December 31,	
Deferred tax assets:	**2022**	**2021**
Deferred tax assets	$ 2,348	$ 2,693
Deferred tax liabilities:		
Deferred tax liabilities	$ —	$ —

The Deferred tax assets relate primarily to the net operating losses reflected on the District of Columbia tax return filed by The Company (approx. $2.1 million), with the remainder originating from activity at the TRS, including net operating losses, general business credits, and depreciation timing differences.

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

The tax provision for the year ended December 31, 2022 is as follows:

Provision	**Federal**	**State**	**Total**
Current(1)	$ 251	$ —	$ 251
Deferred(1)	(28)	373	345
	$ 223	$ 373	$ 596

(1) This tax provision excludes net worth and gross margin tax expense of $0.4 million that is included within "Income and Franchise Tax Benefit" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax provision for the year ended December 31, 2021 is as follows:

Provision	**Federal**	**State**	**Total**
Current(1)	$ —	$ —	$ —
Deferred(1)	(103)	1,039	936
	$ (103)	$ 1,039	$ 936

(1) This tax provision excludes franchise tax expense of $0.5 million that is included within "Income and Franchise Tax Benefit" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax loss carryforward of $25.0 million and $29.5 million ($2.1 million and $2.4 million deferred tax asset) as of December 31, 2022 and 2021, respectively, primarily relates to tax losses incurred in the District of Columbia prior to August 19, 2013 which was accounted for as a purchase price adjustment as of Inception, and for losses incurred in 2014 and 2019. The DC tax loss carryforward generated during tax years before 2018 begins to expire in 2028 whereas the tax loss carryforward generated in subsequent years do not expire.

(s) Commitments and Contingencies

For properties in development, the Partnership or its subsidiaries have made commitments as to the completion of construction of the development properties and repayment of any construction-related indebtedness. Commitments to repay investment-related debt and complete construction represent contingent funding commitments by the Partnership to invest additional amounts in its investment properties. The Partnership accounts for these commitments in accordance with the provisions of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*.

(t) Equity

Preferred Stock

Various consolidated entities of the Partnership issue preferred stock for tax planning purposes. These entities have authorized and issued 938 and 750 shares of 12.5% cumulative preferred stock as of December 31, 2022 and 2021, respectively. Total proceeds from the issuances were $0.2 million and $0.2 million for years ended December 31, 2022 and 2021, respectively. The net proceeds and related dividends were classified as non-controlling interests. Dividends are paid semi-annually at a rate of 12.0%-12.5% per year on all preferred stock.

(u) Performance Plan Accruals

All employees of the Partnership participated in an annual performance bonus plan (the "Bonus Plan") under which employees were awarded bonuses based on their performance against assigned goals and objectives. The estimated cost of the bonus is accrued ratably over the year, and the accrual is adjusted based upon actual performance at the end of the respective year. Bonus payments are made in the first quarter following the performance year. At December 31, 2022 and 2021, the Partnership accrued $4.6 million and $4.7 million, respectively, for payments due under the Bonus Plan. The bonus is recorded within "Trade and other payables" on the Consolidated Balance Sheets, and within "Direct payroll and benefits" and "Non-property general and administrative expenses" on the Consolidated Statements of Operations and Comprehensive Income. Amounts capitalized as part of development projects are classified as part of "Investment properties, at fair value."

Some of the Partnership's employees participate in an Equity Incentive Plan ("the Plan"). The Plan provides for the issuance of LTIP Units which may be in the form of Service Units ("LTIP Service Units"), Performance Units ("LTIP Performance Units") or both. See note 15 - "Commitments and Contingencies" for further disclosure.

(v) Property Operating Expenses

Expenses classified as "Property operating expenses" on the Consolidated Statements of Operations and Comprehensive Income consists of expenses directly and indirectly associated with operating the properties.

(w) Retirement Plans

The Partnership operates a defined contribution plan qualified under Section 401(k) of the US Internal Revenue Code. Participants may contribute a portion of their compensation each pay period not exceeding a limit set annually by the Internal Revenue Service. The Partnership matches 100% of the first 4% of contributions made by employees. The Partnership has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense each pay period, and are recorded within "Direct payroll and benefits" and "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income based upon the classification of the employee.

(x) Interest Expense

Premium and issuance costs on the Partnership's notes payable or credit facility are recognized over their respective terms using the straight-line method which approximates the effective interest method, except for borrowing costs relating to properties in development, which are capitalized. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the discount rate at which the estimated future cash payments or receipts throughout the expected life of the financial instrument, or for a shorter period where appropriate, equals the net carrying amount of the financial asset or financial liability.

