ONE CONGRESS, BOSTON

QUARTERLY REPORT
Q2 2023

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

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Description of the Corporation's Business

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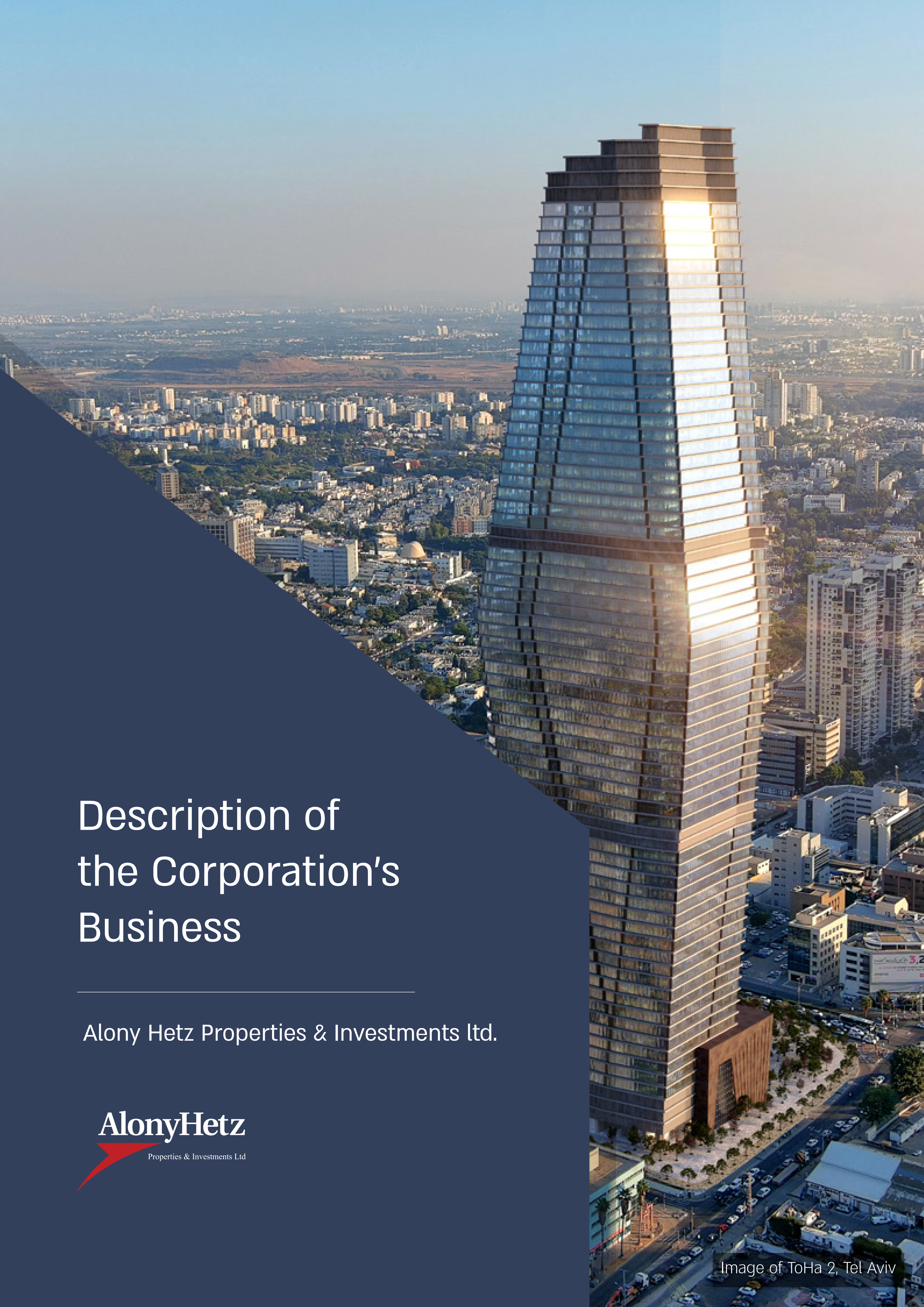

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Ramat Gan, August 14, 2023

Board of Directors' Report for the Six- and Three-Month Periods ended June 30, 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 six- and three-month period ended June 30, 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 income-generating property investments as of June 30, 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 47.4% 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.

