ONE CONGRESS, BOSTON

QUARTERLY REPORT
Q1 2023

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

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AlonyHetz
Properties & Investments Ltd

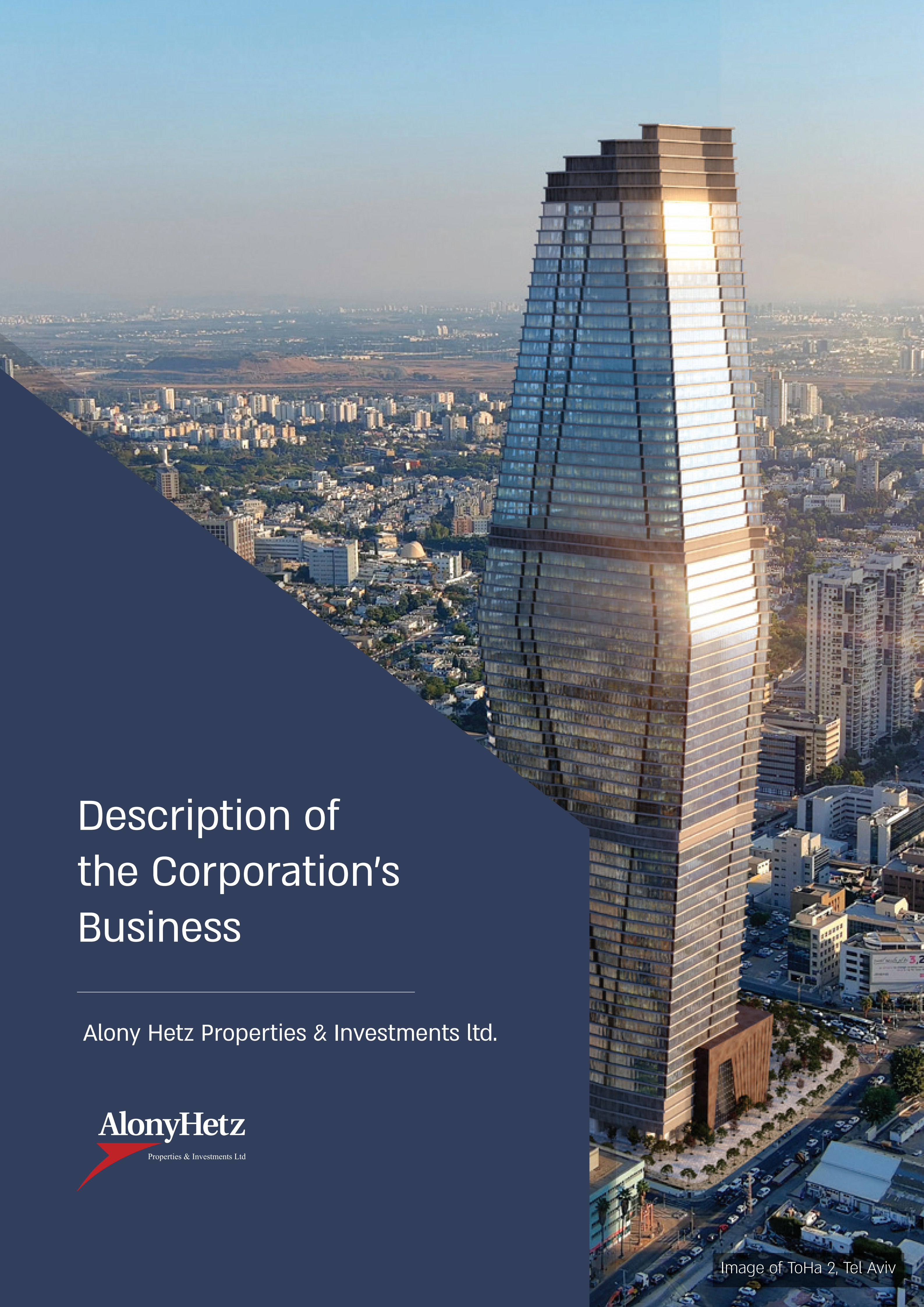


Image of ToHa 2, Tel Aviv

Description of the Corporation's Business

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Ramat Gan, May 22, 2023

Board of Directors' Report for the Three-Month Period ended March 31, 2023

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 three-month period ended March 31, 2023 (hereinafter - the "**Reporting Period**"). This Board of Directors' Report and the updates therein, were prepared on the assumption that the reader has the Company's Periodic Report for 2022, published by the Company on March 13, 2023 (Ref: 2023-01-026136), including the chapter "Description of the Corporation's Business", the "Board of Directors' Report on the State of the Corporation's Business" and the "Consolidated Financial Statements" (hereinafter, collectively - the "**Periodic Report for 2022**").

1. Concise description of the Group

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

- **Main area of activity** – long-term investments in income-generating property companies in Israel and in western countries. As of the publication date of this report, the Group operates in the following markets: Israel, the United States, and the United Kingdom.
- **Additional area of activity** – investment in renewable energies. The Group has income-generating investments in the fields of photovoltaic energy and wind energy, as well as in the development and initiation of electricity generating facilities in Israel, Poland and in the United States.

1.1 The Group's main investments in income-generating property as of March 31, 2023:

Activity in Israel

Holdings at a rate of 53.8% in Amot Investments Ltd. (hereinafter - "**Amot**"), a publicly traded income-generating property company whose securities are listed on the Tel Aviv Stock Exchange Ltd. For additional information, see Section 2.3.4 below.

Activity in the United States

- Holdings of 47.1% of the equity rights of Carr Properties (hereinafter - "**Carr**"), a private company and 50% in the control, a private company that operates in the income-generating property field whose income-generating properties are located in the United States, in the Washington D.C. area, in Boston and in Austin, Texas. For additional information, see Section 2.3.5 below.

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

Activity in the UK

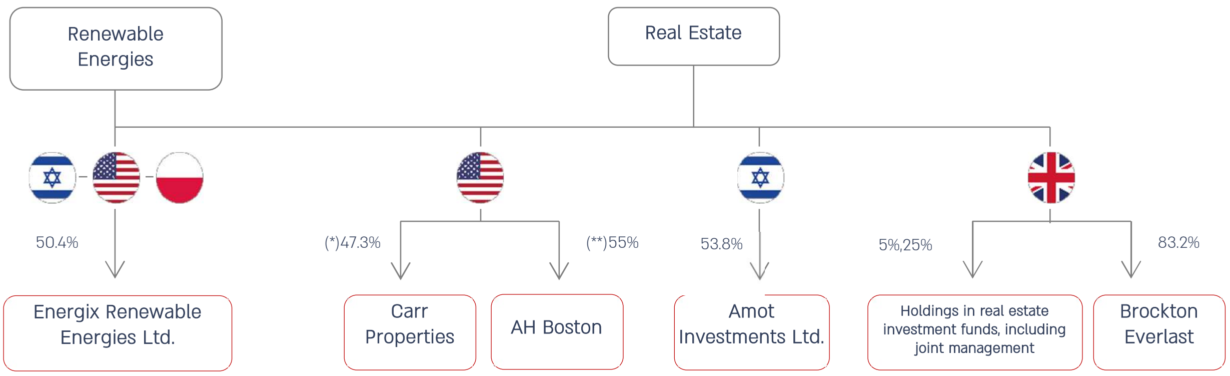
- Holdings of 83.2% in Brockton Everlast Inc. Limited (hereinafter - "**BE**"), a private company that operates in the income-generating property field in the UK, in the London metropolitan area, Cambridge and Oxford in the UK. For additional information, see Section 2.3.7 below.

- Holdings in three UK real estate funds from the Brockton Group.

1.2 The Group's renewable energy investments as of March 31, 2023:

Holdings of 50.4% in Energix - Renewable Energies Ltd. (hereinafter - "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange Ltd. Energix engages in the initiation, development, financing, construction, management and operation of facilities for the generation and storage of green and clean electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity generated in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. For additional information, see Section 2.3.8 below.

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



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

** Joint holdings with Oxford Properties in three property companies that own office buildings in Boston. The Company and Oxford Properties have a joint control agreement.

1.4 Stock Market Indices

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

1.5 Main events from the beginning of 2023 to the date of publication of the report

Alony-Hetz (the Company expanded solo)	▪ Issuance of bonds for a total gross consideration of NIS 486 million (with a weighted duration of 8.4 years). ▪ Signing of a credit agreement in the amount of NIS 150 million. As of the date of publication of the report, the Company has unutilized lines of credit in the amount of NIS 550 million.
BROCKTON EVERLAST	▪ As of the date of publication of the report, 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 Cambridge Science Park area over several years. **In order to implement the plan, BE has started looking for a strategic investor for its operations in that area.**
CARR PROPERTIES	▪ Completion of construction of the One Congress tower (75% owned by Carr) with an area of 1 million sq.ft. As of the date of publication of the report, the fully leased tower is in the occupancy stage. Delivery of all the rental areas in the tower is expected to be completed in 2024.

Energix Renewable Energies	▪ **Engagement in financing transactions in the amount of over NIS 2.5 billion** – Of this amount, approx. NIS 1.9 billion is in respect of an engagement in a series of financing transactions and tax partner investment with leading banks in the world to finance photovoltaic projects in the United States with a total capacity of approx. 416 MWp in Virginia and Pennsylvania, which are in the midst of the construction stage[1].
	▪ **Activity in the United States -**
	    ▪ Engagement in agreements for the sale of electricity and green certificates to be issued in respect of the electricity generated (on an "as generated" basis) with an electric company in Virginia in relation to four projects with an aggregate capacity of approx. 100 MWp, for 20 years, and also an engagement in an agreement for the sale of electricity for a project with a capacity of approx. 25 MWp for a period of 15 years.
	▪ **Activity in Israel -**
	    ▪ Start of construction work on the winning projects in Competitive Procedure 2 for the construction of photovoltaic facilities with combined storage capacity (approx. 111 MWp and 400 MWh) and engagement in agreements with a private supplier for the sale of electricity, instead of Competitive Procedure 2 (photovoltaic facilities with storage) at electricity prices that are significantly higher than the winning rate to which the projects are entitled under the competitive procedure.
	▪ **Activity in Poland -**
	    ▪ **Update to the electricity sales agreements of all of Energix's wind farms in Poland** – Engagement with the local broker to whom Energix sells electricity in a financial transaction for the unwinding of price fixing agreements signed between the parties that refer to the months of February 2023 to December 2023, inclusive, against a one-time compensation payment to Energix in the amount of approx. NIS 153 million.

[1] Regarding the balance, see Sections 2.3.8.2(1)(b) and 2.3.8.2(2)(c).

1.6 Summary of the main data – the Group

Main financial results – Consolidated Statement	Unit	Q1 2023	Q1 2022	Year 2022	% Change[2]
Revenues from rental fees and management of investment property	NIS thousands	322,271	280,313	1,219,178	15.0
Fair value adjustments of investment property	NIS thousands	(157,161)	123,562	685,918	
Group share in profits (losses) of associates, net	NIS thousands	(196,107)	43,017	(953,589)	
Revenues from sale of electricity and green certificates[3]	NIS thousands	295,874	91,513	525,437	
Net profit (loss) for the period	NIS thousands	(108,485)	265,961	338,572	
Net profit (loss) for the period attributed to Company shareholders	NIS thousands	(218,194)	155,007	(281,467)	
Total comprehensive income (loss) for the period attributed to Company shareholders	NIS thousands	(161,657)	192,295	(53,496)	
FFO according to the management's approach attributed to Company shareholders[4]	**NIS thousands**	**168,208**	133,407	**612,952**	26.0
Total balance sheet	NIS thousands	36,273,912	32,989,358	36,314,037	(0.1)
Equity (including non-controlling interests)	NIS thousands	13,318,126	12,808,267	13,591,420	(2.0)
Financial debt (bank credit and bonds)[5]	NIS thousands	19,181,432	16,260,215	19,032,307	0.8
Net financial debt[6]	NIS thousands	18,352,304	14,684,225	17,337,606	5.9
Ratio of net financial debt to total balance sheet[7]	%	51.8	46.7	50.1	
Main financial results – Expanded Solo[8]					
Total balance sheet	NIS thousands	12,972,280	12,512,595	13,311,610	(2.5)
Equity attributed to Company shareholders	NIS thousands	7,459,817	7,713,917	7,709,979	(3.2)
Financial debt (bank credit and bonds)[5]	NIS thousands	5,488,125	4,103,875	5,513,779	(0.5)
Net financial debt[6]	NIS thousands	5,168,008	3,917,904	5,027,172	2.8
Net financial debt ratio to balance sheet total[6]	%	40.8	31.8	39.2	
Earnings (loss) per share data					
Earnings (loss) per share - basic	NIS	(1.21)	0.89	(1.60)	
Comprehensive income (loss) per share – basic	NIS	(0.90)	1.10	(0.30)	
FFO per share - according to the management's approach[4]	**NIS**	**0.94**	**0.77**	**3.48**	22.3
Current dividend per share[9]	NIS	0.32	0.31	1.26	3.2
NAV per share	NIS	41.51	44.24	42.90	(3.2)
NNAV per share[10]	NIS	46.95	51.08	48.53	(3.3)
Price per share at end of period	NIS	28.05	53.13	35.80	(21.6)

2. Balance sheet data as of March 31, 2023 compared to December 31, 2022. Result data of 1-3/2023 compared to 1-3/2022.
3 Electricity revenues in the first quarter for 2023 and for 2022 presented above include revenues from the unwinding of electricity price hedging agreements in the amount of NIS 153 million and NIS 23 million, respectively.
4. For the definition of **FFO according to the management's approach** and for additional information regarding the **FFO according to the Securities Authority approach**, see Section 2.5.1 below.
.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 March 31, 2023 and December 31, 2022 is the financial debt net of the cash balance and net of a loan balance to a consolidated company in the amount of NIS 81 million and NIS 77 million, respectively.
7. Net financial debt as a percent of total balance sheet, net of cash balances. The Company's net financial debt (expanded solo) as of March 31, 2023 and December 31, 2022 is the financial debt net of the cash balance and net of a loan balance to a consolidated company in the amount of NIS 81 million and NIS 77 million, respectively.
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 2022 in the amount of NIS 0.18 per share, which was paid in March 2023, and an additional dividend in respect of 2021 in the amount of NIS 0.44, which was paid in April 2022.
.10 In the NNAV per share calculation, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

1.7 Summary of the main data – Investees

		Q1 2023	Q1 2022	Year 2022	% Change[11]
Investment in Israel – Amot Investments Ltd. (rate of holdings - 53.8%)[12]					
Number of income-generating properties	Unit	114	113	114	
Value of investment property (not including property in self-construction)	NIS thousands	16,649,158	15,380,400	16,623,086	0.2
Weighted capitalization rate deriving from investment property	%	6.23	6.09	6.20	
Occupancy rate at end of period	%	94.2	94.9	94.4	
Value of investment property in self-construction	NIS thousands	2,456,058	2,082,753	2,341,725	4.9
Ratio of net financial debt to total balance sheet	%	43	43	41.9	
NOI[13]	NIS thousands	246,733	219,433	930,996	12.4
FFO[14] per share - according to the management's approach	NIS	0,424	0.38	1,604	11.6
NAV per share	NIS	18.36	17.23	18.68	(1.7)
Price per share at end of period	NIS	18.23	24.02	20.65	(11.7)
Investment in the United States - Carr Properties Corporation (rate of holdings - 47.1%)[15]					
Number of income-generating properties	Unit	17	16	17	
Value of investment property (not including property in self-construction)	USD thousands	2,742,116	3,210,769	2,835,655	(3.3)
Occupancy rate at end of period[16]	%	89.20	88.3	87.90	
Number of properties in development	Unit	2	2	2	
Value of property in development	USD thousands	750,501	721,556	697,253	7.6
Ratio of net financial debt to total balance sheet	%	53.1	43.5	51.2	
[17]NOI	USD thousands	44,625	36,976	148,670	20.7
FFO [14]	USD thousands	21,433	18,633	70,988	15.0

11. Balance sheet data as of March 31, 2023 compared to December 31, 2022. Result data of 1-3/2023 compared to 1-3/2022.
12. The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter - "**Amot's Pro Forma Reports**"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS coming into effect.
.13 Net operating income
14. Funds from operations.
.15 The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
16 In the calculation of the occupancy rate as of March 31, 2023, the occupancy rate of the One Congress tower is included, which is fully leased and on the date of publication of the report it is in occupancy stages.
17 Including NOI from property management.

1.7 Summary of the main data – Investees (continued)

		Q1 2023	Q1 2022	Year 2022	% Change[18]
Investment in the UK – Brockton Everlast Inc. Limited (rate of holdings - 83.2%)					
Number of income-generating properties	Unit	13	10	13	
Value of investment property	GBP thousands	1,049,115	940,694	1,081,515	(3.0)
Occupancy rate at end of period	%	96.4	97.5	96.6	-
Value of land for initiation	GBP thousands	208,000	232,750	208,000	-
Ratio of financial debt to total balance sheet	%	33.1	30.5	30.7	
NOI	GBP thousands	10,140	8,386	42,311[19]	20.9
FFO	GBP thousands	4,411	3,002	19,521[19]	46.9
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings - 50.4%)					
Installed capacity from connected photovoltaic systems (MWp)	Unit	554	516	554	-
Installed capacity from connected wind systems (MW)	Unit	245.2	197	245.2	-
Balance of connected electricity-generating facilities – according to book value	NIS thousands	2,994,238	1,950,070	2,910,128	2.9
Price per share at end of period	NIS	10.06	12.25	11.08	(9.2)

18. Balance sheet data as of March 31, 2023 compared to December 31, 2022. Result data of 1-3/2023 compared to 1-3/2022.
19. The NOI and the FFO for 2022 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).

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

2.1 The business environment:

The following is information regarding significant developments that occurred in the Group companies' business environment (with an emphasis on the income-generating property sector) from the beginning of 2023 until close to the date of publication of the report:

A. <u>General trends in the office sector</u>

The downward trend in demand for office space continues to be affected by the global economic slowdown, the transition to hybrid work and the continued establishment of the Flexible Office sector. The technology sector continues to be the main factor in subleasing space. The differentiation between Trophy buildings and Class B and Class C buildings continues to increase, and is substantially evident in the occupancy rates, rental price levels and in the benefit packages provided to tenants.

The increase in the price of money around the world and the worsening of the credit crunch (banking and non-banking) in the United States and in Europe for the income-generating property sector in general and the office sector in particular have led to a further reduction in the volume of transactions, to a further decrease in the value of office buildings in those markets, including an increase in the number of cases of properties being handed over to lenders in non-recourse type loans.

Since the beginning of the year, the share prices of tradable real estate investment funds in the United States have continued to decline, and as of the publication date of this report, office reits are trading at discount rates on equity (in economic terms) of between 50% and 60% (compared to a range of between 25% to 30% in Europe).

B. <u>Developments in Israel</u>

According to the macroeconomic forecast published by the Bank of Israel Research Division in April 2023 (the "**Bank of Israel Forecast**"), the inflation rate in 2023 is expected to be 3.9%, and in 2024 - 2.3%. In the twelve months ending in April 2023, the inflation was 5%.

In an attempt to control the rise in prices and following the interest rate increases by the central banks in Europe and the United States, the Bank of Israel continued to raise the interest rate in Israel to its current level of 4.75%. According to the Bank of Israel forecast, GDP is expected to grow by approx. 2.5% in 2023 and by approx. 3.5% in 2024.

During the first quarter of 2023, the Israeli government promoted legislative changes aimed at applying 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 entities, 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, affecting the strength of the economy in Israel, impairing the State of Israel's credit rating, result in damage to investments in the Israeli economy and the withdrawal of funds and investments from Israel, increasing the cost of financing sources in the Israeli economy and harming the activity of the economic sector in general and the high-tech sector in particular.

According to the Bank of Israel's assessment in the forecast it published, in a scenario where significant legislative changes occur that affect the economy and are manifested in an increase in the risk premium, damage to exports, a decrease in local investments and damage to demand and markets, the Bank of Israel estimates that the damage to the GDP will be a decrease of between 0.8 and 2.8 percent of GDP each year as a function of the intensity of the damage and the duration of its impact.