(y) Use of Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses for the reporting periods. Actual results could differ from those estimates. The material judgments, apart from those involving estimations, that management has made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Investment properties and the real estate investments owned by associates are carried at fair value as determined by management, using independent third-party appraisals, and reflect the price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. Factors beyond the Partnership's control may cause significant swings in assigned values, resulting in significant changes in reported earnings. Most of the Partnership's properties are located in the Greater Washington, D.C. metropolitan area, making the Partnership vulnerable to changes in economic conditions in the region, including the adverse impact of decreased government spending. Any adverse change in the region's economic conditions may reduce the ability of the Partnership to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, significantly decreasing cash flow.

- The Partnership determines whether joint arrangements should be accounted for as joint operations or joint ventures, associates, consolidated or unconsolidated structured entities and determines which investments should be reported as assets held for sale.

3. Standards Issued

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 must be applied retrospectively. The adoption of these amendments have been assessed and do not have a material impact on the Partnership's financial position or classification of liabilities.

In October 2022, the IASB issued Non-current Liabilities with Covenants, amendments to IAS 1, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after January 1, 2024, and the Partnership is evaluating the impacts.

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)

In October 2022, an IFRIC decision was published regarding IFRS 9 and IFRS 16 which stated for reporting periods before the forgiveness of lease payments have been granted, the lessor should measure the expected credit loss on operating lease receivables on a probability-weighted basis, by evaluating a range of possible outcomes, including its expectation of forgiving lease payments that have been recognized as an operating lease receivable. The lessor should re-measure the ECL on its operating lease receivables immediately prior to the date the lease payments are forgiven, with any changes being recognized in profit or loss. Once the lease payments are forgiven, the lessor should derecognize the operating lease receivable, including any associated expected credit loss allowance. The Partnership has adopted these amendments and they did not have a material impact on the Partnership's financial position or results from operations.

4. Operating Segments and Concentration

The Partnership presently operates under one operating segment, defined as the acquisition, development, ownership and management of commercial real estate investments, primarily in the office buildings sector in the Greater Washington, D.C. Metropolitan area as well as Boston and Austin.

5. Investment Properties

Income Generating Properties

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

Balance, December 31, 2020	**$**	**2,796,120**
Capital expenditures additions and other(1)		48,042
Revaluation of right-of-use assets(2)		14,043
Net loss from fair value adjustment of income generating properties		(73,322)
Reclassification of The Wilson from properties in development		284,259
Reclassification of The Elm from properties in development		231,529
Reclassification of Signal House from properties in development		25,231
Midtown deconsolidation due to partial sale(3)		(922,036)
Acquisition of 100 Congress(4)		316,299
100 Congress deconsolidation due to partial sale(5)		(316,292)
Balance, December 31, 2021	**$**	**2,403,873**
Capital expenditures additions and other(6)		31,113
Net loss from fair value adjustment of income generating properties		(496,719)
Reclassification of The Elm from properties in development		91,376
Reclassification of Signal House from properties in development		77,878
Balance, December 31, 2022	**$**	**2,107,521**

1. During October 2021, The Wilson was fully placed in service. All 2021 capital expenditures are reflected above. Capital expenditures for the properties prior to being placed in service are in the Reclassification lines above. See below "Properties in Development" for additional info.
2. On April 1, 2021, the 1701 Duke Street ground lease reset and on December 1, 2021, the Partnership signed a modified ground lease for Colombia Center. See note 7 - Leases, "2021 revaluations" for additional information.
3. On April 23, 2021, The Partnership sold a 49% interest in Midtown Center. See below "2021 Dispositions" for additional information.
4. On May 12, 2021, the Partnership acquired 100 Congress. See below "2021 Acquisitions" for additional information.
5. On September 24, 2021, the Partnership sold a 49% interest in 100 Congress. See below "2021 Dispositions" for additional information.
6. During June 2022, The Elm, and Signal house were fully placed in service. All 2022 capital expenditures are reflected above. Capital expenditures for the properties prior to being placed in service are in the Reclassification lines above. See below "Properties in Development" for additional info.

2022 Acquisitions

There were no acquisitions completed for the year ended December 31, 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 414,000 square foot mixed use building that is 91% leased as of December 31, 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 Partnership subsequently sold a 49% interest in the entity. See below "2021 Dispositions" for additional information.

2022 Dispositions

On August 29, 2021, the Partnership entered into an agreement to acquire a development parcel of land located in Austin, Texas with a nonrefundable deposit of $3.0 million. As of December 31, 2021, the deposit was reported within “Prepaid expense and other assets” on the Consolidated Balance Sheet. As of December 31, 2022, the Partnership ultimately made the decision to not move forward with the development of the land and wrote-off the deposit and all costs incurred, totaling $3.2 million from “Prepaid expense and other assets” on the Consolidated Balance Sheet.

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 the sale of partial interest, the Partnership no longer controls the property, and will account for its ownership in the joint venture using the equity method.

On September 24, 2021, the Partnership executed the sale of 49% ownership interest in 100 Congress at a valuation of $316.7 million. The purchaser assumed its share of the property's debt totaling $68.9 million, leading to gross proceeds to the Partnership of $86.4 million. The Partnership used the proceeds to pay down the credit facility. The Partnership recognized a loss of $0.4 million upon disposition. Subsequent to disposition, the Partnership will account for its ownership in the joint venture using the equity method.

Joint Arrangements

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 $234.5 million as of December 31, 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:

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

Balance, December 31, 2020	**$**	**646,316**
Capital expenditures additions and other		36,365
Net gain from fair value adjustment of development properties		27,592
Reclassification of The Wilson to income generating properties		(284,259)
Reclassification of The Elm to income generating properties		(231,529)
Reclassification of Signal House to income generating properties		(25,231)
Balance, December 31, 2021	**$**	**169,254**
Capital expenditures additions and other		6,168
Acquisition of 300 E Second (land and building improvement)		2,708
Reclassification of The Elm to income generating properties		(91,376)
Reclassification of Signal House to income generating properties		(77,878)
Balance, December 31, 2022	**$**	**8,876**

The Wilson and The Elm are a 804,000 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 December 31, 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 $7.9 million and $21.4 million of capital expenditures for The Wilson for the years ended December 31, 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 88% leased as of December 31, 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 $2.6 million and $24.4 million of capital expenditures for The Elm for the years ended December 31, 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 $3.4 million and $12.2 million of capital expenditures for the years ended December 31, 2022 and 2021, respectively. The Partnership has signed four leases totaling 158,800 square feet bringing the project to approximately 68% leased at December 31, 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. Revenue recognition commenced as of October 1, 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. 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 upon disposition.

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 Partnership 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 December 31, 2022, the building was 100% leased. During the years ended December 31, 2022 and 2021, the JV Entity (Otter Wilson Boulevard LLC) distributed a total of $4.5 million and $3.9 million, of which $1.8 million and $1.6 million were distributed to the joint venture partner, and $2.7 million and $2.4 million to the Partnership, respectively. There were no capital contributions to 2311 Wilson during the years ended December 31, 2022 and 2021, respectively.

On January 7, 2021, the Partnership sold it's joint venture interests in developable land at 2025 Clarendon. During the years ended December 31, 2022 and 2021, the JV Entity (2025 Clarendon Boulevard, LLC) distributed a total of

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

$0.0 million and $18.6 million, of which $0.0 million and $2.8 million were distributed to the joint venture partner, and $0.0 million and $15.9 million to the Partnership, respectively.

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

		As of December 31, 2022					For the years ended December 31, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	3,787	112,070	1,571	80,667	33,619	9,458	(11,593)
		$ 3,787	$112,070	$ 1,571	$ 80,667	$ 33,619	$ 9,458	$ (11,593)
Less interest held by non-controlling interests						(13,448)		4,637
Equity attributable to Partnership						$ 20,171		$ (6,956)

		As of December 31, 2021					For the years ended December 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2025 Clarendon	85.70 %	$ —	$ —	$ —	$ —	$ —	$ —	$ (34)
2311 Wilson	60.00 %	3,528	120,309	812	80,506	42,519	8,754	1,600
		$ 3,528	$120,309	$ 812	$ 80,506	$ 42,519	$ 8,754	$ 1,566
Less interest held by non-controlling interests						(17,006)		(720)
Equity attributable to Partnership						$ 25,513		$ 846

6. Investments in Associates

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

Balance, December 31, 2020	**$ 318,983**
Contributions	24,549
Distributions	(10,154)
Share of unrealized gain on valuation of underlying properties	41,597
Share of net income (excluding unrealized gain on valuation)	12,370
Ownership interest in Midtown Center	231,264
Ownership interest in 100 Congress	87,023
Balance, December 31, 2021	**$ 705,632**
Contributions	9,879
Distributions	(14,915)
Share of unrealized loss on valuation of underlying properties	(50,364)
Share of net income (excluding unrealized loss on valuation)	21,482
Balance, December 31 2022	**$ 671,714**

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 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 remaining 51% investment in the joint venture using the equity method. See note 5 - "Investment Properties" for additional details.

100 Congress

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

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 December 31, 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 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 remaining 51% investment in the joint venture using the equity method. See note 5 - "Investment Properties" for additional details.

One Congress

On September 24, 2018, the Partnership entered into a 50-50 joint venture with National Real Estate Advisors, LLC in the One Congress office development project in downtown Boston, Massachusetts (One Congress). 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.