In April 2023, in a direct continuation of the government's promoted process of legislative changes in the judicial system (the "legislative changes"), the international rating agency Moody's lowered Israel's rating outlook from "positive" to "stable". In addition, in May 2023, the IMF lowered the growth rate forecast for the Israeli economy for 2023 from 2.9% to 2.5%, noting that the crisis surrounding the legislative changes is a cause of instability, and the lack of a solution may cause an increase in the risk of the Israeli economy.
Later in May 2023, the international rating agency S&P left Israel's rating unchanged, but predicts that the current political uncertainty, combined with the economic slowdown suffered by Israel's main trading partners, Europe and the United States, and combined with the increase in interest rates, will slow down the growth in Israel's GDP from 2.5% (according to the Bank of Israel forecast) to only 1.5% this year, compared to 6.5% in 2022.

The business environment, as described above, also affects the profitable income-generating property sector in Israel in which the Company operates, and from the beginning of 2023, there is a moderation in demand and a lengthening of the negotiation stage for closing agreements. The office activity in the main Tel Aviv business district continues to show good results, but in other areas a slowdown is noticeable. In the logistics and commerce sectors, prices are stable and occupancy is full.

C. Developments in the United States

The growth rate of economic activity in the United States in the first quarter of 2023 was at an annual rate of 1.1%, lower than the last quarter of 2022, when the GDP expanded by 2.6%. Additional data that was published indicate that despite the slowdown, the unemployment rate in the United States decreased to 3.4%, its lowest level since the 1960s.

The inflation rate is on a downward trend and in April 2023, it was 4.9%, compared to approx. 10% in June 2022. The FED raised the interest rate to a level of approx. 5%-5.25% while closely monitoring the developing credit crunch in the commercial banking system.

Approx. 70% of the credit to the office sector in the United States comes mainly from commercial banks and loans packaged into financial instruments as mortgage-backed bonds in the commercial real estate market (CMBS). The decrease in bank deposits, the fear of increased risk among borrowers and the soaring price of credit resulted in a significant slowdown in the volume of available credit. The FED's calls to the commercial banks to create reserves in case of a recession resulted in an almost complete halt in the provision of new loans to the office sector.

The total debt amount for the income-generating property sector in the United States payable by the end of 2025 is approx. USD 1.5 trillion, USD 270 billion of which by the end of 2023. Of this amount, USD 80 billion are associated with the office sector, of which USD 25 billion are associated with the CMBS market.

In the United States there are increasing calls for the creation of a program to assist lenders and borrowers in the upcoming recycling of loans.

The decrease in occupancy and operating cash flows, the high interest rate environment upon debt recycling, uncertainty regarding the return of the physical occupancy rate of office users to its pre-pandemic level, low property valuations, the need for property owners to inject new equity for partial repayment of the existing debt (with emphasis on existing cases of violation of financial covenants even before the debt is due to be repaid) and for investments in buildings, all of which may exacerbate the existing crisis.

As of March 2023, the vacancy rate in Washington D.C. "Trophy" type offices was 12.8% compared to 18.3% of Class A type offices. Approx. 80% of the unleased areas of Class A offices are in buildings built before 2015. Rental prices remained stable with a gap of 28% between the two types mentioned above.

The volume of rentals continued to decrease due to the business uncertainty and due to the problem of government employees not returning to the offices (a big impact in Washington D.C.). At the same time, in the first quarter of 2023, there was a change in trend in the parameter of the total absorption of office space (new leases, offset by the termination of agreements) which for the first time since the outbreak of the Corona pandemic was positive compared to a series of negative quarters that preceded it. In addition, there is a trend of tenants preferring to rent space in buildings belonging to financially strong companies.

It should be noted that as of the date of publication of this report, in Washington, D.C. there is only one Trophy type office building under construction that will be completed during 2024, half of which is pre-leased. The volume of areas offered for subleasing decreased to 3.4 million sq.ft.

As of March 2023, the vacancy rate in the Boston CBD was approx. 14.3%, while in Class A properties the vacancy rate was approx. 9.7%. During the first quarter, there was a negative absorption of the office space in the CBD in the amount of 542 thousand sq.ft. in view of the trend of tenants reducing space due to the existing economic uncertainty and due to hybrid work.

The volume of areas offered for subleasing remained unchanged at approx. 3.8 million sq.ft. Rental prices remained stable with a slight increase in the budget for benefits granted to tenants (free rental periods and adaptation budgets provided to tenants).

D. Developments in the UK

As of March 2023, the annual inflation rate in the UK was 10.1%. The Bank of England ("BOE") continued to raise the interest rate to 4.5% and it expects that inflation for 2023 will amount to 5%, and 2.25% for 2024.

The GDP growth rate in the first quarter of the year amounted to 0.1%. The BOE expects that the GDP will increase by approx. 0.25% during 2023 compared to 0.75% in 2024. These figures are an improvement compared to the forecast reported by the Bank at the end of 2022, according to which the UK economy would enter a recession during 2023.

The exchange rate of the GDP strengthened against most important currencies and the ten-year government bond yield declined from 4.6% at the end of 2022 to approx. 3.8% in May 2023.

Due to the fear of entering a recession and the need to maintain reserves, the commercial banks tightened the conditions for the receipt of loans in the income-generating property sector. In view of the increase in interest rates, there was an increase in the number of loans in which there is a violation of a financial covenant in the interest coverage ratio. In these cases, the banks tend to demand partial repayment of the loan while increasing the price of the remaining debt.

In the first quarter of 2023, the leasing activity (Take-Up) of offices in London amounted to approx. 2.1 million sq.ft. The total active demand (Under Offer) amounted to approx. 3.1 million sq.ft., with approx. 40% of the total activity contributed by the financial sector and professional services such as lawyers and accountants.

The vacancy rate reached approx. 8.9% in the Greater London office market and is higher than the average of the previous decade - 5.5%. It should be emphasized that the existing vacancy rate in modern and new office buildings is only approx. 1.4%. The lack of office space in prime properties contributed to the stability of rental price levels.

The transaction volume in the first quarter of 2023 was approx. GBP 2.1 billion and is lower than the average of the previous decade of GDP 3 billion. The discount rate of prime properties in the West End and the City remained stable compared to the beginning of the year (4% and 4.5%, respectively).

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

2.2 Statement of Financial Position

Statement of Financial Position Item	March 31, 2023 NIS millions	December 31, 2022 NIS millions	Notes and explanations
Cash and cash equivalents	829	1,695	For the Statement of Cash Flows – see Section 2.6 below.
Investment property, investment property in development and land rights	24,065	23,772	The increase stems from the effect of exchange rates on BE's properties (approx. NIS 295 million) and from investments in property in development and in existing income-generating assets (mainly in Amot) in the amount of NIS 155 million. On the other hand, there was a decrease in respect of the fair value adjustment of BE's properties in the reporting period in the amount of NIS 157 million.
Investments in companies accounted for according to the equity method and securities measured at fair value through profit and loss	4,201	4,286	The following are the main changes: • An increase in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 109 million. • A decrease in investments in respect of the Group's share in the losses of associates in the amount of NIS 196 million. For details regarding changes in the balance of investments in associates, see Notes 6, 7 and 11(c) to the financial statements.
Electricity-generating facilities – connected and in development	5,685	5,206	Most of the increase is due to Energix's investments in the initiation and development of projects in the United States, Israel and Poland, and from the increase in the PLN and USD exchange rates. For information regarding electricity-generating facilities, see Note 5 to the financial statements.
Other assets	1,494	1,355	
Total assets	36,274	36,314	
Loans and bonds	18,501	18,566	The following are the main changes: • Raising of bonds and receipt of loans in the amount of NIS 0.6 billion. • Repayment of bonds and loans in the amount of NIS 0.9 billion. • The increase in debt, following the CPI and changes in exchange rates, NIS 0.2 billion. For information regarding the main changes in the Group's financial debt, see Section 2.4.3 below.
Other liabilities	4,455	4,157	
Total liabilities	22,956	22,723	
Equity attributed to shareholders	7,460	7,710	For information regarding the main changes in equity attributed to the shareholders, see Section 2.7.2 below.
Non-controlling interests	5,858	5,881	
Total equity	13,318	13,591	
Total liabilities and equity	36,274	36,314	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of March 31, 2023:

	Currency	Number of shares	Balance in the Company's books (expanded solo)	Value	Value measurement basis
			NIS thousands	NIS thousands	
Amot	NIS	252,718,672	4,619,187	4,607,061	Stock market value - tradable
Energix	USD/PLN/NIS	276,060,936	1,174,693	2,777,173	Stock market value - tradable
Carr	USD	-	2,778,716	2,778,716	Equity method
AH Boston	USD	-	715,890	715,890	Equity method
Brockton Everlast	GBP	-	3,148,629	3,148,629	Equity method
Brockton Funds	GBP	-	166,180	166,180	Equity method
Other[20]			332,384	332,384	
Total			12,935,679	14,526,033	

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

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

	Q1/2023	Subsequent to the balance sheet date	Total
	NIS millions	NIS millions	NIS millions
Brockton Everlast	-	50	50
AH Boston	14	11	25
	14	61	75

[20] Mainly including cash in the amount of NIS 239 million and a short-term bridging loan to BE, whose balance as of the date of the report is NIS 81 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 Profit (loss) in millions			Company's share Profit (loss) in NIS millions
		Revaluations of income-generating properties	Revaluation of properties in initiation, development and construction	Total	Total
USA (Carr and AH Boston) (1)	USD	(143)	6	(137)	(238)
UK (BE) (2)	GBP	(1)	(36)	(37)	(131)
Company's share before the tax effect					**(369)**
Tax effect					52
Company's share after tax					**(317)**

(1) USA (Carr and AH Boston) – The negative revaluation of the properties in the reporting period resulted from an update of the parameters of the valuation model in connection with the rental of the properties (in particular the extension of the free rent and downtime periods (the length of time it takes to occupy an area of a tenant terminating a lease)) and from the increase in the discount rate of the projected cash flow of some assets.

(2) UK (BE) – The negative revaluation of the properties in the reporting period resulted from the increase in the discount rate of the projected cash flow of two properties in the City of London in advanced stages of initiation.

The following is a sensitivity table of the effect of an increase in the weighted Cap rate by 0.25% on the value of the properties[21]:

Geographic region	Currency	100% at the investee level Loss in millions	Company's share Loss in NIS millions
Israel (Amot)	NIS	(688)	(370)
USA (Carr and AH Boston)	USD	(138)	(240)
UK (BE)	GBP	(77)	(288)
Company's share before the tax effect			**(898)**
Tax effect			140
Company's share after tax			**(758)**

[21] In Amot, Carr and AH Boston, the calculation of the sensitivity analysis refers to income-generating properties, not including projects in initiation. In BE, the calculation of the sensitivity analysis refers to income-generating properties, not including land for initiation purposes.

2.3.4 Investment in property in Israel – through Amot:

As of March 31, 2023, the Company has holdings of 53.8% in Amot.

2.3.4.1 Information regarding Amot's activity

For information regarding Amot's activity, see Chapter B of the Company's Description of Corporate Business for 2022 and Section 2.3.4 of the Company's Board of Directors' Report for 2022.

2.3.4.2 Information regarding rental agreements signed during the reporting period:

During the first quarter of 2023, 168 new contracts were signed, including the exercise of options and contract renewals amounting to an area of 94 thousand sq.m. at annual rental fees of NIS 91 million. The rate of increase in NIS per sq.m. between the new contracts and the previous contracts is approx. 5% (weighted average).

2.3.5 Investment in Carr

The Group's effective holdings in Carr as of March 31, 2023 are 47.1% (close to the date of publication of the financial statements - 47.3%). The balance of the investment in Carr in the financial statements as of March 31, 2023, is USD 769 million (approx. NIS 2.8 billion).

2.3.5.1 Information regarding Carr's activity

For information regarding Carr's activity, see Chapter C1 of the Company's Description of Corporate Business for 2022 and Section 2.3.5 of the Board of Directors' Report for 2022.

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

- **One Congress project - Boston, Massachusetts** – Further to Section 2.3.5 to the Board of Directors' Report for 2022, in April 2023, the construction of the 1 million sq.ft. tower was completed and it is in occupancy stages. Delivery of all the rental areas in the tower is expected to be completed in 2024.

- **300 East 2nd (previous name: Block 16)** – Further to Section 2.3.5 to the Board of Directors' Report for 2022, in May 2023, Carr decided to postpone construction of the tower until the middle of 2026 and because of this, its construction is expected to be completed in the middle of 2029.

2.3.5.3 Fair value adjustments of investment property:

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

2.3.6 Investment in AH Boston

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through wholly owned corporations) in three companies that hold three office towers (two in the CBD (Boston's main business center) and one in East Cambridge) (hereinafter, collectively - the "**Boston Partnerships**").

The balance of the investment in the three Boston Partnerships, in the financial statements as of March 31, 2023, is USD 198 million (approx. NIS 716 million).

In the reporting period, the Group invested a total of USD 4 million (approx. NIS 14 million) in the Boston partnerships. Subsequent to the balance sheet date, the Group invested a total of USD 3 million (approx. NIS 11 million) in the Boston partnerships.

2.3.6.1 Fair value adjustments of investment property:

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

2.3.7 Investment in Brockton Everlast ("BE"):

As of March 31, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 82.3% of the rights in BE. Subsequent to the balance sheet date, the Company invested approx. GBP 11 million (approx. NIS 50 million) in BE's capital.

2.3.7.1 Information regarding BE's activity

As of the date of publication of the report, 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 Cambridge Science Park area over several years.
In order to implement the plan, BE has started looking for a strategic investor for its operations in that area.

For information regarding BE's activity, see Chapter D of the Company's Description of Corporate Business for 2022 and Section 2.3.6 of the Board of Directors' Report for 2022.

2.3.7.2 Fair value adjustments of investment property:

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

2.3.8 Investment in renewable energy through Energix

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its photovoltaic and wind energy systems, as of the date of approval of the report, amounts to approx. 867 MW in commercially operated projects, approx. 849 MW in projects in development or pre-construction and approx. 469 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[22].

2.3.8.1 Information regarding Energix's activity

For information regarding Energix's activity, see Chapter F of the Company's Description of Corporate Business for 2022 and Section 2.3.8 of the Board of Directors' Report for 2022.

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

A significant increase in revenues in the first quarter of 2023 – As a result of the signing of amendments to the electricity sales agreements in Poland in 2022 and in the reporting period, and in view of the significant increase in electricity generation capacity due to the increase in the backlog of projects in commercial operation compared to the corresponding quarter last year, Energix's revenues for the reporting period, including revenues from the unwinding of electricity hedging agreements, totaled approx. NIS 296 million, compared to revenues of approx. NIS 92 million in the corresponding quarter last year. It should be clarified that the aforementioned revenues stem from compensation received by Energix for the unwinding of electricity price-fixing agreements in Poland, which, if not cancelled, would have been expected to be recorded as revenues for the period between April 1, 2023 and December 31, 2023. By neutralizing the revenues from the unwinding of electricity hedging agreements, Energix's revenues for the first quarter amounted to a total of approx. NIS 183 million, which reflects a 2-fold increase in revenue per quarter compared to the corresponding quarter last year.

22 **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 Energix estimates can be financially closed or ready for construction within the next 12 months or initiative projects that have won a guaranteed tariff; **projects in initiation** are the backlog of the Energix's projects at various stages of development which may mature into development projects, for which the Company has an interest in the land and Energix is working to obtain the permits and approvals required for their construction; **mature project backlog** includes projects in commercial operation, projects in development and just prior to construction and advanced initiative projects.

(1) Israel

a) Engagement in agreements with a private supplier for the sale of electricity, instead of Competitive Procedure 2 (photovoltaic facilities with storage):

In the context of Energix's decision to associate the projects that will be established (all or some of them) under Competitive Procedure 2 for the regulation of the market model instead of the Competitive Procedure, Energix, through its wholly owned corporations, entered into electricity sales agreements with a private supplier in the reporting period and until the date of approval of the report in respect of five photovoltaic facilities with combined energy storage. Subject to approval for the facilities' association with the market regulation instead of the Competitive Procedure, the engagement in agreements with the private supplier allow Energix to sell the electricity produced in these facilities at a price significantly higher than the winning rate under the terms of the Competitive Procedure, in exchange for Energix's commitment to sell all the electricity generated in the facility and the facility's full storage capacity to the supplier. In view of the advantage that Energix sees in the market regulation over the terms of the Competitive Procedure, Energix intends to engage in contracts for additional facilities with a private supplier, with the aim of maximizing Energix's revenues from these facilities.

b) Engagement in a memorandum of understanding for the receipt of financing in the amount of up to NIS 255 million for the construction of the extra-high voltage project with a capacity of approx. 87 MWp – As of the date of approval of the report, Energix is in negotiations for the signing of a binding financing agreement. For additional information regarding the project and the financing agreement, see Notes 5 and 8 to the Financial Statements, respectively.

(2) United States

a) Acquisition of the full rights of the minority partner (42%) in the US joint venture – In April 2023, Energix, through a wholly owned American subsidiary, acquired the full rights of the local partner in the US joint venture (42%), so that as of the date of approval of the report, all of Energix's activities in the United States are fully owned. For additional information, see note 5(b)(1) to the Financial Statements.

b) Engagement in financing transactions and tax partner investment in Energix's operations in the United States in the amount of approx. NIS 1.9 billion –

Subsequent to the balance sheet date, in April 2023, Energix, through a wholly owned American company structure, entered into a series of transactions for investment and financing of photovoltaic projects with a total capacity of approx. 416 MWp in Virginia and Pennsylvania, which are in the midst of the construction stage (the "**Projects**"):

- **Tax Equity investment** – Engagement with a leading American bank as the tax partner of the projects in which the tax partner undertook to invest, subject to the terms of the agreement, a total of USD 250 million, which reflects a tax benefit of 30%. The amount of the tax partner's investment may increase by an additional USD 130 million, up to a total of USD 380 million, which reflects Energix's assessment, as of the date of the report, of the rate of tax benefit to which the projects will be entitled, with the expected publication of the regulations under the Inflation Reduction Act of 2022, which is in effect from August 2022 (the "IRA Act")[23]. The regulations will regulate the eligibility criteria for the additional tax benefits (ITC) to a rate of 40% and 50%, in accordance with the provisions of the IRA Act. Energix's assessment is based on: (1) the strategic collaboration with First Solar and the guarantee of panels manufactured in the United States; (2) the purchase of additional main

[23] The amount of the actual tax benefit will be dependent on the actual compliance with criteria published in the regulations.

equipment in the United States; and (3) the location of projects in areas defined in advance as those for which additional tax benefits will be given. It should be noted that as long as the tax partner does not increase his investment, the company has the right to sell the additional tax benefit to other entities.

- **Transactions for short-term and long-term financing on a non-recourse basis for the projects** – Engagement with a leading international bank in the field of renewable energy to receive non-recourse financing which is divided as follows: (1) short-term financing for the construction period, which will be replaced by long-term financing for projects in the amount of up to USD 260 million[24]; and (2) a bridging loan for construction until receipt of the Tax Equity investment as mentioned above, in the amount of up to USD 250 million.

c) Additional agreement for long-term financing on a non-recourse basis – Energix is close to signing an additional financing agreement with a leading international bank in the field of renewable energy, for the receipt of long-term financing on a non-recourse basis in the amount of up to USD 80 million. The financing will be provided for Energix's projects in the United States that are currently in commercial operation with a total capacity of 224 MWp. The loan amount is expected to be used by Energix to repay the equity it has invested in the financed projects. For additional information, see Note 8 to the Financial Statements.

For additional information, see the immediate report published by the Company on April 23, 2023 (Ref: 2023-01-044055) and also Note 8 to the Financial Statements.

(3) Poland

Amendment of electricity sales agreements at Energix's 5 wind farms in Poland – In view of the temporary legislation in Poland setting a temporary ceiling for electricity prices, in the reporting period, Energix signed an amendment to the electricity sale agreements for price fixing transactions in which it engaged with a local broker for all 5 of its active wind farms in Poland, in a way that will reduce its exposure to the price limit for 2023 and maximize Energix's revenues for this period. In this context, in February 2023, Energix entered into an agreement with the local broker to unwind part of its financial transactions to fix the price of electricity for 2023, in exchange for a total of approx. PLN 185 million (approx. NIS 153 million). For additional information regarding the temporary legislation, the electricity sales agreements and the price-fixing transactions, see Note 7e(b) to the Annual Financial Statements.

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

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

[24] As of the date of approval of the report, Energix has withdrawn approx. USD 125 million in respect of the construction loan.