The property was 100% leased at December 31, 2022. Occupancy is anticipated to commence in 2023. See note 18 - "Credit and Other Risks" for additional details regarding construction impacts.

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

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact the joint venture's returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the years ended December 31, 2022 and 2021, the Partnership contributed $9.8 million and $24.6 million to the venture, respectively. The Partnership has contributed a total of $280.6 million to the venture as of December 31, 2022.

In June and July 2022, two separate fires occurred at the One Congress project. At this time the Partnership believes it is virtually certain that damages will be recovered through insurance proceeds and delivery of the project is on time.

Construction Loan

On December 10, 2019, the joint venture entered into a $570.0 million facility on the One Congress project. The loan is interest only and will bear an interest rate of LIBOR plus 2.00% which can be reduced over time as certain milestones are met. The loan has a 5-year term, and matures in 2024 and can be extended one year by the joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million. As of December 31, 2022, the Partnership incurred $350.5 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. On October 31, 2022, the Partnership entered into an amendment modifying the loan to bear an interest rate of Term SOFR plus 2.10% as of January 3, 2023, and the amendment did not have a material impact on the Partnership's financial statements.

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

	As of December 31, 2022						For the years ended December 31, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 10,492	$ 894,694	$ 12,584	$ 532,654	$ 359,948	$ 75,831	$ (37,747)
100 Congress	51.00 %	15,449	315,716	11,260	139,904	180,000	28,904	(19,660)
One Congress	75.00 %	2,541	1,002,334	43,956	430,384	530,535	—	560

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

As of December 31, 2022							For the years ended December 31, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
		$ 28,482	$ 2,212,744	$ 67,800	$ 1,102,942	$1,070,483	$ 104,735	$ (56,847)
Less: interest held by third-parties						(398,769)		27,965
Amounts per financial statements						$ 671,714		$ (28,882)

As of December 31, 2021							For the years ended December 31, 2021	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 8,640	$ 962,402	$ 11,768	$ 532,771	$ 426,503	$ 50,593	$ (8,959)
100 Congress	51.00 %	8,312	342,731	10,213	140,820	200,010	8,325	29,379
One Congress	75.00 %	374	748,935	33,958	198,446	516,905	—	58,081
		$ 17,326	$2,054,068	$ 55,939	$ 872,037	$1,143,418	$ 58,918	$ 78,501
Less: interest held by third-parties						(437,786)		(24,534)
Amounts per financial statements						$ 705,632		$ 53,967

7. Leases

The Partnership has material ground leases under its Columbia Center, 1701 Duke Street, and 300 E Second 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 Consolidated Balance Sheets reflect the following amounts relating to ROUA within "Investment properties, at fair value" and "Prepaid expense and other assets:"

	December 31, 2022	**December 31, 2021**
Non-current assets		
Income generating properties, net of ROUA	$ 1,987,121	$ 2,257,774
ROUA, at fair value	120,400	146,100
Income generating properties, at fair value	2,107,521	2,403,874

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

	December 31, 2022	December 31, 2021
Properties in development, net of ROUA	8,647	169,254
ROUA, at fair value	229	—
Properties in development, at fair value	8,876	169,254
Total investment properties, at fair value	**2,116,397**	**2,573,128**
Current assets - CPH		
Prepaid expense and other assets, net of ROUA	10,406	13,022
ROUA, net of accumulated depreciation	908	1,102
Prepaid expense and other assets	**$ 11,314**	**$ 14,124**

At December 31, 2022 and December 31, 2021, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $120.4 million and $146.1 million, respectively. "Prepaid expense and other assets" included ROUA of $0.9 million and $1.1 million, respectively, related to equipment and copier leases.

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

ROUA	Ground Lease, at fair value	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance at January 1, 2020	**$ —**	**$ 136,100**	**$ 643**	**$ 136,743**
Fair value adjustment, valuation	—	10,000	—	10,000
ROUA Additions, net	—	—	729	729
Accumulated Depreciation	—	—	(270)	(270)
Balance at December 31, 2021	**$ —**	**$ 146,100**	**$ 1,102**	**$ 147,202**
Fair value adjustment, valuation	—	(25,700)	—	(25,700)
ROUA Additions, net	1,063	—	210	1,273
Accumulated Depreciation[1]	(834)	—	(404)	(1,238)
Balance as of December 31, 2022	**$ 229**	**$ 120,400**	**$ 908**	**$ 121,537**

(1) Accumulated amortization of "ground lease, at fair value" relates to 300 E Second St. amortization is capitalized at the entity.