2.3.9 Dividend receipts and returns of capital

The following are the dividends and returns of capital received from the Company's main investments (expanded solo) in 2023, up to the date of publication of the financial statements, and the projected receipts of dividends and capital repayments for 2023:

	From January 2023 to the date of publication of the Reports	2023 Forecast
	in NIS millions	
Amot	139	344
BE	59	59
Energix	69	127
AH Boston	5	19
Total dividend and cash flow returns of capital	272	549
[25]Carr – Dividend Reinvestment Plan	28	115
Total dividend and returns of capital	300	664

The dividend receipt and return of capital forecast for 2023 is calculated in accordance with the declared dividend distribution and return of capital policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

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

The information on dividend receipts and return of capital for 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.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of March 31, 2023, the Group has cash balances of NIS 0.8 billion (of which the Company's expanded solo balance – NIS 0.2 billion) and unutilized lines of credit in the amount of approx. NIS 1.8 billion (of which the Company's expanded solo lines of credit – NIS 550 million, and Amot's lines of unutilized credit – approx. NIS 1.1 billion).

[25] 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.

2.4.2 Unencumbered assets

As of March 31, 2023, all of the Company's assets (expanded solo) are unencumbered. Their balance (not including cash) as of March 31, 2023 is NIS 12.6 billion (a market value of NIS 14.2 billion). As of March 31, 2023, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 18.5 billion.

2.4.3 Financial debt

As of March 31, 2023, the Group's net financial debt amounted to NIS 18.4 billion, constituting 51.8% of the Group's total assets, compared to a net financial debt of NIS 17.3 billion, which constituted 50.1% of the Group's assets, as of December 31, 2022.

As of March 31, 2023, the net financial debt of the Company (expanded solo) amounted to NIS 5.2 billion, constituting 40.8% of the total assets of the Company (expanded solo), compared to net financial debt of NIS 5 billion, constituting 39.2% of the assets of the Company (expanded solo), as of December 31, 2022.

The Company's adjusted leverage rate (expanded solo) based on the stock exchange value of the Company's tradable holdings close to the date of publication of the report amounts to 34.8%.

2.4.3.1 The following are data regarding the Company's financial debt (expanded solo) as of March 31, 2023:

Investee	Financial debt ratio at Fixed interest (*)	Average duration of debt at fixed interest (in years)
The Company (expanded solo)	72%	5.5
Amot	100%	5.4
Energix	97%	7.6
BE	100%	1.9
Carr	70%	3.4
AH Boston	100%	2.9

(*) 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.

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

- In January 2023, a facility agreement was renewed between the Company and an Israeli bank for the provision of a credit facility in the amount of NIS 150 million with a utilization period of one year from date of signing the renewed agreement (hereinafter, in this subsection - the "**Utilization Period**") to be repaid by the end of two years from the end of the utilization period.

- During the reporting period, the Company raised debt by way of a series expansion of existing bonds in the amount of NIS 240.5 million PV of bonds (Series M) by way of a series expansion, for a consideration of NIS 240 million (gross) and at an effective interest rate of 5.34% and approx. NIS 250 million PV of bonds (Series O) by way of a series expansion, for a consideration of NIS 246 million (gross) and at an effective interest rate of 3.09%.

  In addition, the Company performed swap transactions with financial entities in Israel that converted the NIS cash flows (principal and interest) of bonds (Series M) in the amount of NIS 250 million to index cash flows for the whole life of the bonds at an annual weighted CPI-linked interest rate of 2.49%.

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

For disclosure specific to bondholders, see Section 5 below.

For details of the Company's liabilities (expanded solo) maturing after March 31, 2023, see Section 2 of Appendix A below.

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

Energix:

Regarding Energix's engagement in financing transactions in the amount of over NIS 2.5 billion in the reporting period and subsequent to the balance sheet date, see Section 2.3.8.2 above and Note 8 to the Financial Statements.

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

2.4.4 Working capital deficit

The working capital deficit as of March 31, 2023 amounted to a total of NIS 1.2 billion in the consolidated statements (NIS 439 million in the Company's expanded solo statements). As of March 31, 2023, the Group has a high balance of unutilized long-term credit facilities and a high balance of unencumbered assets (see Sections 2.4.1 and 2.4.2 above). In view of this, 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 loss of NIS 108 million, compared to a profit of NIS 266 million attributable to Company shareholders in the corresponding period last year. The share attributed to Company shareholders in the reporting period amounted to a loss of approx. NIS 218 million, compared to a profit of NIS 155 million attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded comprehensive income of approx. NIS 2 million, compared to comprehensive income of approx. NIS 273 million attributed to Company shareholders in the corresponding period last year. The share attributed to Company shareholders amounted to a loss of approx. NIS 162 million, compared to a comprehensive income of NIS 192 million attributed to Company shareholders in the corresponding period last year. For an explanation of the operating results in the reporting period, see Sections 2.5.2 and 2.5.3 below.

2.5.1 FFO (Funds From Operations)

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

In the FFO calculation, exchange rate differences and linkage difference expenses in respect of bonds and CPI-linked loans were not included because the Company's management is of the opinion that those expenses do not reflect cash flow from continuing current activities (hereinafter - "FFO according to the Management's Approach").

In accordance with the position of the Securities Authority, FFO data according to the Securities Authority's approach was added in addition to FFO according to the management's approach. The FFO according to the Securities Authority's approach includes the expenses for exchange rate differences and linkage differences for CPI-linked bonds and loans (hereinafter - "FFO according to the Securities Authority's approach").

It should be emphasized that the FFO mentioned in the Company's remuneration policy, in the Company's credit documents with banks and in the Company's trust deeds for bonds it issued is the FFO according to the management's approach.

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

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

The following is the calculation of the FFO according to the management's approach (in NIS thousands):

	Q1 2023 NIS thousands	Q1 2022 NIS thousands	For the year 2022 NIS thousands
Share of Company shareholders in net profit (loss) for the period	(218,194)	155,007	(281,467)
Adjustments to profit and loss:			
Fair value adjustment of investment property	157,161	(123,562)	(685,918)
Company share in property revaluations and other non-FFO items in investees	248,024	(4,099)	1,117,433
Profit from decrease in rate of holdings, from acquisition and realization of investees	(111)	(18,365)	(20,391)
Net losses (profits) from investments in securities measured at fair value through profit and loss	(385)	(873)	1,351
Others (mainly depreciation and amortizations)	36,708	22,024	108,427
Revenues from unwinding of electricity-hedging agreements for Q2-Q4/2023	(113,388)	-	-
Financing expenses that are not FFO (mainly linkage differences and exchange rate differences)	108,850	83,319	369,399
Deferred taxes and current taxes that are not FFO	(12,173)	11,555	(111,843)
Share of non-controlling interests in the above adjustments to FFO	(38,284)	8,401	115,961
FFO according to the management's approach	**168,208**	**133,407**	**612,952**
The sources of the FFO according to the management's approach are as follows:			
Revenues			
Investment property NOI	280,279	246,944	1,071,118
NOI from electricity sales	160,958	74,133	451,570
Carr's share in FFO	35,666	26,322	109,082
AH Boston's share in FFO	9,708	7,374	31,605
Amot's, Energix's and BE's associates' share in FFO	6,541	5,221	23,155
Other revenues	-	723	2,281
Total revenues	493,152	360,718	1,688,811
Expenses			
Real financing, net	(105,471)	(79,834)	(343,245)
Administrative and general	(41,630)	(36,852)	(164,257)
Current taxes	(29,850)	(8,072)	(64,279)
Share of non-controlling interests attributed to FFO	(147,993)	(102,553)	(504,078)
Total expenses	(324,944)	(227,311)	(1,075,859)
FFO according to the management's approach	**168,208**	**133,407**	**612,952**
FFO per share (NIS) according to the management's approach	**0.94**	**0.77**	**3.48**

The following is a reconciliation of the FFO according to the management's approach and the FFO according to the Securities Authority approach (in NIS thousands):

	Q1 2023	Q1 2022	For the year 2022
	NIS thousands	NIS thousands	NIS thousands
FFO according to the management's approach	**168,208**	**133,407**	**612,952**
Adjustments:			
Linkage difference expenses on the credit of the Company and its investees and exchange rate differences	(58,890)	(55,916)	(229,186)
FFO according to the Securities Authority approach	**109,318**	**77,491**	**383,766**

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

	Q1 2023 NIS thousands	Q1 2022 NIS thousands	For the year 2022 NIS thousands
Revenues and profits			
Revenues from rental fees and management of investment property	322,271	280,313	1,219,178
Fair value adjustment of investment property	(157,161)	123,562	685,918
Group share in profits (losses) of associates, net	(196,107)	43,017	(953,589)
Net profits (losses) from investments in securities measured at fair value through profit and loss	385	873	(1,351)
Profit from decrease in rate of holding, from acquisition and realization of associates	111	18,365	20,391
Revenues from sale of electricity and green certificates	143,114	91,513	502,410
Revenues from unwinding of electricity-hedging agreements	152,760	-	23,027
Other revenues, net	699	570	2,089
	266,072	558,213	1,498,073
Costs and expenses			
Cost of investment property rental and operation	41,273	33,166	146,800
Development, maintenance and operation costs of electricity-generating facilities	21,361	14,243	56,141
Depreciation and amortizations	33,627	22,416	112,398
Administrative and general	46,296	39,647	179,082
Financing expenses, net	214,322	163,153	712,644
	356,879	272,625	1,207,065
Profit (loss) before taxes on income	(90,807)	285,588	291,008
Income tax expenses (income)	17,678	19,627	(47,564)
Net profit (loss) for the period	**(108,485)**	**265,961**	**338,572**
Allocation of net income (loss) for the period:			
Share of Company shareholders	**(218,194)**	**155,007**	**(281,467)**
Share of non-controlling interests	109,709	110,954	620,039
	(108,485)	265,961	338,572

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

Revenues from rental fees and management of investment property, net – amounted to NIS 322 million in the reporting period, compared to NIS 280 million in the corresponding period last year, an increase of NIS 42 million (approx. 15%). The increase is mainly due to a change in Amot's revenues (approx. NIS 32 million) due to additional revenues from properties whose construction has been completed and from additional revenues in identical properties as a result of an increase in the occupancy rate, an increase in prices and an increase in the CPI. The balance of the increase (approx. NIS 10 million) stems from additional revenues from new properties acquired by BE during 2022.

Fair value adjustment of investment property – In the reporting period, negative property revaluations were recorded in the amount of NIS 157 million in respect of BE's properties. The negative revaluation of the properties in the reporting period resulted from the increase in the discount rate of the projected cash flow of two properties in the City of London in advanced stages of initiation.

In the corresponding period last year, positive property revaluations were recorded in the amount of NIS 124 million, mainly due to the adjustment of the value of Amot's properties following the rise in the CPI by a rate of 1.17% in that period.

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

- **Group share in Carr's profits** – A loss of NIS 131 million was recorded in the reporting period, compared to a profit of NIS 27 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 99 million (the Company's share in the loss before tax - NIS 164 million). The negative revaluation of the properties in the reporting period resulted from an update of the parameters of the valuation model in connection with the rental of the properties (in particular the extension of the free rent and downtime periods (the length of time it takes to occupy an area of a tenant terminating a lease)) and from the increase in the discount rate of the projected cash flow of some assets.
- **Group share in AH Boston's profits** – A loss of NIS 68 million was recorded in the reporting period, compared to a profit of NIS 11 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 38 million (the Company's share in the loss before tax - NIS 74 million) mainly due to the increase in the discount rate of the properties.

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

Profit from decrease in rate of holdings and from the realization of investees – The profit in the corresponding period last year is due to a capital gain recorded as a result of the sale of a consolidated partnership by Energix (approx. NIS 18 million).

Revenues from sale of electricity and green certificates – Revenues from the sale of electricity and green certificates in the reporting period amounted to NIS 143 million compared to NIS 92 million in the corresponding period last year, an increase of NIS 51 million (approx. 55%). The increase in revenues stems mainly from new facilities that were connected in Poland and in Israel (approx. 41 million).

Revenues from the unwinding of electricity-hedging agreements – Revenues in the reporting period stem from compensation received by Energix for the unwinding of electricity price-fixing agreements in Poland (see Note 5(b) to the Financial Statements).

Financing expenses – Financing expenses in the reporting period amounted to NIS 214 million compared to NIS 163 million in the corresponding period last year, an increase of NIS 51 million. The change stemmed mainly from the increase in the Group's financial debt balance and from the increase in interest rates.

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

	Q1 2023 NIS thousands	Q1 2022 NIS thousands	For the year 2022 NIS thousands
Net profit (loss) for the period	**(108,485)**	**265,961**	**338,572**
Profit (loss) from investment in Carr (1) (2)	(9,076)	42,945	181,802
Profit (loss) from investment in AH Boston properties (1)	(756)	7,974	39,205
Profit (loss) from investment in BE (1) (3)	73,662	(24,592)	13,514
Profit (loss) from other investments (4)	45,298	(14,044)	(16,089)
Tax effects	1,354	(5,248)	(4,777)
Other comprehensive income for the period	110,482	7,035	213,655
Total comprehensive income for the period	**1,997**	**272,996**	**552,227**
Allocation of comprehensive income (loss) for the period:			
Share of Company shareholder	**(161,657)**	**192,295**	**(53,496)**
Share of non-controlling interests	163,654	80,701	605,723
	1,997	272,996	552,227

(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 2.7% and 5.4% against the USD and the GBP, respectively. In the corresponding period last year, there was a devaluation (or an appreciation) of the NIS by a rate of 2.1% and (0.8%) against the USD and the GBP, respectively.

(2) In addition to the description in Section (1) above, the comprehensive loss from the investment in Carr in the reporting period also includes a decrease in equity in the amount of NIS 10 million in respect of the Company's share in the changes in the fair value of interest rate fixing transactions carried out by Carr (in the corresponding period last year there was an increase in equity in the amount of NIS 13 million).

(3) In addition to the description in Section (1) above, the comprehensive income from the investment in BE in the reporting period also includes a loss in the amount of approx. NIS 8 million, which stems from the fair value of interest rate fixing transactions carried out by BE (in the corresponding period last year there was a profit in the amount of NIS 14 million).

(4) The profit in the reporting period stems mainly from the effect of exchange rates (net of hedging) in Energix due to the depreciation of the NIS against the USD and the PLN and from a profit from electricity price-fixing transactions in the United States. In the corresponding period last year, the loss stemmed mainly from the effect of exchange rates in Energix (net of hedging) due to the depreciation of the NIS against the USD and the appreciation of the NIS against the PLN, as well as the loss from electricity price-fixing transactions in the United States.

2.6 Cash flows

	Q1 2023 NIS millions	Q1 2022 NIS millions	For the year 2022 NIS millions
Total cash flows deriving from (used in) current activities	**202**	**(212)**	**629**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(182)	(260)	(1,159)
Investment in electricity-generating systems	(222)	(219)	(1,131)
Investment in Carr	-	-	(202)
Investment in Boston properties	(14)	(8)	(57)
Cash provided by (used in) forward transactions and options designated for hedging	(132)	40	36
Acquisition of consolidated companies	-	-	(298)
Repayment (provision) of loans	1	-	127
Net decrease (increase) in deposits (including pledged deposits)	-	(2)	(407)
Other	-	48	42
Total cash used in investing activities	**(549)**	**(401)**	**(3,049)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	133	153	244
Proceeds from the issue of bonds	475	759	3,037
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit)	(897)	(723)	(1,544)
Capital raised by the Company	-	20	295
Capital raised by Amot (net of the Company's investment in the issue)	-	315	487
Capital raised by Energix (net of the Company's investment in the issue)	-	174	534
Capital raised by BE (net of the Company's investment in the issue)	-	504	569
Acquisition of Amot and Energix shares from non-controlling interests	-	(35)	(38)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(279)	(128)	(652)
Total cash provided by (used in) financing activities	**(568)**	**1,039**	**2,932**
Total increase (decrease) in cash balances in the period	**(915)**	**426**	**512**
Other influences	**19**	**(13)**	**24**
Cash and cash equivalents and designated deposit at end of period	833	1,607	1,729
Less - designated deposit	(4)	(31)	(34)
Cash and cash equivalents at end of period	**829**	**1,576**	**1,695**

2.7 Equity

2.7.1 Equity per share

	As of March 31 2023	As of December 31 2022
	NIS millions	NIS millions
Equity	13,318	13,591
Less non-controlling interests	(5,858)	(5,881)
Equity attributed to Company shareholders	**7,460**	**7,710**
NAV per share	**41.51**	**42.90**
NNAV per share	**46.95**	**48.53**

2.7.2 Explanation of changes in equity

In the reporting period, the capital attributed to the Company's shareholders decreased by NIS 250 million.

The main changes are as follows:

- The loss attributed to the Company shareholders in the amount of NIS 218 million - see additional details in Section 2.5.2 above.
- Other comprehensive income attributed to the Company shareholders in the amount of NIS 57 million - see additional details in Section 2.5.3 above.
- A reduction in capital following dividends paid in the amount of NIS 90 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 March 31, 2023 (in NIS millions)[26]:

As of March 31, 2023	Assets	Liabilities	Assets, net	%
USD	3,550	(2,656)	894	12%
GBP	3,403	(2,342)	1,061	14%
Other (mainly PLN)	193	(29)	164	2%
Excess assets over liabilities in foreign currency	7,146	(5,027)	2,119	28%
Excess assets over liabilities in NIS	5,826	(485)	5,341	72%
Equity as of March 31, 2023	12,972	(5,512)	7,460	100%

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

2.7.4 Dividends distributed by the Company in 2023

For information regarding dividends distributed by the Company in 2023, see Note 10(a) to the Financial Statements.

2.8 Remuneration of senior officers and directors

For details on options granted to the Company's senior officers and directors, see Note 16e to the Annual Financial Statements and Note 10b to the Financial Statements.

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

3. Market risk exposure and management

3.1 Over the course of the reporting period, no material changes have occurred in the types of market risks as reported in the Board of Directors Report for 2022 and in Company policy regarding the management of these risks.

3.2 Regarding the report on linkage bases for monetary balances (expanded solo) as of March 31, 2023, see Section 2.7.3 above and Appendix B.

4. Aspects of Corporate Governance

4.1. The Company's Board of Directors

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

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

On March 29, 2023, Ms. Mia Likvernik announced her resignation from the Company's Board of Directors. Ms. Likvernik served from November 15, 2021 as an independent director in the Company and as a member of the Audit Committee and the Financial Statements Review Committee. In view of Ms. Likvernik's resignation, the Company's Board of Directors decided on the appointment of Mr. Amos Yadlin as a member of the Audit Committee and the appointment of Ms. Adva Sharvit as a member of the Financial Statements Review Committee.

On May 22, 2023, the Company's Board of Directors decided to appoint Adv. Rony Patishi-Chillim as an independent director of the Company (this classification was approved at the Audit Committee meeting of May 16, 2023), effective from May 23, 2023. The Board of Directors also determined that Ms. Rony Patishi-Chillim has accounting and financial expertise.

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

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

4.2 The Company's Internal Auditor

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

At its May 16, 2023 meeting, the Audit Committee discussed the risk survey and the Internal Auditor's Report on the work of the Board of Directors and its committees.

5. Special Disclosure for Bondholders

5.1 The following are data as of March 31, 2023 relating to bonds issued by the Company:

(In thousands)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)	**Total**
Par value as of March 31, 2023	958,316	1,399,383	160,746	1,551,104	530,726	498,537	5,098,812
Linked par value as of March 31, 2023	958,316	1,399,383	160,746	1,551,104	530,726	506,754	5,107,029
Value in the financial statements as of March 31, 2023 (at amortized cost)	980,719	1,410,761	158,678	1,502,104	521,255	493,214	5,066,731
Stock market value as of March 31, 2023	913,658	1,409,878	134,126	1,267,872	474,363	452,971	4,652,868
Accrued Interest as of March 31, 2023	3,134	7,962	375	3,277	2,299	1,137	18,184

For information regarding the expansion of bonds (Series M) and bonds (Series O) in the reporting period, see Note 9 to the Financial Statements.

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

Financial ratio		Criterion	Value as of March 31, 2023
Net financial debt to value of holdings27	%	Less than 80	40.5%
Minimum equity (Series I, J, K, L, M and O)[28]	NIS billions	More than 2.2	7.5

For additional information, see Section 5.2.2 of Chapter F(5) to the Description of the Corporation's Business in the Periodic Report for 2022.

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

[28] In order for grounds to be created for early repayment, the breach of the above provision must exist for four consecutive quarters. For Series I and J – the minimum equity is NIS 1.8 billion, for Series K and L – the minimum equity is NIS 2.1 billion and for Series M and O – the minimum equity is NIS 2.2 billion.