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**	**December 31, 2022**	**December 31, 2021**
Columbia Center[1]	4.93%	2120	$ 133,105	$ 130,530
1701 Duke Street[2]	5.20%	2107	7,864	7,729
2001 Penn	4.94%	2087	4,400	4,372
300 E Second[3]	5.54%	2023	242	—
Other equipment leases	Various	Various	911	1,063
Total lease liabilities			146,522	143,694
Less current portion			614	524
Lease liabilities, net of current portion			$ 145,908	$ 143,170

(1) The Partnership executed a modified ground lease with a new land owner for 99 years. See below "2021 Revaluations" for additional information.

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

(2) The 1701 Duke Street Ground Lease was revalued on April 1, 2021. See below "2021 Revaluations" for additional information.
(3) The Partnership executed a 99 year ground lease on February 15, 2022 for the ground under 300 E Second in Austin Texas. Upon execution, the Partnership prepaid the ground lease through March 31, 2023. The Partnership has the right to terminate the lease until April 1, 2024. Due to the termination option, the Partnership's liability is only through the prepaid term of March 31, 2023. See note 5 - "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.

The ground under Columbia Center was sold from a related party to an unrelated party on December 1, 2021. Simultaneously, the Partnership executed a modified ground lease with the new land owner for 99 years. The ROUA and lease liability increased by $13.7 million and $11.1 million, respectively, inclusive of initial direct costs of $2.6 million for the modification.

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

Future Lease Maturities	**December 31, 2022**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 5,168
One to five years	19,449
More than five years	1,257,448
Total undiscounted lease liabilities as of December 31, 2022	$ 1,282,065

Lease liabilities	**December 31, 2022**
Current lease liabilities	$ 614
Non-current lease liabilities	145,908
Total lease liabilities	$ 146,522

Lease expense costs were as follows:

Lease Expense	**For The Years Ended December 31,**	
	2022	**2021**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 4,238	$ 4,830
Equipment lease depreciation	404	270
Total lease expense	$ 4,642	$ 5,100

Cash Flows	**For The Years Ended December 31,**	
	2022	**2021**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 1,185	$ 636
Interest paid on lease liabilities	4,238	4,830
Total cash outflows related to leases	$ 5,423	$ 5,466

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

8. Goodwill

The carrying value of goodwill was $9.3 million as of December 31, 2022 and December 31, 2021. No impairment losses were recognized in the years ended December 31, 2022 and 2021, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of December 31, 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)	300,000	(7)
75-101 Federal	LIBOR +1.50%	3/12/25	143,639	(2,5,6)	143,094	(2,5,6)
1700 New York Avenue	LIBOR +1.50%[9]	4/25/24	62,400	(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	29,988	(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			1,118,777		1,086,052	
Less unamortized deferred financing fees			4,946		6,623	
Total Debt, net of unamortized deferred financing fees			1,113,831		1,079,429	
Less current portion, net of unamortized deferred financing fees [5]			136,902		2,578	
Debt obligations, net of current portion			**$ 976,929**		**$ 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 December 31, 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 December 31, 2022, and December 31, 2021, the one-month LIBOR was 4.39% and 0.10%, respectively.
(2) The fair value of the collateral pledged to these notes was $697.2 million and $874.6 million as of December 31, 2022, and December 31, 2021, respectively.
(3) The carrying value of the Clarendon Square note payable as of December 31, 2022, and December 31, 2021, included a premium of $0.5 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 December 31, 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 purchased a three-year 2.50% Term 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.
(9) On December 22, 2022, the Partnership amended the 1700 New York Avenue loan and swap agreement to switch the LIBOR rate to Term SOFR, effective June 30, 2023.

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). In the years ended December 31, 2022, and December 31, 2021, $0.0 million and $1.2 million, respectively, was accreted in "Interest expense" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss). As part of the sale of 49% of Midtown Center, the Partnership wrote off the remaining balance of $33.2 million, of which $16.4 million was deferred, for a recognized loss of $16.8 million. See note 4 - "Investment Properties" for additional information.

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”). Banking regulators encouraged banks to discontinue new LIBOR debt issuances by December 31, 2021.

The Partnership anticipate that LIBOR will continue to be available at least until June 30, 2023. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

The Partnership and our unconsolidated joint ventures have contracts that are indexed to LIBOR which are monitored and evaluated for 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 the Partnership cannot agree with the respective counterparty about how to make the transition.

While the Partnership expects 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.

In addition, the credit agreement governing the Amended Credit Facility contains certain covenants which, among other things, require the Partnership to meet various financial covenants, including maximum leverage levels, minimum coverage levels and minimum tangible net worth, all as defined in the Amended Credit Facility. The Partnership was in compliance with all of its debt covenants as of December 31, 2022 and December 31, 2021, respectively.