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

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

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

Appendix A – Financial Information, Expanded Solo

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

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

Appendix A – Financial Information, Expanded Solo

1. Financial Statements – Expanded Solo

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

1.1 Condensed expanded solo balance sheet (NIS thousands):

	As of March 31	As of December 31
	2023	2022
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	239,141	409,110
Loan to a consolidated company	80,976	77,497
Other accounts receivable	31,523	36,216
Total current assets	351,640	522,823
Non-current assets		
Securities measured at fair value through profit and loss	166,195	157,657
Investments in investees	12,449,367	12,618,087
Others	5,078	13,043
Total non-current assets	12,620,640	12,788,787
Total assets	12,972,280	13,311,610
Current liabilities		
Short-term credit and current maturities of long-term liabilities	589,425	613,681
Other accounts payable	201,536	261,071
Total current liabilities	790,961	874,752
Non-current liabilities		
Bonds and long-term loans	4,471,952	4,588,141
Deferred taxes	40,619	71,438
Others	208,931	67,300
Total non-current liabilities	4,721,502	4,726,879
Equity	7,459,817	7,709,979
Total liabilities and equity	12,972,280	13,311,610

Financial Data, Expanded Solo

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

	Q1 2023	Q1 2022	For the year 2022
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Group share in profits (losses) of associates, net	(175,580)	185,047	(371,066)
Profit from decrease in rate of holdings, from acquisition and realization of investees	347	268	2,293
Net profit (loss), relating to investments in long-term securities intended for sale	111	(439)	(7,018)
Other revenues, net	5,191	4,584	18,766
	(169,931)	189,460	(357,025)
Expenses			
Administrative and general (including contributions)	9,315	6,879	35,210
Financing expenses, net	54,101	29,796	142,218
	63,416	36,675	177,428
Profit (loss) before taxes on income	(233,347)	152,785	(534,453)
Income tax expenses (income)	(15,153)	(2,222)	(252,986)
Net profit (loss) for period	(218,194)	155,007	(281,467)

2. The Company's liabilities (expanded solo) payable after March 31, 2023:

	Bonds (*)	Bank loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current maturities	592,500	-	592,500	12
Second year	592,500	-	592,500	12
Third year	592,500	-	592,500	12
Fourth year	592,500	-	592,500	12
Fifth year	639,178	-	639,178	12
Sixth year onward	2,114,922	-	2,114,922	40
Total repayments	5,124,100	-	5,124,100	100
Others			602	
Balance of liability related to transactions in financial derivatives			363,423	
Total financial debt (taking into account the value of transactions in financial derivatives)			5,488,125	

(*) Including the effect of swap transactions with financial entities in Israel so that NIS bonds were "converted" into liabilities in USD and GBP, as well as CPI-linked liabilities.

As of March 31, 2023 NIS thousands	In unlinked NIS	In linked NIS	In USD	In GBP	Other (mainly PLN)	Total	Adjustments - Non-monetary items	Total
Current assets								
Cash and cash equivalents	229,881	-	2,635	1,166	5,459	239,141	-	239,141
Loan to a consolidated company	-	-	-	80,976	-	80,976	-	80,976
Other accounts receivable	8,341	-	289	6,409	-	15,039	16,484	31,523
Total current assets	238,222	-	2,924	88,551	5,459	335,156	16,484	351,640
Non-current assets								
Securities measured at fair value through profit and loss	15	-	-	166,180	-	166,195	-	166,195
Investments in associates	-	-	-	-	-	-	12,449,367	12,449,367
Others	2,513	-	-	-	-	2,513	2,565	5,078
Total non-current assets	2,528	-	-	166,180	-	168,708	12,451,932	12,620,640
Total assets	240,750	-	2,924	254,731	5,459	503,864	12,468,416	12,972,280
Current liabilities								
Short-term credit and current maturities of long-term liabilities	589,425	-	-	-	-	589,425	-	589,425
Payables and credit balances	181,297	2,181	120	-	34	183,632	17,904	201,536
Total current liabilities	770,722	2,181	120	-	34	773,057	17,904	790,961
Non-current liabilities								
Bonds and long-term loans	3,978,739	493,213	-	-	-	4,471,952	-	4,471,952
Deferred tax liabilities	-	-	-	-	-	-	40,619	40,619
Others	207,812	-	902	-	-	208,714	217	208,931
Total non-current liabilities	4,186,551	493,213	902	-	-	4,680,666	40,836	4,721,502
Total liabilities	4,957,273	495,394	1,022	-	34	5,453,723	58,740	5,512,463
Excess assets over liabilities (liabilities over assets)	(4,716,523)	(495,394)	1,902	254,731	5,425	(4,949,859)	12,409,676	7,459,817
Financial derivatives	5,122,774	(252,003)	(2,539,581)	(2,331,190)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**406,251**	**(747,397)**	**(2,537,679)**	**(2,076,459)**	**5,425**	**(4,949,859)**	**12,409,676**	**7,459,817**
Allocation of non-monetary assets (liabilities), net - by linkage basis	659,361	5,021,551	3,432,081	3,137,650	159,033	12,409,676	(12,409,676)	-
Excess assets over liabilities (liabilities over assets)	**1,065,612**	**4,274,154**	**894,402**	**1,061,191**	**164,458**	**7,459,817**	**-**	**7,459,817**

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports[29]

- For a current Midroog rating report see the immediate report published by the Company on April 24, 2023 (Ref: 2023-01-044871).
- For a current rating report by Maalot, the Israeli Securities Rating Company Ltd., see the immediate report dated June 2, 2022 (Ref: 2022-01-069427), a rating report dated September 11, 2022 for new bonds issued by the Company (Series M and O) (Ref: 2022-01-115681), a rating report dated November 28, 2022 for the expansion of bonds (Series L) (Ref: 2022-01-143197), a rating report dated January 18, 2023 for the expansion of bonds from Series M and O (Ref: 2023-01-008883) as updated in a rating report dated January 19, 2023 (Ref: 2023-01-009450).

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

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

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

Consolidated Financial Statements

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Signal House Washington DC

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.

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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.

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

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

		As of March 31		As of December 31
		2023	2022	2022
	Note	NIS thousands	NIS thousands	NIS thousands
Assets		(Unaudited)	(Unaudited)	
Current assets				
Cash and cash equivalents		829,128	1,575,990	1,694,701
Deposits and designated deposit		424,820	31,066	449,790
Trade receivables		261,708	70,034	125,201
Current tax assets, net		41,644	30,335	48,796
Other receivables		174,319	472,116	167,003
Total current assets		1,731,619	2,179,541	2,485,491
Non-current assets				
Investment property		20,754,963	18,695,613	20,621,239
Investment property in development and land rights		3,309,617	2,975,269	3,151,043
Long-term investments:				
Securities measured at fair value through profit and loss		228,004	209,242	216,251
Investment in associates	6.7	3,973,215	4,420,638	4,070,029
Deferred tax assets		67,482	60,352	59,937
Electricity-generating facilities:				
Connected electricity-generating facilities	5	2,994,238	1,950,070	2,910,128
Right-of-use asset		465,979	315,278	390,987
Electricity-generating facilities in development	5	2,165,005	1,684,383	1,813,125
Pledged deposits		55,749	53,522	57,205
Fixed assets, net		115,143	113,714	113,963
Other assets		412,898	331,736	424,639
Total non-current assets		34,542,293	30,809,817	33,828,546
Total assets		36,273,912	32,989,358	36,314,037

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

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

	Note	As of March 31 2023 NIS thousands (Unaudited)	As of March 31 2022 NIS thousands (Unaudited)	As of December 31 2022 NIS thousands
Liabilities and equity				
Current liabilities				
Short term credit and current maturities of long-term loans		524,578	333,279	369,685
Current maturities of bonds		1,280,060	1,289,502	1,290,727
Current maturities of lease liabilities		22,728	12,569	17,711
Current tax liabilities, net		88,635	43,333	57,938
Payables and credit balances		1,031,462	918,940	981,560
Total current liabilities		2,947,463	2,597,623	2,717,621
Non-current liabilities				
Bonds	9	13,059,489	11,307,311	13,387,196
Loans from banking corporations and financial institutions		3,636,979	3,388,176	3,518,816
Lease liability		616,412	408,996	542,985
Deferred tax liabilities		1,792,915	1,933,159	1,822,737
Provisions		16,483	16,483	16,483
Other liabilities		886,045	529,343	716,779
Total non-current liabilities		20,008,323	17,583,468	20,004,996
Equity				
Equity attributed to Company shareholders		7,459,817	7,713,917	7,709,979
Non-controlling interests		5,858,309	5,094,350	5,881,441
Total equity		13,318,126	12,808,267	13,591,420
Total liabilities and equity		36,273,912	32,989,358	36,314,037

On behalf of the Board of Directors:

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

May 22, 2023

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

	Note	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
		2023	2022	2022
		NIS thousands	NIS thousands	NIS thousands
Revenues and profits		(Unaudited)	(Unaudited)	
Revenues from rental fees and management of investment property		322,271	280,313	1,219,178
Fair value adjustment of investment property		(157,161)	123,562	685,918
Group share in profits (losses) of associates, net		(196,107)	43,017	(953,589)
Net profits (losses) from investments in securities measured at fair value through profit and loss		385	873	(1,351)
Profit from decrease in rate of holding, from acquisition and realization of associates		111	18,365	20,391
Revenues from sale of electricity and green certificates		143,114	91,513	502,410
Revenues from unwinding of electricity-hedging agreements	5	152,760	-	23,027
Other revenues, net		699	570	2,089
		266,072	558,213	1,498,073
Costs and expenses				
Cost of investment property rental and operation		41,273	33,166	146,800
Development, maintenance and operation costs of electricity-generating facilities		21,361	14,243	56,141
Depreciation and amortizations		33,627	22,416	112,398
Administrative and general		46,296	39,647	179,082
Financing income		(21,196)	(20,515)	(80,078)
Financing expenses		235,518	183,668	792,722
		356,879	272,625	1,207,065
Income (loss) before taxes on income		(90,807)	285,588	291,008
Income tax expenses (income)		17,678	19,627	(47,564)
Net profit (loss) for the period		(108,485)	265,961	338,572
Distribution of net profit (loss) for the period				
Company shareholders		**(218,194)**	**155,007**	**(281,467)**
Non-controlling interests		109,709	110,954	620,039
		(108,485)	265,961	338,572
Net earnings (loss) per share attributed to Company shareholders (in NIS):				
Basic		**(1.21)**	**0.89**	**(1.60)**
Fully diluted		(1.21)	0.88	(1.67)
Weighted average of share capital used in calculation of earnings per share (thousands of shares)				
Basic		179,722	174,290	176,049
Fully diluted		179,722	174,900	176,049

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

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
Net profit (loss) for the period	(108,485)	265,961	338,572
Other Comprehensive Income			
Amounts to be classified in the future to profit or loss, net of tax			
Profit from translation of financial statements for foreign activities	396,866	37,409	697,288
Loss from exchange rate differences for credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(293,762)	(30,173)	(482,816)
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	15,901	(10,073)	(33,410)
Company's share in other comprehensive income (loss) of associates, net of tax	(8,523)	9,872	32,593
Other comprehensive income for the period, net of tax	110,482	7,035	213,655
Total comprehensive income for the period	1,997	272,996	552,227
Allocation of comprehensive income (loss) for the period			
Company shareholders	**(161,657)**	**192,295**	**(53,496)**
Non-controlling interests	163,654	80,701	605,723
	1,997	272,996	552,227

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended March 31, 2023 (Unaudited) (NIS thousands)

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2023	197,796	2,795,162	(551,365)	478,680	(589)	4,790,295	7,709,979	5,881,441	13,591,420
Total comprehensive income for the period	-	-	65,059	(8,522)	-	(218,194)	(161,657)	163,654	1,997
Dividend paid to Company shareholders	-	-	-	-	-	(89,861)	(89,861)	-	(89,861)
Dividends declared for non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(199,188)	(199,188)
Issuance of capital in consolidated companies	-	-	-	-	-	-	-	2,705	2,705
Allocation of benefit in respect of options to employees and officers	-	-	-	1,356	-	-	1,356	9,697	11,053
Balance as of March 31, 2023	197,796	2,795,162	(486,306)	471,514	(589)	4,482,240	7,459,817	5,858,309	13,318,126

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended March 31, 2022 (Unaudited) (NIS thousands)

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2022	192,112	2,514,378	(746,743)	309,109	(589)	5,369,907	7,638,174	4,191,390	11,829,564
Total comprehensive income for the period	-	-	29,987	7,301	-	155,007	192,295	80,701	272,996
Dividends declared for Company shareholders	-	-	-	-	-	(130,754)	(130,754)	-	(130,754)
Dividends declared for non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(140,688)	(140,688)
Exercise of employee options	307	12,564	-	(1,401)	-	-	11,470	-	11,470
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(26,571)	-	-	(26,571)	(8,707)	(35,278)
Issuance of capital in consolidated companies	-	-	-	28,453	-	-	28,453	965,779	994,232
Allocation of benefit in respect of options to employees and others	-	-	-	850	-	-	850	5,875	6,725
Balance as of March 31, 2022	192,419	2,526,942	(716,756)	317,741	(589)	5,394,160	7,713,917	5,094,350	12,808,267

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Year ended December 31, 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 the 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 Condensed Consolidated Financial Statements.

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
Cash flows - Operating activities			
Profit (loss) for the period	(108,485)	265,961	338,572
Net income (expenses) not entailing cash flows (Appendix A)	419,792	(86,810)	876,508
	311,307	179,151	1,215,080
Changes in working capital (Appendix B)	(109,306)	(390,765)	(585,917)
Net cash provided by operating activities	202,001	(211,614)	629,163
Cash flows - Investing activities			
Investment in fixed assets and investment property (including investment property in development)	(181,791)	(259,939)	(1,158,580)
Investment in electricity-generating systems	(222,153)	(218,599)	(1,131,008)
Investment in associates	(14,053)	(7,733)	(258,340)
Increase in pledged deposit and restricted cash	(270)	(2,315)	(7,222)
Repayment of loans provided to associates, net	665	1,760	112,886
Repayment (provision) of loans to others	-	-	13,730
Increase in deposits and tradable securities, net	-	-	(400,000)
Cash provided by (used in) forward transactions and options designated for hedging	(131,991)	40,418	35,592
Proceeds from the realization of investment in associates	-	25,353	25,360
Investment in investment property funds	-	-	(4,418)
Acquisition of consolidated companies (see Appendix E)	-	-	(298,057)
Others	141	20,143	20,572
Net cash used in investing activities	(549,452)	(400,912)	(3,049,485)
Cash flows - Financing activities			
Proceeds from the Group's issue of bonds, net	474,760	758,759	3,037,381
Repayment of bonds	(876,144)	(697,554)	(1,180,892)
Receipt of long-term loans, net of capital raising expenses paid	-	152,715	243,872
Repayment of long-term loans	(20,828)	(15,075)	(360,725)
Proceeds from the issue of shares and options	-	20,003	294,672
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	-	993,472	1,591,266
Acquisition of shares and options from non-controlling interests in consolidated companies, net	-	(35,278)	(38,138)
Increase (decrease) in short-term credit and in utilized long-term credit facilities	133,672	(10,109)	(3,820)
Dividend paid to Company shareholders	(89,861)	-	(298,145)
Dividend paid to non-controlling interests in consolidated companies	(189,166)	(127,922)	(353,586)
Net cash provided by financing activities	(567,567)	1,039,011	2,931,885
Increase (decrease) in cash and cash equivalents	(915,018)	426,485	511,563
Cash and cash equivalents at beginning of period	1,694,701	1,163,289	1,163,289
Balance of designated deposit at beginning of period	34,435	30,433	30,443
Effect of changes in exchange rates on foreign currency cash balances	18,625	(13,151)	23,841
Cash and cash equivalents and designated deposit at end of period	832,743	1,607,056	1,729,136
Less - Balance of designated deposit at end of period	3,615	31,066	34,435
Total cash and cash equivalents	829,128	1,575,990	1,694,701

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

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
Adjustments required to present cash flows from operating activities			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its realization	157,161	(123,562)	(685,919)
Net profits from changes in holding rate and from realization of investments in investees	(111)	(18,365)	(20,391)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	44,904	35,121	496,504
Profit from fair value adjustment of securities measured at fair value through profit and loss	(8,576)	(873)	(1,570)
Company share in results of associates, net of dividends and capital reductions received	195,181	(32,495)	993,100
Deferred taxes, net	(16,487)	25,336	(42,419)
Depreciation and amortizations	33,627	22,416	112,406
Allocation of benefit in respect of share-based payment	10,379	5,723	25,261
Others, net	3,714	(111)	(464)
	419,792	(86,810)	876,508
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in other receivables	(156,228)	(37,581)	(138,811)
Decrease (increase) in current tax assets, net	7,152	(33,479)	(52,369)
Increase (decrease) in other payables	17,243	32,790	(16,018)
Increase (decrease) in current tax liabilities, net	22,527	(346,748)	(372,972)
Purchase of CAP options	-	(5,747)	(5,747)
	(109,306)	(390,765)	(585,917)
c. Non-cash activity			
Receivables for exercise of employee options	2,702	2,411	-
Investment in electricity-generating systems against supplier credit and payables	52,256	-	49,294
Increase in right-of-use asset against lease liabilities	69,524	38,550	160,706
Investment in real estate and fixed assets against other accounts payable	12,121	35,788	24,473
Dividends declared for Company shareholders	-	130,760	-
Dividends declared for non-controlling interests in a consolidated company	10,021	12,766	-

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
d. Additional information			
Interest paid	216,436	165,046	404,206
Interest received	14,951	855	9,249
Taxes paid (*)	13,693	362,186	406,979
Taxes received	10,190	20,044	22,831
Dividend and capital reductions received	4,987	9,076	55,786

(*) In the first quarter of 2022, taxes were paid in the amount of NIS 362 million, which are payments on account of tax arrangements of the Company and a subsidiary.

e. Acquisition of companies consolidated for the first time

The amounts recognized on the acquisition date in respect of assets and liabilities:			
Investment property	-	-	532,061
Loans from banking corporations and financial institutions	-	-	(258,434)
Derivative financial instruments	-	-	32,573
Working capital	-	-	(8,143)
	-	-	298,057
Net cash flow			
Total proceeds	-	-	298,057
	-	-	298,057

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

Note 1 – General

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

These Condensed Consolidated Financial Statements (hereinafter - the "**Interim Financial Statements**") were prepared as of March 31, 2023 and for the three-month period ended on that date. These statements should be reviewed within the context of the Company's Consolidated Annual Financial Statements as of December 31, 2022 and for the year ended on that date and with their accompanying notes (hereinafter - the "**Annual Financial Statements**").

Note 2 – Significant Accounting Policies

a. Preparation basis for the financial statements

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

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

In the preparation of these Interim Financial Statements the Group has implemented accounting policies, presentation principles and calculation methods identical to those implemented in the preparation of its financial statements as of December 31, 2022 and for the year ended on that date.

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

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

c. Exchange rates and linkage bases

- Balances in or linked to foreign currency are included in the financial statements according to the representative rates of exchange published by the Bank of Israel and in effect as of the end of the reporting period.
- Balances linked to the Consumer Price Index (CPI) are presented according to the most recent known CPI at the end of the reporting period (the CPI for the month preceding the month of the financial statements date) or in accordance with the CPI in lieu of the last month of the reporting period (the CPI for the month of the financial statements date), according to the terms of the transaction.

Note 2 – Significant Accounting Policies (continued)

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

	As of March 31 / for the month of March	As of March 31 / for the month of March	As of December 31 / for the Month of December	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022	2023	2022	2022
				%	%	%
Consumer Price Index						
(2000 base)						
In Israel (in lieu CPI)	145,244	138,348	143,530	1.19	1.46	5.26
In Israel (known CPI)	144,681	137,550	143,130	1.08	1.17	5.28
Exchange rate against the NIS						
USD	3,615	3,176	3,520	2.70	2.12	13.18
GBP	4,467	4,168	4,240	5.35	(0.83)	0.88
PLN	0.84	0,759	0,800	5.00	(0.70)	5.26

d. Seasonal factors

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

Note 3 – Amot (consolidated company)

As of March 31, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 53.8% of the rights in Amot. For information regarding a dividend received from Amot in the reporting period, see Note 10 below.

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

A. The Company's holdings in BE

As of March 31, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 83.2% of the rights in BE. Subsequent to the balance sheet date, the Company invested approx. GBP 11 million (approx. NIS 50 million) in BE's capital. For information regarding a dividend received from BE in the reporting period, see Note 10 below.