The Partnership has no outstanding letters of credit as of December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022, the Partnership had capacity to borrow an additional $191.5 million under the Credit Facility. Subsequent to December 31, 2022, the Partnership has not borrowed from the revolver through February 16, 2023.

Construction Loan - The Wilson and the Elm

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 Partnership wrote-off $3.1 million in unamortized deferred financing costs as a result of extinguishing this debt.

Interest Expense

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

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

Description	For The Years Ended December 31, 2022	2021
Credit facility	$ 21,219	$ 8,548
Notes payable	17,284	30,140
Distributions to redeemable non-controlling interests	3,315	191
Lease liabilities	6,976	5,162
Amortization of deferred financing fees	1,814	3,172
Gross interest expense	$ 50,608	$ 47,213
Capitalized interest expense		
Capitalized deferred financing fees	(88)	(967)
Capitalized interest	(774)	(4,108)
Total capitalized interest expense	(862)	(5,075)
Net interest expense	**49,746**	**42,138**

Future Maturities of Debt

For periods subsequent to December 31, 2022, scheduled annual maturities of debt outstanding as of December 31, 2022 are as follows:

Years Ending December 31,	Amount [(1)]
2023	137,008
2024	127,955
2025	453,369
2026	301,860
2027	97,495
Thereafter	$ —
	$ 1,117,687

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.5 million, as well as financing leases.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the years ended December 31, 2022:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2020	$ (1,664,552)	$ (129,081)	$ (1,793,633)	$ 34,128	$ (1,759,505)
Cash flows	51,528	637	52,165	(5,755)	46,410
New leases	—	(876)	(876)	—	(876)
Assumption of debt	(120,625)	—	(120,625)	—	(120,625)
Partial sale of Midtown Center	525,000	—	525,000	—	525,000
Partial sale of 100 Congress	140,560	—	140,560	—	140,560
Revaluation of right-of-use assets	$ —	$ (14,043)	$ (14,043)	$ —	$ (14,043)
Other changes	(11,340)	(331)	(11,671)	—	(11,671)
Net Debt, December 31 2021	$ (1,079,429)	$ (143,694)	$ (1,223,123)	$ 28,373	$ (1,194,750)
Cash flows	(32,723)	1,186	(31,537)	8,256	(23,281)

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

New leases	—	(1,275)	(1,275)	—	(1,275)
Other changes	(1,680)	(2,739)	(4,419)	—	(4,419)
Net Debt, December 31 2022	$ (1,113,832)	$ (146,522)	$ (1,260,354)	$ 36,629	$ (1,223,725)

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 December 31, 2022, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 36,629	$ 36,629	Level 1
Restricted cash[1]	6,364	6,364	Level 1
Trade receivables, net	4,594	4,594	Level 3
Liabilities, including current portion			
Credit facility[2,4]	$ 608,500	$ 608,500	Level 3
Notes payable[2,4]	509,733	467,930	Level 3
Redeemable non-controlling interests[3]	70,987	70,987	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $6.1 million, and $0.3 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.
(4) The fair value reported is based on the outstanding balance of debt, and excludes fair value of derivatives. See note 11 - "Fair Value Measurements" for additional information.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of December 31, 2021, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 28,373	$ 28,373	Level 1
Restricted cash[1]	5,310	5,310	Level 1
Trade receivables, net	6,133	6,133	Level 3
Liabilities, including current portion			
Credit facility[2,4]	$ 573,500	$ 573,482	Level 3
Notes payable[2,4]	511,871	508,051	Level 3
Redeemable non-controlling interests[3]	154,681	154,681	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $4.9 million, and $0.4 million of tenant improvements.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.
(4) The fair value reported is based on the outstanding balance of debt, and excludes fair value of derivatives. See note 11 - "Fair Value Measurements" for additional information.

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,

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

(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 December 31, 2022:

	Cash Flow Hedges	
	Interest Rate Cap(2)	Interest Rate Swaps(3)
Notional balance	$ 400,000	$ 277,400
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 a one-month TERM SOFR of 2.50%.
(3) These swaps are fixed using LIBOR.

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 2.50%. The cap is effective from the period July 1, 2022, through July 1, 2025.

On December 22, 2022, the Partnership amended the 1700 New York Avenue loan and swap agreement to switch the LIBOR rate to Term SOFR, effective June 30, 2023.

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

	Cash Flow Hedges
	Interest Rate Swaps
Notional balance	$ 278,540
Weighted average interest rate (1)	1.38 %
Earliest maturity date	April 1, 2024
Latest maturity date	March 27, 2027

(1) Represents the weighted average interest rate at which LIBOR was fixed on the hedged debt.

The 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 Consolidated Balance Sheets and Statements of Changes in Equity.