B. Fair value adjustments of investment property

In the reporting period, the Company invested the amount of GBP 37 million (NIS 157 million). The negative revaluation of the properties in the reporting period resulted from the increase in the discount rate of the projected cash flow of two properties in the City of London in advanced stages of initiation.

Note 5 – Energix (consolidated company)

A. The Company's holdings in Energix

As of March 31, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 50.4% of the rights in Energix. For information regarding a dividend received from Energix in the reporting period, see Note 10 below.

B. Transactions carried out by Energix in the reporting period and subsequent to the balance sheet date

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems, as of the date of publication of the report, amounts to approx. 867 MW in projects in commercial operation, approx. 849 MW in projects in development or pre-construction and approx. 469 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.

United States:

Photovoltaic projects in the United States –

1. **Acquisition of the full rights of the minority partner (42%) in the US joint venture** – Further to Note 7d to the annual reports regarding Energix's activity in the United States, which is carried out through a joint venture with a local American partner in which Energix holds 58% (through a company structure in the US), subsequent to the date of the report, in April 2023, an American subsidiary of Energix entered into an agreement for the acquisition of the rights of the local partner in the US joint venture (the "**Acquisition Transaction**") so that as of the date of approval of the report, the subsidiary holds all the rights in the US joint venture. The acquisition transaction was carried out in consideration for: (i) a cash amount of USD 6.75 million; and (ii) an additional amount that will be paid as a success fee, conditional on the projects owned by the US joint venture, which are currently in various stages of initiation, reaching commercial operation (or their sale to a third party), in an amount that is not material in relation to the cost of the projects' establishment.

Accordingly, after completion of the acquisition of the partner's rights, Energix's entire activity in the United States is 100% owned by Energix (with the exception of tax partner rights, as relevant).

Note 5 – Energix (consolidated company) (continued)

Projects nearing construction with a total capacity of approx. 140 MWp –

- **Acquisition of another project with a capacity of 65 MWp in Virginia in the stage nearing construction –** In the reporting period, Energix engaged with the largest renewable energy company in the United States in an agreement under which Energix purchased a project with a capacity of 65 MWp in Virginia for a total consideration of approx. USD 7.5 million. The project holds most of the permits and approvals required for construction.

- **Agreements for the sale of electricity in projects nearing construction** – As part of Energix's preparations for the construction of the projects in this backlog, in the reporting period, Energix signed agreements for the sale of electricity and green certificates to be issued in respect of the electricity generated (on an "as generated" basis) with one of the electric companies in Virginia in relation to three projects with an aggregate capacity of approx. 75 MWp for 20 years.

- **Projects in advanced initiation** – Energix has a backlog of wholly owned projects with a total capacity of approx. 340 MWp that are in advanced initiation. In its promotion of the development of these projects, in the reporting period, Energix signed agreements for the sale of electricity and green certificates to be issued in respect of the electricity generated (on an "as generated" basis) with one of the electric companies in Virginia in relation to a project with an aggregate capacity of approx. 25 MWp, for 20 years, and also on an agreement for the sale of electricity for a project of approx. 25 MWp for a period of 15 years.

For additional information regarding Energix's activity in photovoltaics and photovoltaics with combined storage in the United States, including an agreement with First Solar for the supply of panels made in the USA, see Note 8c and 7d to the Annual Financial Statements.

2. **Projects in development with a total capacity of 416 MWp –**

   Engagement with a tax partner – Subsequent to the date of the report, Energix entered into an agreement with a leading American bank as a tax partner in relation to the projects, in which the tax partner will invest a total of approx. USD 250 million. The investment amount reflects a tax benefit (ITC) at a rate of 30% which is in effect as of the date of the engagement and it may increase depending on the rate of ITC tax benefits to which the projects will actually be entitled. The investment is expected to be provided upon completion of construction (Mechanical Completion) and upon commercial operation (Substantial Completion), provided that all projects have reached commercial operation by December 31, 2023.

   As part of the engagement and as is customary in transactions of this type, Energix provided a Company guarantee to ensure full execution of the payments and obligations of the designated partnership and the project companies to the tax partner under the engagement documents, including an obligation to indemnify the tax partner for damages, if and as relevant.

   For additional information regarding the IRA Act and the update of the tax benefits thereunder, the structure and the terms of the engagement with a tax partner for transactions in the United States, see Note 7d to the Annual Financial Statements.

Regarding the projects' financing, see Note 8 below.

Statements in this section regarding projects in development and nearing construction are forward-looking information.

Poland:

Wind energy projects in Poland:

1. **Update to the electricity sales agreements at the Energix wind farm in Poland from July 2022 –** Further to Notes 7a and 7b to the Annual Financial Statements and adoption of the legislation setting a temporary ceiling on electricity prices in Poland, during the reporting, Energix entered into 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 exchange for a one-time compensation payment to Energix in the amount of approx. NIS 153 million. In addition, terms were updated for the option granted to the broker in July 2022, 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 2032-2034, all or in part, until March 31, 2025.

Note 5 – Energix (consolidated company) (continued)

The following are price fixing transactions from the total volume of production for 2023-2024, which are in effect as of the date 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.

The following are price fixing transactions from the total volume of production for 2025-2034, which are in effect as of the date of the report:

The dedicated project company that owns the Banie 1+2 wind farms with a capacity of 106 MW ("**Banie 1+2**") engaged with the broker in price-fixing transactions for 10 years, for the years 2025-2034, which reflects a rate of approx. 90% of the expected annual electricity generation in Banie 1+2 (the "**Long-Term Price-Fixing Transactions**"). The broker has an additional option, exercisable until the end of 2024, in relation to an additional capacity at a rate of up to 5% of Energix's total expected electricity generation from Energix's 5 wind farms in Poland.

The following is a description of price fixing transactions for green certificates in relation to the expected production:

Year	Fixed rate from production volume (*)	Average price (**)
2023	97%	162
2024	14%	221

(*) 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.

2. **Banie Stage 4 with a capacity of 56 MW –** Further to Note 7e.3 to the Annual Financial Statements, as of the date of approval of the report, the project has completed all the requirements for obtaining a permanent license, which is expected to be received in the coming weeks.
As of the date of the report, Energix has recognized assets for Banie Stage 4 in the amount of approx. NIS 255 million, which were recorded under electricity-generating facilities in development.

For information regarding the electricity price-fixing transaction, see Note 7e.b to the Annual Financial Statements.

Photovoltaic Projects in Poland:

1. **Photovoltaic project with a capacity of 12 MWp** – Further to Note 7 to the Annual Financial Statements, as of the date of approval of the report, the project's construction work has been completed and it began to generate electricity that is fed into the Polish grid as part of a commissioning and inspection period. In accordance with the electricity sales agreement, which the project company entered into close to the date of approval of the report, the electricity during the coming year will be sold to the Polish broker, with whom the wind farm in Poland engaged.

As of the date of the report, Energix recognized assets in development in the amount of NIS 29 million for this project, which were recorded under electricity-generating facilities in development.

Note 5 – Energix (consolidated company) (continued)

Israel:

Photovoltaic projects in Israel:

1. **Projects whose construction and connection to the grid have been partially completed - the winning projects in the third and fourth competitive procedures (up to 137 MWp) –** See Note 8a.3 to the Annual Financial Statements.
2. **Extra-high-voltage project with a capacity of 87 MWp** – Further to Note 8a.1 to the Annual Financial Statements, Energix is in the midst of construction work on the project, after the project was approved by the Israeli government as a national infrastructure project.
3. **The winning projects under Competitive Procedure 2 for the establishment of photovoltaic facilities with combined storage capacity (approx. 111 MWp and 400 MWh)** – Further to Note 8a.2 to the Annual Financial Statements, during the reporting period and as of the date of approval of the report, Energix commenced construction work on the projects.

   In the context of Energix's decision to associate the projects that will be built (all or some of them) under this competitive procedure for the regulation of the market model, Energix, through its wholly owned corporations, entered into electricity sales agreements with Electra Power Supergas Ltd. (the "**Supplier**"). As part of the agreements and subject to the approval for the association of the facilities with the market regulation instead of the competitive procedure, Energix has committed to sell, to the supplier, the electricity that is expected to be produced in 5 of the projects established under this competitive procedure, and the full storage capacity of those projects at electricity prices that are significantly higher than the rate the projects are entitled to under the competitive procedure. The period of the agreements is 20 years from the start date of the supply of electricity in each of the projects, and for which, Energix and the supplier provided mutual guarantees to ensure the obligations of the project companies under the electricity sales agreements. According to the terms of the market arrangement, association of the facilities to the arrangement is possible only after the completion of their construction and full compliance with the conditions and obligations in accordance with the provisions of Competitive Procedure 2.

4. **Project with a capacity of 30 MWp with a combined storage capacity of approx. 48 MWh** – Further to Note 8a.4 to the Annual Financial Statements, Energix has commenced construction work on a photovoltaic facility with a capacity of approx. 30 MWp with a combined storage capacity of approx. 48 MWh, by virtue of its win in a tender published by a government entity. During the reporting period and until the date of approval of the report, Energix entered into agreements for the purchase of the main equipment required for the project, including the storage system.

   The expected cost of the projects listed in Sections 3 and 4 above is in the range of NIS 700-800 million.

   As of the date of the report, Energix has recognized assets in the amount of NIS 620 million for these projects, which were recorded under connected electricity-generating systems and systems in development and initiation.

5. **Projects in initiation –** Shortly before the date of approval of the financial statements, Energix won a tender for a land reserve as part of a tender published by the Israel Land Authority for planning and an option to purchase lease rights for the construction of a photovoltaic facility with combined storage on 780 dunams. Subject to completion of the development and planning of the facility (including the approval of a new detailed plan, if approved), Energix intends to build a photovoltaic facility on the area of the win with a capacity of approx. 70-80 MWp with combined storage of 350-400 MWh. The total cost of the land, for the entire period, is expected to amount to approx. NIS 36 million, of which an amount of NIS 5 million has already been provided by Energix.

Regarding the financing of the projects, see Note 8 below.

Note 5 – Energix (consolidated company) (continued)

Wind energy projects in Israel - ARAN project

1. Further to Note 8b to the Annual Financial Statements, Energix holds 100% of the management rights and 80.5% of the economic rights in the ARAN wind project in the Golan Heights, with a capacity of approx. 104 MW. The project commenced construction after Energix entered into agreements for the purchase of the main equipment for the project and with performance contractors. According to the information provided to Energix, and since the massive construction work of the project, including transportation of the turbines to the site, require an escort and dedicated assessments by the police, the massive construction work is expected to extend beyond the original schedules determined for the project. Except with regard to the scheduled times, this delay has no material effect on Energix.

   Regarding legal proceedings that are being conducted in relation to aspects of rights in the land of a number of turbines that are part of the ARAN project, during the reporting period, the court decided to delete most of the plaintiffs from the letter of claim, with the exception of several associations, for which the plaintiffs filed an appeal and as of the date of approval of the report, a decision had not yet been issued. Energix's legal advisors are of the opinion that the claim should be dismissed. As of the date of the report, Energix has recognized the property in the amount of NIS 386 million, presented under electricity-generating systems in development, including an amount of approx. NIS 11 million against contingent liabilities.

C. Management fee agreement with Energix

Further to Notes 6 and 5 to the Annual Financial Statements, shortly before the approval of the report, the Company's Board of Directors (following the approval and recommendation of the Audit Committee), subject to the approval of the General Meeting of Energix's shareholders, approved the update and renewal of the management agreement with Energix for a period of 3 years starting July 1, 2023. The update of the management fee agreement, to the extent it is approved by the Energix shareholders' meeting, does not include material changes.

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

A. The Company's Holdings in Carr:

As of March 31, 2023 and as of the date of publication of the report, the Group's holdings in Carr Properties Holdings LP is 52.3%. The Group's effective holdings in Carr as of March 31, 2023 is 47.1%.

The balance of the investment in Carr in the financial statements as of March 31, 2023, is USD 769 million (NIS 2.8 million).

B. Developments in the reporting period in connection with investment property:

- **One Congress project - Boston, Massachusetts –** Further to Note 6g.3 to the 2022 Financial Statements, in April 2023, the construction of the 1 million sq.ft. tower was completed and it is in occupancy stages. Delivery of all the rental areas in the tower is expected to be completed in 2024.

- **300 East 2nd (previous name: Block 16)** – Further to Note 6g.3 to the 2022 Financial Statements, in May 2023, Carr decided to postpone construction of the tower until the middle of 2026 and because of this, its construction is expected to be completed in the middle of 2029.

C. Fair value adjustments of investment property

In the reporting period, Carr recorded a negative revaluation in the amount of USD 99 million in its financial statements (the Group's share in the negative revaluation before tax is approx. USD 46 million, (NIS 164 million)).

The negative revaluations of the properties in the reporting period resulted from an update of the parameters of the valuation model in connection with the rental of the properties (in particular the extension of the free rent and downtime periods (the length of time it would take to occupy an area of a tenant terminating a lease)) and from the increase in the discount rate of the projected cash flow of some assets.

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

D. The following is concise information regarding Carr:

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2023	2022	2022
		USD thousands	
Revenues (not including real estate valuations)	58,409	48,829	203,448
Adjustment of investment property value (*)	(101,005)	2,013	(547,083)
Net profit (loss) from continuing activity	(77,148)	17,967	(463,417)
Other comprehensive income (loss)	(6,089)	9,807	25,865
Total comprehensive income (loss) (including share of non-controlling interests in profit (loss))	(83,237)	27,774	(437,552)
Company share in Carr's net profit (loss) in USD thousands	(36,992)	8,443	(225,155)
Company share in Carr's comprehensive income (loss) in USD thousands	(39,744)	12,396	(214,002)
Company share in Carr's net profit (loss) in NIS thousands	(130,804)	26,933	(780,842)
Company share in Carr's comprehensive income (loss) in NIS thousands	(140,535)	39,631	(743,763)

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

	As of March 31	As of March 31	As of December 31
	2023	2022	2022
		USD thousands	
Investment property	2,021,773	2,408,841	2,107,521
Property in development and land for development	10,071	167,555	8,876
Investment in investees	680,798	725,872	671,714
Other non-current assets	189,623	161,212	194,856
Other current assets	54,015	44,609	58,901
Total assets	2,956,280	3,508,089	3,041,868
Current liabilities	231,503	185,322	244,729
Non-current liabilities	1,148,737	1,256,978	1,137,985
Total liabilities	1,380,240	1,442,300	1,382,714
Equity attributed to shareholders	1,468,988	1,918,292	1,544,754
Non-controlling interests	107,052	147,497	114,400
Equity (including non-controlling interests)	1,576,040	2,065,789	1,659,154
Total liabilities and equity	2,956,280	3,508,089	3,041,868
Company share in net assets - in USD thousands	768,662	973,828	808,375
Book value of investment – in NIS thousands	2,778,713	3,092,878	2,844,670

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

A. The Company's holdings in Boston:

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

The balance of the investment in the three Boston Partnerships, in the financial statements as of March 31, 2023, is USD 198 million (approx. NIS 716 million).

In the reporting period, the Group invested a total of USD 4 million (approx. NIS 14 million) in the Boston partnerships. Subsequent to the balance sheet date, the Group invested a total of USD 3 million (approx. NIS 11 million) in the Boston partnerships.

In the reporting period, the Group received dividends and returns of capital from the Boston Partnerships in the total amount of USD 1.4 million (approx. NIS 5 million).

B. Fair value adjustments of investment property

In the reporting period, the Group recorded a negative revaluation of approx. USD 38 million in its financial statements in respect of the Boston properties (the Group's share in the negative revaluation before tax is approx. USD 21 million (NIS 74 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.

Note 8 – Loans from Banking Corporations and Financial Institutions

The Company:

A. As detailed in Note 12b.1 to the Annual Financial Statements, a facility agreement was renewed between the Company and an Israeli bank (hereinafter, in this subsection - the "**Bank**") in January 2023 for the provision of a credit facility in the amount of NIS 150 million with a utilization period of one year from date of signing the renewed agreement (hereinafter, in this subsection - the "**Utilization Period**") to be repaid by the end of two years from the end of the utilization period (hereinafter, in this subsection - the "**New Facility Agreement**").

B. As of March 31, 2023 and as of the date of publication of the report, the Company has a credit facility in the total amount of NIS 550 million, which is unutilized.

Energix (consolidated company):

A. **Financing for construction of the projects with a capacity of up to 137 MWp (the third and fourth competitive procedures)** - Further to Note 12d.3 to the Annual Statements regarding a project financing agreement in the amount of up to NIS 350 million, as of the date of approval of the report, Energix, through the joint venture - Israel, made a withdrawal under the financing facility in the amount of approx. NIS 314 million in respect of projects that met the conditions for the withdrawal.

B. **Financing for construction of an extra-high-voltage project with a capacity of approx. 87 MWp** – In the reporting period, 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 and on the date of approval of the report, Energix is in negotiations for the signing of a binding financing agreement.

C. **Negotiations for the receipt of financing for the Virginia 1 and Virginia 2 projects in an amount of up to USD 80 million** – As of the date of approval of the report, Energix is nearing the signing of a back leverage financing agreement in the amount of up to USD 80 million that will be used to return equity that provided by Energix for the Virginia 1 and Virginia 2 projects with a capacity of approx. 224 MWp, from a leading international bank in the field of renewable energy.

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

D. **Engagement in a short-term and long-term financing agreement on a non-recourse basis for the financing of projects in development with a total capacity of 416 MWp** – Subsequent to the date of the report and as of the date of approval of the report, Energix, through a designated corporate structure in the United States, entered into a transaction with a leading international bank in the field of renewable energy for the receipt of non-recourse financing, the terms of which are as follows:

1. **A short-term loan** for the construction period in the amount of up to USD 260 million that will be converted into a long-term loan upon and subject to the completion of construction of the projects. This loan will bear interest at a rate in the range of 1.1%-1.8% above the base interest rate (SOFR 6 months). Subsequent to the date of the report and close to the publication of the report, Energix withdrew approx. USD 125 million from this loan.

2. **A long-term loan** whose final payment will be made at the end of 66 months from the date of conversion of the loan for the construction period (see Section 1 above). Until the final repayment date, the repayment of the long-term loan and the interest payments in its respect will be in semi-annual payments, according to a repayment schedule for a period of up to 22 years (at the end of 5.5 years, the balance of the loan as of that date will be repaid).

   The long-term loan will bear interest at a rate in the range of 1.65%-2.25% above the base interest rate (SOFR 6 months). The interest will be hedged for the entire debt period (up to 22 years) at a rate of at least 75% and up to 105% of the long-term loan amount according to an amortization schedule. The loan's minimum financial coverage ratio for making free flow distributions from the projects is a DSCR (debt service coverage ratio) of 1:1.2.

3. **A bridging loan** for the construction period in the amount of up to USD 250 million, which will be repaid upon receipt of the tax partner's investment.

Note 9 – Bond Raising

The Company:

A. Further to Note 11 to the Annual Consolidated Financial Statements, in January 2023, the Company issued, through a shelf offer report, NIS 240.5 million PV of bonds (Series M) by way of a series expansion, for a consideration of NIS 240 million (gross) and at an effective interest rate of 5.34% and approx. NIS 250 million PV of bonds (Series O) by way of a series expansion, for a consideration of NIS 246 million (gross) and at an effective interest rate of 3.09%.
In addition, the Company performed swap transactions with financial entities in Israel that converted the NIS cash flows (principal and interest) of bonds (Series M) in the amount of NIS 250 million to index cash flows for the whole life of the bonds at an annual weighted CPI-linked interest rate of 2.49%.

B. As of March 31, 2023, the Company's bonds amount to approx. NIS 5,061,377 thousand, of which NIS 589,425 thousand are classified as current liabilities in the condensed consolidated statements of financial position.

Note 10 – Additional Information and Events Subsequent to the Date of the Statement of Financial Position

A. Dividend distributed and dividend declared:

The Company – In March 2023, the Company's Board of Directors made a decision regarding the dividend distribution policy for 2023, according to which the Company will distribute a total dividend of NIS 1.28 per share in 2023, which will be paid in 4 payments of NIS 0.32 per share each (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law). In addition, the Company's Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.18 per share.

In accordance with the above, in March 2023, the Company announced a dividend for Q1/2023 in the total amount (i.e. including the additional dividend) of NIS 0.50 per share (NIS 89.9 million) to be paid in March 2023.

In May 2023, the Company announced a dividend distribution for Q2/2023 in the amount of NIS 0.32 per share (NIS 57.5 million), to be paid during June 2023.

Amot (consolidated company) – In February 2023, Amot's Board of Directors stated that in 2023 Amot intends to distribute an annual dividend of NIS 1.08 per share, to be paid in 4 payments in the amount of NIS 0.27 per share each, subject to a specific decision of the Amot Board of Directors at the end of each quarter.

In accordance with this Amot policy, in February 2023 Amot declared that it would be distributing a dividend for Q1/2023 in the amount of NIS 0.27 per share, and that it would also be distributing another dividend in respect of 2022 in the amount of NIS 0.28 per share, which was paid in March 2023 (approx. NIS 258 million, the Company's share - approx. NIS 139 million).

In May 2023 Amot declared a dividend distribution for Q2/2023 in the amount of NIS 0.27 per share (approx. NIS 127 million, the Company's share - approx. NIS 68 million), which will be paid in June 2023.

Energix (consolidated company) – 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 4 equal quarterly payments of NIS 0.07 per share each (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law). In addition, the Energix Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.18.

In accordance with this Energix policy, in February 2023 Amot declared that it would be distributing a dividend for Q1/2023 in the amount of NIS 0.07 per share, and that it would also be distributing another dividend in respect of 2022 in the amount of NIS 0.18 per share, which was paid in March 2023 (approx. NIS 137 million, the Company's share - approx. NIS 69 million).

In May 2023, Energix declared a dividend distribution for Q2/2023 in the amount of NIS 0.07 per share (approx. NIS 38 million, the Company's share - approx. NIS 19 million), which will be paid in June 2023.

BE (consolidated company) – In February 2023, BE declared a dividend in the amount of GBP 16 million (approx. NIS 70 million, the Company's share - approx. NIS 59 million), which was distributed to its shareholders in a single payment in that month.

B. Remuneration of employees and officers:

In March 2023, the Company's Board of Directors decided to grant an annual ration of 962,621 non-tradable option warrants to three Company officers, 5 directors (including a director who is the daughter of the Company CEO), the Chairman of the Company's Board of Directors and to 7 employees. The total economic value of the above granted options amounts to approx. NIS 4.3 million. For additional information, see Note 16e to the Annual Financial Statements.

Note 11 – Financial Instruments

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

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

	As of March 31, 2023		As of March 31, 2022		As of December 31, 2022	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities						
Long-term loans (including maturities)	4,014,709	3,738,949	1,868,897	1,770,895	3,879,948	3,575,817
Bonds (including maturities)	14,564,573	13,586,734	12,793,366	13,198,097	14,869,207	14,222,509
	18,579,282	17,325,683	14,662,263	14,968,992	18,749,155	17,798,326

- 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 loans is according to Level 2.

- 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.

Note 11 – Financial Instruments (continued)

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

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

	As of March 31, 2023			
	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)	-	6,372	-	6,372
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	22,851	-	22,851
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	1,921	-	1,921
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	146,608	-	146,608
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	49,655	-	49,655
Financial assets measured at fair value through profit and loss:				
Tradable securities	15	-	-	15
Real estate investment funds (1)	-	-	227,989	227,989
	15	227,407	227,989	455,411
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(225,024)	-	(225,024)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(160,658)	(160,658)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(44,644)	-	(44,644)
Financial derivatives (Swap contract for swapping NIS principal and interest with GBP principal and interest) designated for hedging	-	(4,432)	-	(4,432)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(472,471)	-	(472,471)
	-	(746,571)	(160,658)	(907,229)

Note 11 – Financial Instruments (continued)

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

	For the three-month period ended March 31, 2023
	NIS thousands
Balance as of January 1, 2023	19,686
Amounts recorded to profit and loss in the period	8,603
Amounts recorded to other comprehensive income in the period	39,042
Balance as of March 31, 2023	67,331

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

	As of March 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, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	14,672	-	14,672
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	57,192	-	57,192
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	190,761	-	190,761
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	93,533	-	93,533
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	13,379	-	13,379
Financial assets measured at fair value through profit and loss:				
Tradable securities	127	-	-	127
Real estate investment funds (1)	-	-	209,115	209,115
	127	382,118	209,115	591,360
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(196,552)	-	(196,552)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(117,379)	(117,379)

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(2,629)	-	(2,629)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(7,441)	-	(7,441)
	-	(206,622)	(117,379)	(324,001)

Note 11 – Financial Instruments (continued)

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

	For the three month period ended March 31, 2022
	NIS thousands
Balance as of January 1, 2022	143,802
Amounts recorded to profit and loss in the period	11
Amounts recorded to other comprehensive income in the period	(52,077)
Balance as of March 31, 2022	91,736

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

	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)	-	-	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	-	-	(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)

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(315,485)	-	(315,485)
	-	(541,963)	(196,547)	(738,510)

Note 11 – Financial Instruments (continued)

(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

C. Changes in investments in associates

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

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS millions	NIS millions	NIS millions
Investment in Carr	(66)	103	(145)
Investment in Boston	(41)	29	(72)

- Investment in Carr – The decrease in the balance of the investment in the reporting period was mainly due to the Group's share in Carr's comprehensive loss (a decrease of approx. NIS 140 million). On the other hand, there was an increase as a result of an increase in the USD exchange rate (an increase of approx. NIS 74 million).

- Investment in Boston – The decrease in the investment balance in the reporting period was resulted mainly from accumulated equity losses in the amount of approx. NIS 68 million. On the other hand, there was an increase due to the increase in the USD exchange rate (an increase of approx. NIS 19 million) and due to an investment in the amount of approx. NIS 14 million.

Note 12 – Operating Segments

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

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

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the three-month period ended March 31, 2023							
	Income-generating property segment	Income-generating property segment	Income-generating property segment	Income-generating property segment	Energy segment	Unattributed results	Adjustments	Total
	Amot	Carr (*)	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Group share in profits (losses) of investees, net	59,366	(130,804)	(120,847)	(68,030)	84,735	-	(20,527)	(196,107)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	350	-	(3)	38	385
Profit from decrease in rate of holding, from acquisition and realization of associates	-	111	-	-	-	-	-	111
Other revenues, net (**)	2,732	-	-	-	2,459	-	456,492	461,683
	62,098	(130,693)	(120,847)	(67,680)	87,194	(3)	436,003	266,072
Administrative and general	-	-	-	-	-	9,315	36,981	46,296
Financing expenses, net	-	-	-	-	-	54,101	160,221	214,322
Other expenses, net (**)	-	-	-	-	-	-	96,261	96,261
	-	-	-	-	-	63,416	293,463	356,879
Profit (loss) before tax	62,098	(130,693)	(120,847)	(67,680)	87,194	(63,419)	142,540	(90,807)
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	272,702	(150,619)	(107,145)		296,544			
Revaluation profits (losses) (in the investee's books), before tax	-	(357,154)	(157,161)		-			
Net profit (loss) (in the investee's books)	110,525	(272,795)	(145,253)		167,845			
Company share in net profits	59,366	(130,804)	(120,847)		84,735			

(*) For additional information regarding Carr's concise financial information, see Note 6d above. (**) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 12 – Operating Segments (continued)

	As of March 31, 2023							
	Income-generating property segment				Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,619,187	2,778,716	3,148,629	715,890	1,174,693	12,252	(8,476,152)	3,973,215
Investment in securities measured at fair value through profit and loss	-	-	-	166,180	-	15	61,809	228,004
Other assets	-	-	80,976	-	-	275,742	31,715,975	32,072,693
	4,619,187	2,778,716	3,229,605	882,070	1,174,693	288,009	23,301,632	36,273,912
Liabilities	-	-	-	-	-	5,512,463	17,443,323	22,955,786

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the three-month period ended March 31, 2022							
	Income-generating property segment				Energy segment	Unattributed results	Adjustments	Total
	Amot	Carr(*)	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	105,395	26,994	17,827	11,459	23,372	-	(142,030)	43,017
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	(421)	-	(18)	1,312	873
Profit from decrease in rate of holding, from acquisition and realization of associates	-	268	-	-	-	-	18,097	18,365
Other revenues, net (**)	2,598	-	393	-	1,593	-	491,374	495,958
	107,993	27,262	18,220	11,038	24,965	(18)	368,753	558,213
Administrative and general	-	-	-	-	-	6,879	32,768	39,647
Financing expenses, net	-	-	-	-	-	29,796	133,357	163,153
Other expenses, net (**)	-	-	-	-	-	-	69,825	69,825
	-	-	-	-	-	36,675	235,950	272,625
Profit before tax	107,993	27,262	18,220	11,038	24,965	(36,693)	132,803	285,588
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	369,725	162,537	35,561		91,842			
Revaluation profits (losses) (in the investee's books), before tax (**)	128,240	6,435	(4,309)		-			
Net profit (in the investee's books)	194,964	57,439	19,528		43,476			
Company share in net profits	105,395	26,994	17,827		23,372			

(*) For additional information regarding Carr's concise financial information, see Note 6d above. (**) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

	As of March 31, 2022							
	Income-generating property segment	Income-generating property segment	Income-generating property segment	Income-generating property segment	Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	
Assets:								
Investment in investees	4,212,679	3,092,880	2,834,784	856,970	952,532	14,158	(7,543,365)	4,420,638
Investment in securities measured at fair value through profit and loss	-	-	-	155,894	-	127	53,221	209,242
Other assets	-	-	-	-	13,803	378,768	27,966,907	28,359,478
	4,212,679	3,092,880	2,834,784	1,012,864	966,335	393,053	20,476,763	32,989,358
Liabilities	-	-	-	-	-	4,798,678	15,382,413	20,181,091

Note 12 – Operating Segments (continued)

Segment revenues and results

	Income-generating property segment				Energy segment	Unattributed results	Adjustments	Total
	For the year ended December 31, 2022							
	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)
Profit from decrease in rate of holding, from acquisition and realization of associates	-	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 6d above. (**) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities.

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

Segment assets and liabilities:

	As of December 31, 2022							
	Income-generating property segment				Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,698,814	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 12 – Operating Segments (continued)

Geographical information:

	For the three-month period ended March 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others and unassigned expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	272,254	-	50,017	-	-	-	-	322,271
Fair value adjustment of investment property	-	-	(157,161)	-	-	-	-	(157,161)
Group share in profits (losses) of associates, net	4,123	(198,834)	(1,396)	-	-	-	-	(196,107)
Revenues from sale of electricity and green certificates	-	-	-	30,268	257,307	8,299	-	295,874
Other	29	111	388	670	-	-	(3)	1,195
	276,406	(198,723)	(108,152)	30,938	257,307	8,299	(3)	266,072
Costs and expenses								
Cost of investment property rental and operation	34,849	-	6,424	-	-	-	-	41,273
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	5,243	10,259	5,859	-	21,361
Depreciation and amortizations	803	-	521	8,658	11,376	6,725	5,544	33,627
	35,652	-	6,945	13,901	21,635	12,584	5,544	96,261
Administrative and general expenses							46,296	46,296

	For the three-month period ended March 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others and unassigned expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit before financing	240,754	(198,723)	(115,097)	17,037	235,672	(4,285)	(51,843)	123,515

Note 12 – Operating Segments (continued)

Geographical information:

	As of March 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA (*)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including investment property in development and land rights)	18,401,562	-	5,663,018	-	-	-		24,064,580
Investments in associates	405,587	3,494,606	60,767	-	-	-	12,255	3,973,215
Connected electricity-generating facilities	-	-	-	936,588	1,123,821	933,829	-	2,994,238
Electricity-generating facilities in development	-	-	-	827,830	338,252 (***)	998,923	-	2,165,005
Right-of-use asset	-	-	-	179,791	133,770	152,418	-	465,979
Securities measured at fair value through profit and loss (**)	-	-	227,989	-	-	-	15	228,004
	18,807,149	3,494,606	5,951,774	1,944,209	1,595,843	2,085,170	12,270	33,891,021

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,778,716 thousand in respect of an investment in Boston in the amount of NIS 715,890 thousand.

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

(***) An amount of approx. NIS 153 million is from the unwinding of electricity-hedging agreements.

Note 12 – Operating Segments (continued)

Geographical information:

	For the three month period ended March 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	240,443	-	39,870	-	-	-	-	280,313
Fair value adjustment of investment property	127,871	-	(4,309)	-	-	-	-	123,562
Group share in profits (losses) of associates, net	5,606	38,462	(1,051)	-	-	-	-	43,017
Revenues from sale of electricity and green certificates	-	-	-	23,988	59,952	7,573	-	91,513
Other	(153)	268	1,285	18,426	-	-	(18)	19,808
	373,767	38,730	35,795	42,414	59,952	7,573	(18)	558,213
Costs and expenses								
Cost of investment property rental and operation	29,322	-	3,844	-	-	-	-	33,166
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	4,652	7,930	1,661	-	14,243
Depreciation and amortizations	745	-	522	8,859	6,341	5,163	786	22,416
	30,067	-	4,366	13,511	14,271	6,824	786	69,825
Administrative and general expenses							39,647	39,647

	For the three month period ended March 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Profit before financing	343,700	38,730	31,429	28,903	45,681	749	(40,451)	448,741

Note 12 – Operating Segments (continued)

Geographical information:

	As of March 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA (*)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including investment property in development and land rights)	16,779,615	-	4,891,267	-	-	-	-	21,670,882
Investments in associates	388,242	3,949,850	68,430	-	-	-	14,116	4,420,638
Connected electricity-generating facilities	-	-	-	834,612	492,924	622,534	-	1,950,070
Electricity-generating facilities in development	-	-	-	412,383	651,945	620,055	-	1,684,383

	As of March 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA (*)	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Right-of-use asset	-	-	-	148,733	106,122	60,423	-	315,278
Securities measured at fair value through profit and loss (**)	-	-	209,115	-	-	-	127	209,242
	17,167,857	3,949,850	5,168,812	1,395,728	1,250,991	1,303,012	14,243	30,250,493

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,092,880 thousand and for an investment in Boston in the amount of NIS 856,970 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 12 – Operating Segments (continued)

Geographical information:

	For the year ended December 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others and unassigned expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	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

(*) An amount of NIS 23 million is from the unwinding of electricity-hedging agreements.

Note 12 – Operating Segments (continued)

Geographical information:

	As of December 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	The UK	Israel	Poland	USA		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets								
Investment property (including investment property in development and land rights)	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.

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

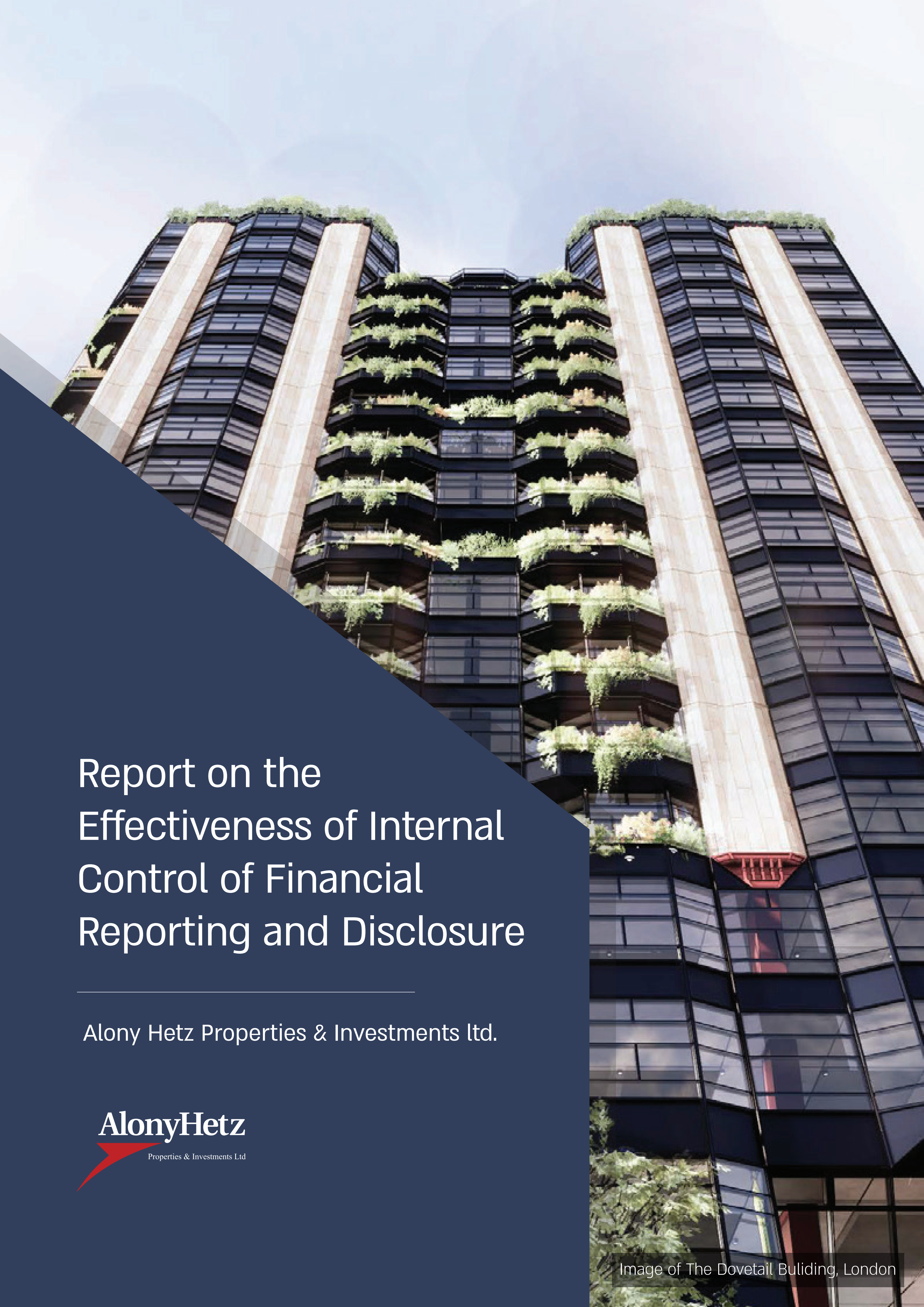

Image of The Dovetail Buliding, London

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

For the First Quarter of 2023

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

In this regard, the members of management are:

1. Nathan Hetz, CEO;

2. Moti Barzilay, VP of Business Development;

3. Oren Frenkel, Chief Financial Officer;

4. Hanan Feldmus, Legal Counsel;

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

Internal control includes, among other things, controls and procedures designed to ensure that information the Corporation is required to disclose has been accumulated and passed on to the Corporation's management, including to the CEO and to the Senior Finance Officer or to whoever actually performs these functions, in order to enable the making of decisions in a timely manner, while taking the disclosure requirements into consideration.

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

In the annual report on the effectiveness of the internal controls over the financial reporting and disclosure attached to the periodic report for the period ended December 31, 2022 (hereinafter - the "**Latest Annual Report on Internal Controls**"), the Board of Directors and management assessed the Corporation's internal controls. Based on this assessment, the Corporation's Board of Directors and management reached the conclusion that the internal controls as of December 31, 2022 are effective.