The changes in fair value of effective hedges recorded within "Other Comprehensive Income (Loss)" were $25.9 million and $8.1 million for the years ended December 31, 2022 and 2021, respectively. There was no material hedge ineffectiveness recognized during the years ended December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, the Partnership reclassified $3.1 million and $(2.6) million, respectively, of (losses) gains on cash flow hedges from "Equity reserve for cash flow hedges" to "Interest expense." The reclassification of interest expense is shown net within "Unrealized (loss) gain on cash flow hedges" on the Consolidated Statement of Operations and Comprehensive Income (Loss).

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

The following assets and liabilities, measured at fair value as of December 31, 2022, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,107,521
Investments in properties in development	—	—	8,876
Investment in investment property held for sale[(2)]			
Derivative assets	—	36,524	—
Total Assets	$ —	$ 36,524	$ 2,116,397
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 5 - "Investment Properties"

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership regularly evaluates factors that may adversely impact the fair value assessments. In consideration of the COVID-19 impacts and the significant disruption to the Partnership's business and economy (as further disclosed in note 18 - "Credit and Other Risks") the Partnership considered the potentially broad effects on the fair value measurement of the properties at December 31, 2022. While there remains substantial uncertainty regarding the extent or duration of impacts on fair value, the Partnership's 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. The Partnership have made material changes to both capitalization and discount rates as of December 31, 2022.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2022:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,107,521	Discounted cash flow - Income capitalization	Discount Rate	6.25% - 8.00% (7.01%)
			Exit Capitalization Rate	5.00% - 6.50% (5.81%)
Investments in properties in development	8,876	Amortized Cost Net present value - Lease liabilities	Discount Rate(1)	5.54%
Total	$ 2,116,397			

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

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

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

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,403,873	Discounted cash flow - Income capitalization	Discount Rate	5.75% - 7.25% (6.29%)
			Exit Capitalization Rate	4.75% - 6.00% (5.56%)
Investments in properties in development	169,254	Discounted cash flow - Income capitalization	Discount Rate	6.00% - 7.00% (6.40%)
			Exit Capitalization Rate	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:

	For The Years Ended December 31,	
Description	2022	2021
Personnel and compensation	$ 12,224	$ 16,345
Professional fees	3,054	3,483
Information technology	1,813	950
Other corporate	2,747	2,530
Total non-property general and administrative	$ 19,838	$ 23,308

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $22.0 million and $18.0 million for the years ended December 31, 2022 and 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 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. Development management fees charged to joint ventures and joint operations are eliminated to the extent of the Partnership's ownership. Property management fees for the years ended December 31, 2022 and 2021, totaled $4.5 million and $3.6 million, respectively. Construction management fees for the years ended December 31, 2022 and 2021, totaled $0.3 million and $0.2 million, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $1.3 million and $1.3 million for December 31, 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.

On May 5, 2022, a related party holder of Redeemable Non-controlling Interests in the Partnership exercised its contractual redemption right, and the Partnership executed a redemption of ownership interest in CPP totaling $60.3 million. See note 17 - "Equity" 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 December 31, 2022, the Partnership had $1.1 million in performance bonds outstanding with commitment terms expiring through December 16, 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 December 31, 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, for 19.4 million. On January 28, 2019, the Partnership amended its purchase and sale agreement, 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.

Litigation

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.

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 7.3 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	0.6
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	Mar 2023	—	1.7

2020 performance units	2.4	Dec 2019	Mar 2023	—	3.4
2021 service units	1.9	Apr 2021	Mar 2024	—	1.7
2021 performance units	3.8	Apr 2021	Mar 2024	—	3.5
2022 special service units	1.9	Mar 2022	Mar 2025	—	1.7
2022 service units	2.7	Mar 2022	Mar 2025	—	2.5
2022 performance units	2.7	Mar 2022	Mar 2025	—	2.5
Total outstanding units					**26.7**

(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 December 31, 2022 is presented below:

(in thousands)		Total Units
LTIP units outstanding, December 31, 2020	**$**	**24,864**
LTIP units granted during the period		5,727
LTIP units converted		(645)
LTIP units forfeited/other		(4,709)
LTIP units outstanding, December 31, 2021	**$**	**25,237**
LTIP units granted during the period		7,259
LTIP units converted		(1,308)
LTIP units forfeited		(4,496)
LTIP units outstanding, September 31, 2021	**$**	**26,692**

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

During the years ended December 31, 2022 and 2021, respectively, the Partnership recognized $1.0 million and $6.2 million of LTIP-related expense, of which $0.2 million and $0.5 million was capitalized. During the years ended December 31, 2022 and 2021, respectively, the Partnership recognized $0.7 million and $0.0 million of LTIP dividend expense. For the years ended December 31, 2022 and 2021, there were 4,496 and 4,709 LTIP units forfeited, respectively.

16. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $3.0 million and $3.6 million for the years ended December 31, 2022 and 2021, respectively. Employee benefit expense for these officers was $0.1 million for the years ended December 31, 2022 and 2021. For the years ended December 31, 2022 and 2021, LTIP expense was $0.5 million and $4.8 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

17. Equity

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

2022 Redemption and Capital Raise

On May 5, 2022, a holder of Redeemable Non-controlling Interests in the Partnership exercised its contractual redemption right, and the Partnership executed a redemption of ownership interest in CPP totaling $60.3 million. The Partnership redeemed the interest using cash from its revolver. The Partnership subsequently raised additional funds through the sale of shares of common units of CPH for $60.3 million to Alony-Hetz and other additional investors. Amounts raised by CPH were contributed to CPC in exchange for shares through a subscription agreement and subsequently contributed to CPP. The proceeds from the raise were used to repay outstanding borrowings on the revolver. As of December 31, 2022 and 2021, CPH owned 100% of CPC.

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.

Effective September 30, 2022, the Partnership executed a stock split at a ratio of 1.008 units of common shares for every 1.00 unit outstanding. 10.9 million shares were issued.

Effective December 31, 2022, the Partnership executed a stock split at a ratio of 1.008 units of common shares for every 1.00 unit outstanding. 11.6 million shares were issued.

Dividend Reinvestment Program ("DRIP")

As of December 31, 2022, certain investors of CPP elected to receive additional units of CPP of in lieu of a cash distribution.

The ownership interests of CPP as of December 31, 2022 after share issuance are as follows:

Partner/Investor	2022 Units Issued	Ownership Percent
Carr Properties Corporation	$ 43,037	90.02 %
Clal ENP REIT, LP	2,839	5.84 %
Other Investors	8	4.14 %
	$ 45,884	100.00 %

2023 Reverse Stock Split

Subsequent to December 31, 2022, and effective January 1, 2023, the Partnership executed a stock split at a ration of 1 unit of common shares for every 100 units outstanding.

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 December 31, 2022, all redeemable non-controlling interests were determined to be current, due to the expiration of any remaining lock-out provisions. The value of these redeemable non-controlling interests were $71.0 million.

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

As of December 31, 2021, the value of these redeemable non-controlling interests were $152.4 million current and $2.2 million non-current, respectively.

As of December 31, 2022 and December 31, 2021, the total value of non-redeemable non-controlling interests was $114.4 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, 2020	**113,779**	**$ 150,370**
LTIP Issuances	645	864
Redemptions	(807)	(1,078)
Revaluation	—	4,525
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	—	(23,501)
Balance, December 31 2022	**67,961**	**70,987**

The Partnership also maintained eight additional subsidiary REITs as of December 31, 2022 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. For the year ended December 31, 2022, the Partnership paid $4.0 million of distributions from CPP, all of which was attributable to redeemable non-controlling interests. As of December 31, 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 affected 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 tenants during the year ended December 31, 2022. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the year ended December 31, 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 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 the Partnership is 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. Capital Management

The Partnership manages its capital, taking into account its long-term business objectives. The Partnership’s capital structure currently includes common shares, preferred shares, mortgage notes and revolving credit facilities, which together provide the Partnership with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions of operating properties, capital improvements, leasing costs and principal repayments on the Partnership's mortgage notes and Credit Facility. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management’s general view of the optimal leverage in the business.

20. Subsequent Events

The Partnership evaluated subsequent events through February 16, 2023 the date the consolidated financial statements were available to be issued. The Partnership concluded that no additional subsequent events have occurred that would require additional recognition or disclosure in the consolidated financial statements other than those disclosed in the respective footnotes and herein.

Auditor’s Consent Letters

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Image of Block 16 Austin, TX

Deloitte.

Date: March 12, 2023

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

Dear Sir/Madam,

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

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

(1) Auditors' Report dated March 12 2023 regarding the Consolidated Financial Statements of the Company as of December 31, 2022, and 2021 and for the three years periods ended December 31, 2022.

(2) Auditors' Report dated March 12, 2023, regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2022.

(3) Auditors' Report dated March 12, 2023 regarding the Separate Financial Information of the company which is presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, as of December 31, 2022, and 2021 and for the three years periods ended December 31, 2022.

Respectfully,

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

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

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

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

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

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

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

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

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

Report of Independent Auditors dated February 16, 2023 regarding the Consolidated Financial Statements of Carr Properties Holdings LP as of December 31, 2022 and 2021, and for the years then ended.

PricewaterhouseCoopers LLP

March 10, 2023

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