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

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

Executive Statements

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter - the “**Corporation**”) for the first quarter of 2023 (hereinafter - the “**Reports**”);

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

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

4. I have disclosed to the Corporation’s Independent Auditor, the Board of Directors, the Audit Committee and the Financial Statements Review Committee of the Corporation’s Board of Directors, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;

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

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

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

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

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

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

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

May 22, 2023 Nathan Hetz, CEO

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

Executive Statement | Statement of the Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the Interim Financial Statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter - "**the Corporation**") for the first quarter of 2023 (hereinafter - the "**Reports**" or the "**Interim Reports**");

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

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

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

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

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

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

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

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

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

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

May 22, 2023 Oren Frenkel, Chief Financial Officer

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

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

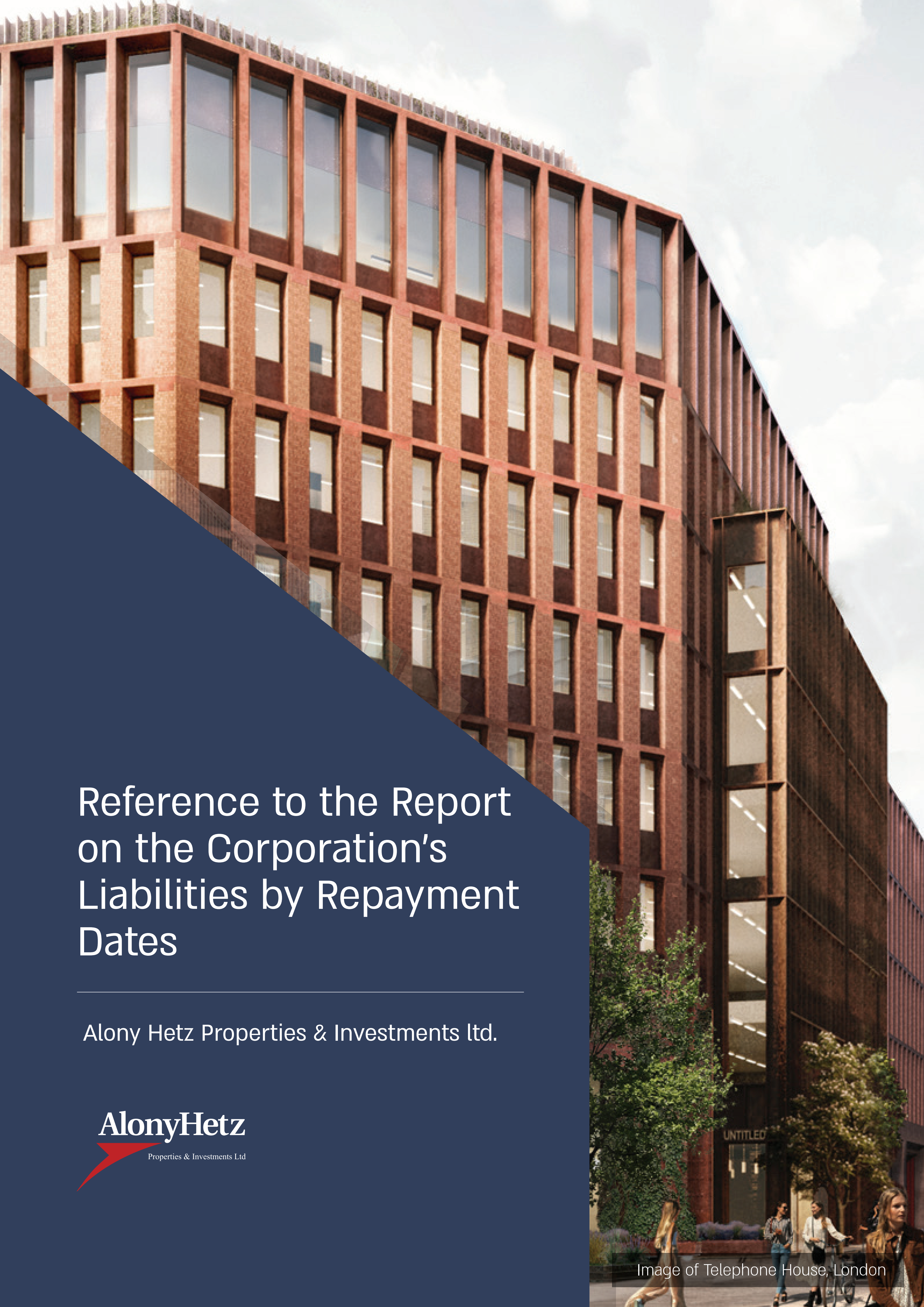

Image of Telephone House, London

Report on the Status of Liabilities by Repayment Dates, as of March 31, 2023

Regarding the status of liabilities by repayment dates as of March 31, 2023, see the Immediate Report dated May 23, 2023.

Attachment of the Financial Statements of an Associate - Carr

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

The Wilson & The Elm Washington DC

CARR PROPERTIES HOLDINGS L.P.

Condensed Consolidated Financial Statements as of March 31, 2023
(Unaudited)

CARR PROPERTIES HOLDINGS L.P.

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Report of Independent Auditors

To the Management of Carr Properties Holdings L.P.

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings L.P. and its subsidiaries (the "Company"), which comprise the condensed consolidated balance sheet as of March 31, 2023, and the related condensed consolidated statements of operations and comprehensive income (loss), of changes in equity, and of cash flows for the three-month periods ended March 31, 2023 and 2022, including the related notes (collectively referred to as the "condensed consolidated interim financial information").

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

Basis for Review Results

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

Responsibilities of Management for the Condensed Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

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

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Carr Properties Holdings L.P. and its subsidiaries as of December 31, 2022, and the related consolidated statements of operations and comprehensive income (loss), of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 16, 2022, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2022 , is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

Pricewaterhouse Coopers LLP

May 10, 2023

CARR PROPERTIES HOLDINGS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of US Dollars)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,620,673 and $2,606,762)	5,10	$ 2,021,773	$ 2,107,521
Properties in development (cost of $10,071 and $8,876)	5,10	10,071	8,876
Investments in associates and joint ventures	5	680,798	671,714
Goodwill	7	9,326	9,326
Derivative assets	11	29,474	36,524
Straight line rent receivable		115,036	112,003
Deferred leasing costs and other, net		35,787	37,003
		2,902,265	2,982,967
Current assets			
Trade receivables, net		7,735	4,594
Prepaid expense and other assets		10,051	11,314
Restricted cash	9	5,189	6,364
Cash and cash equivalents	2,9	31,040	36,629
		54,015	58,901
Total assets		$ 2,956,280	$ 3,041,868
EQUITY			
Equity attributable to common shareholders	17	$ 1,666,533	$ 1,666,533
Equity reserve from increase in CPP		9,618	9,488
Equity reserve for cash flow hedges	11	1,199	6,400
Retained earnings (accumulated deficit)		(208,362)	(137,667)
Equity attributable to non-redeemable non-controlling interests	17	107,052	114,400
Total equity		1,576,040	1,659,154
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	8,9	$ 616,655	$ 604,289
Notes payable, net of current portion and deferred financing fees	8,9	372,046	372,641
Lease liabilities, net of current portion	7	146,383	145,908
Security deposits		4,511	4,427
Other liabilities		9,142	10,720
		1,148,737	1,137,985
Current liabilities			
Current portion of credit facility and notes payable, net of deferred financing fees	9,10	136,872	136,902
Current portion of lease liabilities	7	389	614
Redeemable non-controlling interests, current	17	69,104	70,987
Rent received in advance		6,671	7,967
Trade and other payables	2	18,467	28,259
		231,503	244,729
Total liabilities		1,380,240	1,382,714
Total equity and liabilities		$ 2,956,280	$ 3,041,868

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	May 9, 2023	

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

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

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenues			
Rental revenue		$ 48,592	$ 41,533
Recoveries from tenants		5,687	4,122
Parking income		2,763	1,939
Property management fees and other	14	1,367	1,235
Total revenues		58,409	48,829
Operating expenses			
Property operating expenses			
Direct payroll and benefits		2,312	2,182
Repairs and maintenance		2,425	2,203
Cleaning		1,399	1,346
Utilities		2,591	2,550
Real estate and other taxes		9,441	8,714
Other expenses	13	5,554	4,296
Property operating expenses		23,722	21,291
Non-property general and administrative expenses	12	5,802	6,453
Total operating expenses		29,524	27,744
Other operating (expense) income			
Net loss from fair value adjustment of investment properties	0	(99,799)	(15,065)
Income from investments in associates	0	4,658	22,623
Total other operating (loss) income and expense		(95,141)	7,558
Operating (loss) income		(66,256)	28,643
Other (expense) income			
Other income		18	457
Revaluation of redeemable non-controlling interests		4,259	(903)
Interest expense	9	(15,291)	(9,815)
Pre-tax (loss) income		(77,270)	18,382
Income and franchise tax (benefit) expense		(122)	415
Net (loss) income		$ (77,148)	$ 17,967
Attribution of net (loss) income			
Common shareholders		$ (70,695)	$ 16,633
Non-redeemable non-controlling interests		(6,453)	1,334
		$ (77,148)	$ 17,967
Other comprehensive income			
Items that may be subsequently reclassified to income or loss:			
Unrealized (loss) gain on cash flow hedges	11	$ (7,050)	$ 9,807
Less: Reclassification of interest rate cap included in net income		961	—
Other comprehensive income		(6,089)	9,807
Total comprehensive (loss) income		$ (83,237)	$ 27,774
Attribution of comprehensive (loss) income			
Common shareholders		$ (75,896)	$ 24,420
Non-redeemable non-controlling interests		(7,341)	3,354
		$ (83,237)	$ 27,774

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

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

	Notes	Equity Attributable to Common Shareholders		Equity Reserve from Increase in CPP	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		—	—	—	—	—	—	160	160
Change in equity reserve from increase in CPP		—	—	166	—	—	166	767	933
Net Income		—	—	—	—	16,633	16,633	1,334	17,967
Unrealized loss on cash flow hedges	11	—	—	—	7,787	—	7,787	2,020	9,807
Distributions	17	—	—	—	—	—	—	(945)	(945)
Balance as of March 31, 2022		1,393,348	1,606,196	9,995	(7,386)	309,487	1,918,292	147,497	2,065,789

	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, 2022		1,480,494	$ 1,666,533	$ 9,488	$ 6,400	$ (137,667)	$ 1,544,754	$ 114,400	$ 1,659,154
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	123	123
Issuance of common shares, net of offering costs		142	—	—	—	—	—	—	—
Change in equity reserve from increase in CPP		—	—	130	—	—	130	832	962
Net loss		—	—	—	—	(70,695)	(70,695)	(6,453)	(77,148)
Unrealized loss on cash flow hedges - intrinsic	11	—	—	—	(6,298)	—	(6,298)	(960)	(7,258)
Unrealized gain on cash flow hedges - time value		—	—	—	195	—	195	13	208
Amortization of interest rate cap		—	—	—	902	—	902	59	961
Distributions	17	—	—	—	—	—	—	(962)	(962)
Reverse stock split		(1,465,689)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance as of March 31, 2023		14,947	$ 1,666,533	$ 9,618	$ 1,199	$ (208,362)	$ 1,468,988	$ 107,052	$ 1,576,040

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

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

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities			
Net (loss) income		$ (77,148)	$ 17,967
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	4	99,799	15,065
Income from investments in associates	5	(4,658)	(22,623)
Return on investments in associates	5	—	2,496
Income and franchise tax (benefit) expense		(122)	415
Interest expense, net excluding amortization of deferred financing fees		14,873	9,439
Amortization of deferred financing fees		451	410
Amortization of equipment leases		106	67
Amortization of Equipment & Software		53	47
Amortization of deferred leasing costs and lease incentives		1,462	1,350
Amortization of note payable premium		(33)	(34)
Provision for bad debt expense		53	173
LTIP Compensation		430	1,657
Revaluation of redeemable non-controlling interests		(4,259)	903
Changes in assets and liabilities			
Trade receivables		(3,194)	2,039
Straight line rent receivable		(3,033)	(5,491)
Prepaid expense and other assets		1,263	1,183
Trade and other payables		(7,845)	(11,339)
Rent received in advance		(1,296)	(3,524)
Cash generated by operations		**16,902**	**10,200**
Cash paid for interest		(12,988)	(8,484)
Net cash provided by operating activities		**3,914**	**1,716**
Cash flows from investing activities			
Contributions to investment in associates	5	(8,538)	(113)
Return of capital from investments in associates	5	4,112	—
Acquisition of development property land		—	(5,029)
Additions to deferred leasing costs		(299)	(4,842)
Additions to tenant improvements		(11,013)	(4,314)
Additions to construction in progress, including capitalized interest		(1,375)	(1,694)
Other capital improvements on income generating properties		(3,596)	(4,618)
Decrease (increase) in restricted cash		129	(439)
Net cash (used in) investing activities		**(20,580)**	**(21,049)**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	17	(24)	—
Principal portion of lease payments	6	(340)	(139)
Borrowings under credit facility	8	12,000	13,000
Repayments of notes payable	8	(682)	(664)
Payment of deferred financing fees		—	(35)
Issuance of redeemable non-controlling interests		—	1,785
Distributions to common shareholders and non-redeemable non-controlling interests	17	—	(12)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		123	160
Net cash provided by financing activities		**11,077**	**14,095**
Net (decrease) in cash and cash equivalents		**(5,589)**	**(5,238)**

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

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

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash and cash equivalents, beginning of the period		**36,629**	**28,373**
Cash and cash equivalents, end of the period		**$ 31,040**	**$ 23,135**
Supplemental disclosures of cash flow information:			
Capitalized interest		$ 139	$ 263
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		193	925
Lease liabilities arising from obtaining/revaluing right-of-use assets	8	3	4,488
Non-cash interest expense	8	588	578

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

1. Organization and Description of Business

Carr Properties Holdings L.P. (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 an 89.93% 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 non-wholly owned operating property, 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 non-wholly owned development property.

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 March 31, 2023, were 52.33%, 38.88%, and 8.76%, respectively. The remaining interests in Holdings are held by six additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Statement of Compliance

The accompanying unaudited interim Condensed Consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and as such, do not include all the disclosures that would be included in annual consolidated financial statements. These Condensed Consolidated financial statements should be read in conjunction with the Partnership’s consolidated financial statements and notes thereto contained in the Partnership's audited annual consolidated financial statements for the year ended December 31, 2022. Any changes to accounting policies and methods of computation during the three months ended March 31, 2023, are specifically disclosed. Management believes the disclosures are adequate to ensure the information presented is not misleading. In management's opinion, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair statement of the Condensed Consolidated financial statements for the interim periods, have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

(b) Basis of Presentation

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These financial statements are presented in United States dollars, which is the Partnership's functional and reporting currency. The Partnership has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

The Partnership reports cash flows from operating activities using the indirect method. Interest received and paid is presented within operating cash flows. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership’s business activities.

(c) Principles of Consolidation

General

The Condensed Consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities over which the Partnership has control over the investee, 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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), and the Partnership records its share of losses until the carrying amount of its investment is reduced to zero. No further losses are recorded by the Partnership unless it has an obligation, legal or constructive, or has made payments, to satisfy the associates' liabilities.

Joint Arrangements

The Partnership may enter into contractual arrangements related to the ownership of investment or development properties. The Partnership evaluates such arrangements in accordance with IFRS 11 - J*oint Arrangements* to determine the type of joint arrangement by assessing its contractual rights and obligations. This determination includes the assessment of joint control and the classification of a joint arrangement as a joint operation or a joint venture. Joint arrangements that are classified as a joint operation will result in the Partnership recognizing its proportionate ownership interest in the underlying assets, liabilities, revenue and expenses. Joint arrangements that are classified as a joint venture will be accounted for using the equity method in accordance with IAS 28 - *Investments in Associates and Joint Ventures.*

Non-Controlling Interests

The Partnership's 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 Condensed 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. 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 through a sale transaction rather than its continuing use. The sale must be considered highly probable whereby management has the authority to approve the action, commits to a plan to sell the asset, and the sale of the asset is probable with completion expected within one year.

Assets are not amortized while they are classified as held for sale. The assets and liabilities of an investment held for sale are presented separately from the other assets and liabilities in the Condensed Consolidated balance sheet.

(f) Investment Properties

In accordance with IAS 40, property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Partnership, is classified as investment property. Investment properties are properties held to earn rental income and are accounted for using the fair value model. Investment property also includes property that is being constructed or developed for future use as an investment property.

Investment property is measured initially at its cost. Subsequently, investment property is measured at fair value, at each balance sheet date. Gains and losses from changes in fair value are recorded in "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 not recognized in the Consolidated Balance Sheets, and instead expensed as incurred. See note 6 - "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.

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 three months ended March 31, 2023.

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. Recognition of rental revenue commences when control of the leased space has been transferred to the tenant and the leased space is or can be ready for its intended use.

In connection with a tenant’s execution, or modification, of a lease, if the Partnership makes cash payments to, or on behalf of, the tenant for purposes other than funding the construction of landlord assets, the Partnership defers the amount of such payments as lease incentive assets. Lease incentives assets are recorded as reductions of base rent which are amortized on a straight-line basis over the term of the lease.

Rental revenue also includes payments received in connection with lease termination agreements. Lease termination income is recognized during the period from execution of a lease termination agreement through the effective date of termination. When a tenant's lease for space in a property is terminated early but the tenant continues to lease such space under a new or modified lease in the property, the net revenue from the early termination of the lease is recognized evenly over the remaining life of the new or modified lease in place on that property, unless the Partnership cannot determine that collectability of the lease termination revenue is reasonably assured.

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

Future cash revenues under non-cancelable leases as of March 31, 2023 are as follows:

Years Ending December 31,	Amount
2023	116,176
2024	144,879
2025	132,599
2026	125,421
2027	116,973
Thereafter	484,869
	$ 1,120,917

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) Trade and Other Payables

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

3. Standards Issued

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify aspects regarding the right to defer settlement, existence of such rights at the reporting period and classification of liabilities.

The amendments further clarify that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. Management's intention to settle in the short run does not impact the classification, and this applies even if settlement has occurred when the financial statements are authorized for issuance.

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.

4. Investment Properties

Income Generating Properties

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

Balance, December 31, 2022	**$**	**2,107,521**
Capital expenditures additions and other		14,051
Net loss from fair value adjustment of income generating properties		(99,799)
Balance, March 31, 2023	**$**	**2,021,773**

Acquisitions

There were no acquisitions completed for the three months ended March 31, 2023, or for the year ended December 31, 2022.

2023 Dispositions

There were no dispositions completed for the three months ended March 31, 2023.

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.

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 75-101 Federal Street 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 $230.2 million as of March 31, 2023, and the carrying value of the assumed debt was $143.1 million.

Properties in Development

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

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

Balance, December 31, 2022	**$**	**8,876**
Capital expenditures additions and other		1,195
Balance, March 31, 2023	**$**	**10,071**

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 controlling partner 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 March 31, 2023, the building was 99% leased. During the three months ended March 31, 2023 and 2022, there were no capital contributions to 2311 Wilson or distributions to JV Entity (Otter Wilson Boulevard LLC).

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

		As of March 31, 2023					For the three months ended March 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	4,812	104,915	1,482	80,672	27,573	2,370	(4,670)
		$ 4,812	$104,915	$ 1,482	$ 80,672	$ 27,573	$ 2,370	$ (4,670)
Less interest held by non-controlling interests						(11,030)		1,868
Equity attributable to Partnership						$ 16,543		$ (2,802)

		As of December 31, 2022					For the three months ended March 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	2,233	584
		$ 3,787	$112,070	$ 1,571	$ 80,667	$ 33,619	$ 2,233	$ 584
Less interest held by non-controlling interests						(13,448)		(234)
Equity attributable to Partnership						$ 20,171		$ 350

5. Investments in Associates

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

Balance, December 31, 2022	**$**	**671,714**
Contributions		8,538
Distributions		(4,112)
Share of unrealized loss on valuation of underlying properties		(1,206)
Share of net income (excluding unrealized loss on valuation)		5,864
Balance, March 31 2023	**$**	**680,798**

One Congress

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

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 was completed on April 18, 2023.

The property was 100% leased at March 31, 2023. Occupancy is anticipated to commence in May 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 three months ended March 31, 2023 and 2022, the Partnership contributed $8.5 million and $0.0 million to the venture, respectively. The Partnership has contributed a total of $289.1 million to the venture as of March 31, 2023.

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 March 31, 2023, the joint venture drew $390.2 million of borrowing under this facility.

The facility stipulates the joint venture must contribute up-front equity not less than $341.3 million prior to incurring any borrowings under the loan. 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 March 31, 2023						For the three months ended March 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 7,491	$ 874,219	$ 9,067	$ 532,545	$ 340,098	$ 20,402	$ (11,787)
100 Congress	51.00 %	12,196	313,274	8,175	140,191	177,104	7,239	(2,896)
One Congress	75.00 %	3,677	1,068,832	43,407	470,974	558,128	—	16,208
		$ 23,364	$ 2,256,325	$ 60,649	$ 1,143,710	$1,075,330	$ 27,641	$ 1,525
Less: interest held by third-parties						(394,532)		3,133
Amounts per financial statements						$ 680,798		$ 4,658

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

			As of December 31, 2022				For the three months ended March 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	$ 18,810	$ 9,839
100 Congress	51.00 %	15,449	315,716	11,260	139,904	180,000	7,545	3,082
One Congress	75.00 %	2,541	1,002,334	43,956	430,384	530,535	—	21,380
		$ 28,482	$2,212,744	$ 67,800	$ 1,102,942	$1,070,483	$ 26,355	$ 34,301
Less: interest held by third-parties						(398,769)		(11,678)
Amounts per financial statements						$ 671,714		$ 22,623

6. 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:"

	March 31, 2023	**December 31, 2022**
Non-current assets		
Income generating properties, net of ROUA	$ 1,908,373	$ 1,987,121
ROUA, at fair value	113,400	120,400
Income generating properties, at fair value	2,021,773	2,107,521
Properties in development, net of ROUA	10,071	8,647
ROUA, at fair value	—	229
Properties in development, at fair value	10,071	8,876
Total investment properties, at fair value	**2,031,844**	**2,116,397**
Current assets - CPH		
Prepaid expense and other assets, net of ROUA	9,239	10,406
ROUA, net of accumulated depreciation	812	908
Prepaid expense and other assets	**$ 10,051**	**$ 11,314**

At March 31, 2023 and December 31, 2022, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $113.4 million and $120.4 million, respectively. "Prepaid expense and other assets" included ROUA of $0.8 million and $0.9 million, respectively, related to equipment and copier leases.

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

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

ROUA	Ground Lease and Air Rights, at fair value	Equipment and Copier Leases	Total
Balance as of December 31, 2022	**$ 120,629**	**$ 908**	**$ 121,537**
Fair value adjustment, valuation	(7,002)	—	(7,002)
ROUA Additions, net	—	10	10
Accumulated Depreciation[1]	(227)	(106)	(333)
Balance as of March 31, 2023	**$ 113,400**	**$ 812**	**$ 114,212**

(1) Accumulated depreciation of "ground lease, at fair value" relates to 300 E Second St. Depreciation and interest paid on lease liabilities 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**	**March 31, 2023**	**December 31, 2022**
Columbia Center	4.93%	2120	$ 133,656	$ 133,105
1701 Duke Street	5.20%	2107	7,896	7,864
2001 Penn	4.94%	2087	4,405	4,400
300 E Second[1]	5.54%	2023	—	242
Other equipment leases	Various	Various	815	911
Total lease liabilities			146,772	146,522
Less current portion			389	614
Lease liabilities, net of current portion			**$ 146,383**	**$ 145,908**

(1) 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 4 - "Investment Properties" for additional information.

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	**March 31, 2023**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 4,938
One to five years	19,444
More than five years	1,256,211
Total undiscounted lease liabilities as of March 31, 2023	$ 1,280,593

Lease liabilities	**March 31, 2023**
Current lease liabilities	$ 389
Non-current lease liabilities	146,383
Total lease liabilities	$ 146,772

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

Lease expense costs were as follows:

Lease Expense	**Three Months Ended March 31,**			
	2023		**2022**	
Amounts recognized in profit or loss				
Interest expense on lease liabilities	$	1,719	$	1,688
Equipment lease depreciation		106		67
Total lease expense	$	1,825	$	1,755

Cash Flows	**Three Months Ended March 31,**			
	2023		**2022**	
Amounts recognized in the statements of cash flows				
Principal portion of lease payments	$	340	$	139
Interest paid on lease liabilities		1,130		1,110
Total cash outflows related to leases	$	1,470	$	1,249

7. Goodwill

The carrying value of goodwill was $9.3 million as of March 31, 2023 and December 31, 2022. No impairment losses were recognized in the three months ended March 31, 2023 and 2022, respectively.

8. Debt

The Partnership's debt obligations consist of the following:

			Principal Balance as of					
Borrower/Facility	**Contractual Rate**	**Maturity**	**March 31, 2023**			**December 31, 2022**		
Credit facility (1):								
Revolver	LIBOR +1.25% to 2.00%(9)	7/1/25	$	320,500	(7,8)	$	308,500	(7)
Term Loan	LIBOR +1.20% to 1.90%(9)	7/1/26		300,000	(7,8)		300,000	(7)
75-101 Federal	LIBOR +1.50%	3/12/25		143,639	(2,5,6)		143,639	(2,5,6)
1700 New York Avenue	LIBOR +1.50%(10)	4/25/24		62,115	(2,5)		62,400	(2,5)
2001 Pennsylvania	4.10%	8/1/24		65,000	(2)		65,000	(2)
Clarendon Square	4.66%	1/5/27		29,557	(2,3)		29,988	(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				1,130,061			1,118,777	
Less unamortized deferred financing fees				4,488			4,946	
Total Debt, net of unamortized deferred financing fees				1,125,573			1,113,831	
Less current portion, net of unamortized deferred financing fees (5)				136,872			136,902	
Debt obligations, net of current portion			**$**	**988,701**		**$**	**976,929**	

(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 March 31, 2023, the premium was 1.60% for the Revolver and 1.50% for the Term loan. As of December 31, 2022, the premium was 1.60% for the Revolver and 1.50% for the Term loan. As of March 31, 2023, and December 31, 2022, the one-month LIBOR was 4.86% and 4.39%, respectively.

(2) The fair value of the collateral pledged to these notes was $666.3 million and $697.2 million as of March 31, 2023, and December 31, 2022, respectively.

(3) The carrying value of the Clarendon Square note payable as of March 31, 2023, and December 31, 2022, included a premium of $0.5 million, and $0.5 million, respectively.

(4) The current portion of unamortized deferred financing fees was $0.2 million and $0.1 million, as of March 31, 2023, and December 31, 2022, 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 10 - "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 10 - "Fair Value Measurements" for additional information.
(9) On April 13, 2023, the Partnership amended the credit facility agreement to switch LIBOR to Term SOFR, effective immediately.
(10) On December 22, 2022, the Partnership amended the 1700 New York Avenue loan and swap agreement to switch LIBOR 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.

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 March 31, 2023 and December 31, 2022, respectively.

The Partnership has no outstanding letters of credit as of March 31, 2023 and December 31, 2022, respectively.

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

On April 13, 2023, the Company amended the credit facility agreement to switch LIBOR to Term SOFR, effective immediately.

As of March 31, 2023, the Partnership had capacity to borrow an additional $179.5 million under the Credit Facility. Subsequent to March 31, 2023, the Partnership borrowed $8.0 million of the revolver through May 9, 2023. The proceeds from the borrowing were used to fund the redemption of non-controlling interests.

Interest Expense

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

	Three Months Ended March 31,	
Description	**2023**	**2022**
Credit facility	$ 8,295	$ 2,588
Notes payable	4,299	4,267
Distributions to redeemable non-controlling interests	667	1,126
Lease liabilities	1,719	1,688
Amortization of deferred financing fees	458	450
Gross interest expense	$ 15,438	$ 10,119
Capitalized interest expense		
Capitalized deferred financing fees	(8)	(40)
Capitalized interest	(139)	(263)
Total capitalized interest expense	(147)	(303)
Net interest expense	**15,291**	**9,816**

Future Maturities of Debt

For periods subsequent to March 31, 2023, scheduled annual maturities of debt outstanding as of March 31, 2023 are as follows:

Years Ending December 31,	**Amount (1)**
Remainder of 2023 (2)	$ 136,325
2024	127,955
2025	465,915
2026	301,860
2027	97,495
Thereafter	0
	$ 1,129,550

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.5 million, as well as leases.
(2) Represents the remaining nine months ending December 31, 2023.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the three months ended March 31, 2023:

	Borrowings	**Leases**	**Subtotal**	**Cash and cash equivalents**	**Total**
Net Debt, December 31 2022	$ (1,113,832)	$ (146,522)	$ (1,260,354)	$ 36,629	$ (1,223,725)

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

Cash flows	(11,318)	341	(10,977)	(5,589)	(16,566)
New leases	—	(3)	(3)	—	(3)
Other changes	(423)	(588)	(1,011)	—	(1,011)
Net Debt, March 31 2023	$ (1,125,573)	$ (146,772)	$ (1,272,345)	$ 31,040	$ (1,241,305)

9. 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 March 31, 2023, 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	$ 31,040	$ 31,040	Level 1
Restricted cash(1)	5,189	5,189	Level 1
Trade receivables, net	7,735	7,735	Level 3
Liabilities, including current portion			
Credit facility(2,4)	$ 620,500	$ 620,500	Level 3
Notes payable(2,4)	509,051	473,960	Level 3
Redeemable non-controlling interests(3)	69,104	69,104	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $5.1 million, and $0.1 million of cash held in bank lockbox pending disbursement.
(2) Excludes deferred financing fees and debt premium.
(3) Carrying value of redeemable non-controlling interests approximates fair value given the short-term nature of the redemption features.
(4) The fair value reported is based on the outstanding balance of debt, and excludes fair value of derivatives. See note 10 - "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, 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 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 10 - "Fair Value Measurements" for additional information.

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

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

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

10. Fair Value Measurements

The following assets and liabilities, measured at fair value as of March 31, 2023, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 2,021,773
Investments in properties in development	—	—	10,071
Derivative assets(1)	—	29,474	—
Total Assets	$ —	$ 29,474	$ 2,031,844

(1) See note 11 - "Derivative Instruments" for additional information.

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
Derivative assets(1)	—	36,524	—
Total Assets	$ —	$ 36,524	$ 2,116,397

(1) See note 11 - "Derivative Instruments" for additional information.

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

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership regularly evaluates factors that may adversely impact the fair value assessments. In consideration of the COVID-19 impacts and the significant disruption to 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 March 31, 2023. 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.

(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 March 31, 2023:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 2,021,773	Discounted cash flow - Income capitalization	Discount Rate	6.50 - 8.00% (7.04%)
			Exit Capitalization Rate	5.25% - 6.50% (5.84%)
Investments in properties in development	10,071	Amortized Cost Net present value - Lease liabilities	Discount Rate(1)	5.54%
Total	$ 2,031,844			

(1) Discount rate was applied upon initial valuation of 300 E Second Ground Lease. See note 6 - "Leases" for additional information.

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			

11. Derivative Instruments

The following table summarizes the Partnership's interest rate swap and interest rate cap agreements as of March 31, 2023:

	Cash Flow Hedges	
	Interest Rate Cap(2)	Interest Rate Swaps(3)
Notional balance	$ 400,000	$ 277,115
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.

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

The following table summarizes the Partnership's interest rate swap 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 at which LIBOR 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.

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 $(7.1) million and $9.8 million for the three months ended March 31, 2023 and 2022, respectively. There was no material hedge ineffectiveness recognized during the three months ended March 31, 2023 and 2022. During the three months ended March 31, 2023 and 2022, the Partnership reclassified $4.5 million and $(0.7) million, respectively, of (losses) gains on cash flow hedges from “Equity reserve for cash flow hedges" to “Interest expense.” The reclassification of interest rate cap amortization expense is shown within "Interest expense" on the Consolidated Statement of Operations and Comprehensive Income (Loss).

12. Non-Property General and Administrative Expenses

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

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

	Three Months Ended March 31,	
Description	2023	2022
Personnel and compensation	$ 3,631	$ 4,385
Professional fees	1,111	1,131
Information technology	321	332
Other corporate	739	605
Total non-property general and administrative	$ 5,802	$ 6,453

13. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $5.6 million and $4.3 million for the three months ended March 31, 2023 and 2022, 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 three months ended March 31, 2023 and 2022, totaled $1.3 million and $1.1 million, respectively. Construction management fees for the three months ended March 31, 2023 and 2022, totaled $0.1 million and $0.1 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 $1.5 million and $1.3 million for March 31, 2023 and December 31, 2022, respectively. The Partnership leases the ground under 1701 Duke property from related parties. See note 6 - "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.

On April 21, 2023, a related party holder of Redeemable Non-controlling Interests in the Partnership exercised its contractual redemption right, and the Partnership executed a partial redemption of ownership interest in CPP totaling $10.0 million. See note 17 - "Equity" for additional information.

15. Commitments and Contingencies

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 March 31, 2023, the Partnership had $1.0 million in performance bonds outstanding with commitment terms expiring through March 6, 2024.

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 March 31, 2023 and 2022, the Partnership was in compliance with all guarantees and guarantee covenants.

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 264 thousand LTIP units. In April 2021, the Partnership granted an additional 57 thousand units. In March 2022, the Partnership granted an additional 73 thousand units.

In March 2023, the Board approved proposed modifications to the 2023 LTIP program such that the 2023 grants would be solely service based awards.

Award Class	**No. of units granted (in thousands)**	**Grant Date**	**Vest Date 1**		**Vest Date 2** (1)		**Outstanding Units (in $000)** (2)
2018 service units	15	Dec 2017	Mar 2021		Mar 2022		—
2018 performance units	15	Dec 2017	Mar 2021		Mar 2022	(3)	—
2019 service units	15	Dec 2018	Mar 2022		Mar 2023		—
2019 performance units	31	Dec 2018	Mar 2022	(3)	Mar 2023		—
2020 special service units	91	Dec 2019	Dec 2023		Dec 2024, Dec 2025		91.0
2020 service units	18	Dec 2019	Mar 2023		—		—
2020 performance units	24	Dec 2019	Mar 2023		—		—
2021 service units	19	Apr 2021	Mar 2024		—		17.2
2021 performance units	38	Apr 2021	Mar 2024		—		35.5
2022 special service units	19	Mar 2022	Mar 2025		—		17.4
2022 service units	27	Mar 2022	Mar 2025		—		25.2
2022 performance units	27	Mar 2022	Mar 2025		—		25.2
Total outstanding units							**211.5**

(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 March 31, 2023 is presented below:

(in thousands)		**Total Units**
LTIP units outstanding, December 31, 2022	**$**	**26,692**
LTIP unit reverse split[(1)]		(26,424)
LTIP units converted		(23)
LTIP units forfeited		(33)
LTIP units outstanding, March 31, 2023	**$**	**212**

(1) See note 17 - "Equity" for additional information.

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 three months ended March 31, 2023 and 2022, respectively, the Partnership recognized $0.5 million and $1.7 million of LTIP-related expense, of which $0.1 million and $0.2 million was capitalized. During the three months ended March 31, 2023 and 2022, respectively, the Partnership recognized $0.2 million and $0.1 million of LTIP dividend expense.

For the three months ended March 31, 2023 and 2022, there were 33 and 0 LTIP units forfeited, respectively.

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

16. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.8 million for the three months ended March 31, 2023 and 2022. Employee benefit expense for these officers was $0.1 million for the three months ended March 31, 2023 and 2022. For the three months ended March 31, 2023 and 2022, LTIP expense was $0.2 million and $1.2 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

2023 Redemption

On April 21, 2023 and on April 28, 2023, two holders of Redeemable Non-controlling Interests in the Partnership exercised their contractual redemption rights, and the Partnership executed a redemption of ownership interests in CPP totaling $10.1 million. The Partnership redeemed the interests using cash from its revolver.

2023 Reverse Stock Split

Effective January 1, 2023, the Partnership executed a stock split at a ratio of 1 unit of common shares for every 100 units outstanding.

2023 Stock Split

Effective March 31, 2023, the Partnership executed a stock split at a ratio of 1.01 units of common shares for every 1.00 unit outstanding. 142 thousand shares were issued.

Dividend Reinvestment Program ("DRIP")

As of March 31, 2023, 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 March 31, 2023, after share issuance are as follows:

Partner/Investor	2023 Units Issue	Ownership Percent
Carr Properties Corporation	142	89.93 %
Clal ENP REIT, LP	9	5.84 %
Other Investors	—	4.23 %
	151	100.00 %

Non-Controlling Interests

Certain of the non-controlling interests have redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of March 31, 2023, 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 $69.1 million.

As of December 31, 2022, the value of these redeemable non-controlling interests were $71.0 million current and $0.0 million non-current, respectively.

As of March 31, 2023 and December 31, 2022, the total value of non-redeemable non-controlling interests was $107.1 million and $114.4 million, respectively.

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

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

	Shares	Value
Balance, December 31, 2022	**67,961**	**$ 70,987**
LTIP Issuances	—	—
LTIP Vesting	23	2,400
Redemptions	(1)	(24)
Revaluation/Other/Stock Split	(67,281)	(4,259)
Balance, March 31, 2023	**702**	**69,104**

The Partnership also maintained eight additional subsidiary REITs as of March 31, 2023 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 three months ended March 31, 2023, the Partnership paid $0.9 million of distributions from CPP, all of which was attributable to redeemable non-controlling interests. As of March 31, 2023, 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 outbreak has a continued material adverse impact on economic and market conditions and triggered a period of global economic slowdown.

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 three months ended March 31, 2023. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the three months ended March 31, 2023, 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.

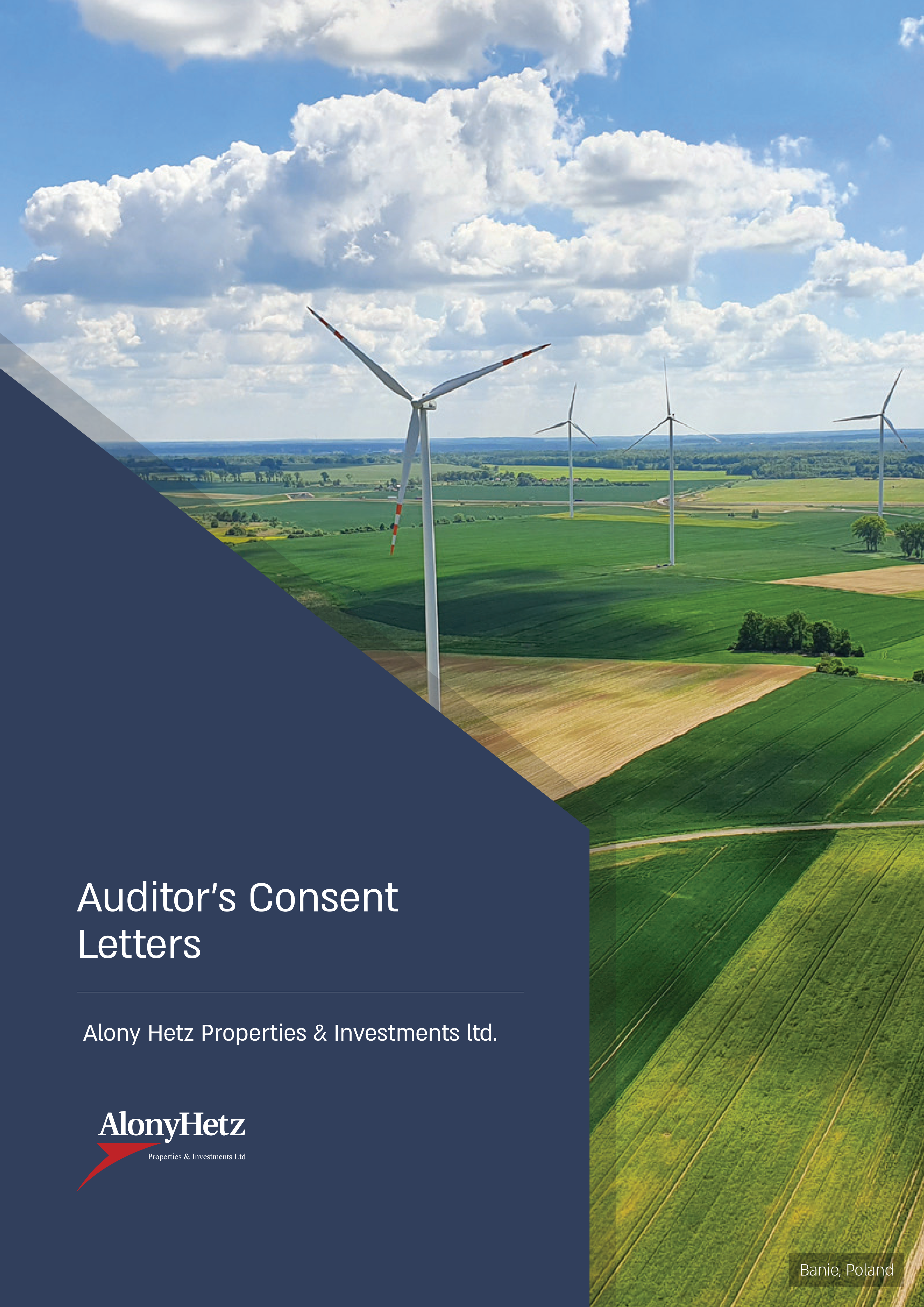
19. Subsequent Events

The Partnership evaluated subsequent events through May 9, 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



Banie, Poland

Deloitte.

Date: May 22, 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 a way of reference) of our review reports detailed below in connection with the May 2021 shelf prospectus.

(1) Review Report dated May 22, 2023, regarding the Consolidated Financial Statements of the company as of March 31, 2023, and for the three months period ended March 31, 2023.

Respectfully,

Brightman Almagor Zohar & Co.
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Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

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

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

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

1. Review Report of Independent Auditors dated May 10, 2023 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings L.P. as of March 31, 2023 and 2022, and for the three-month periods then ended.

PricewaterhouseCoopers LLP

May 19, 2023