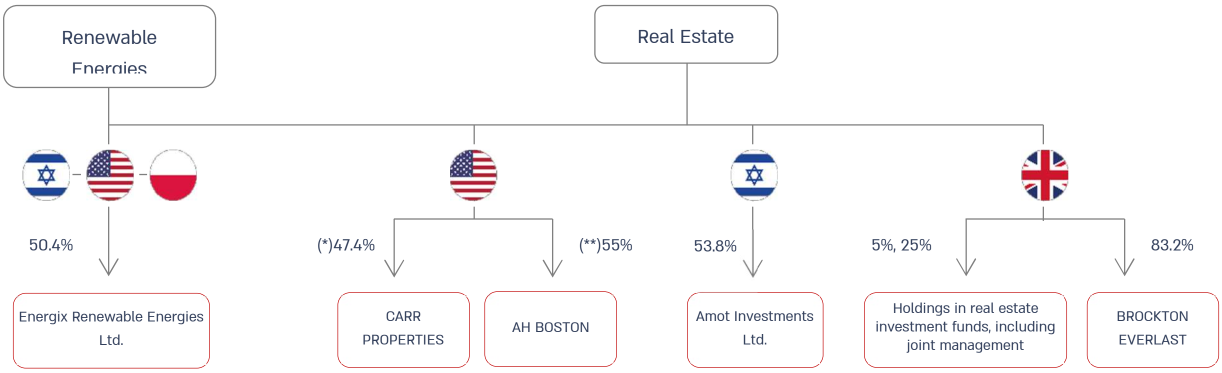
Activity in the UK

- 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 June 30, 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 862 million (with a weighted duration of 7.8 years, weighted effective interest rate of 5.87% and 3.48% for CPI-linked debt).
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. **While implementing the plan, BE is working to locate a strategic investor that will join, as a non-controlling interest, for its operations in that area.** ▪ City Building Plan approval for the Telephone House building in Shoreditch, London - Subsequent to the balance sheet date, in July 2023, BE received City Building Plan approval from the local committee for the construction of a new building with an area of 230 sq.ft., replacing an area of 130 sq.ft. in the existing building.
CARR PROPERTIES	▪ Signing of a binding agreement at the end of June 2023 for the sale of the residential rental building, The Elm, in Bethesda in the Washington D.C. metropolitan area for USD 250 million. Closing is expected in the third quarter of this year. ▪ 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 most the rental areas in the tower is expected to be completed in 2023 and the remainder in 2024.

Energix Renewable Energies	▪ **Engagement in financing transactions in the amount of over NIS 2.4 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 an international bank that specializes in the financing of 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 -**
	    ▪ Subsequent to the reporting period, an engagement with First Solar for the purchase of additional panels in 2026-2030 with a capacity of approx. 5 GWp for future photovoltaic projects, most in the United States. The purchase cost of the panels is estimated by Energix at a total of approx. USD 1.5 billion, most of which will be paid close to their delivery.
	▪ **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.
	    ▪ **Construction of a wind farm in the Golan Heights with a capacity of 104 MW (the ARAN project):** Against the backdrop of the Israeli Druze community's opposition to the project's construction (which is mainly based on claims unrelated to the project, the construction work is expected to extend beyond the original schedules.
	▪ **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) below.

1.6 Summary of the main data – the Group

Main Financial Results – Consolidated Statements	Unit	H1 2023	H1 2022	Q2 2023	Q2 2022	Year 2022	% Change[2]
Revenues from rental fees and management of investment property	NIS thousands	654,348	573,553	332,077	293,240	1,219,178	14.1
Fair value adjustments of investment property	NIS thousands	(220,147)	456,863	(62,986)	333,301	685,918	
Group share in losses of associates, net	NIS thousands	(568,085)	(57,718)	(371,978)	(100,735)	(953,589)	
Revenues from sale of electricity and green certificates[3]	NIS thousands	421,473	201,874	125,599	110,361	525,437	
Net profit (loss) for the period	NIS thousands	(475,728)	556,716	(367,243)	290,755	338,572	
Net profit (loss) for the period attributed to Company shareholders	NIS thousands	(670,320)	278,922	(452,126)	123,915	(281,467)	
Total comprehensive income (loss) for the period attributed to Company shareholders	NIS thousands	(436,758)	545,115	(275,101)	352,820	(53,496)	
FFO according to the management approach attributed to Company shareholders[4]	**NIS thousands**	**324,250**	**271,717**	**156,042**	**138,310**	**612,952**	19.3
Total balance sheet	NIS thousands	37,842,230	34,381,746			36,314,037	4.2
Equity (including non-controlling interests)	NIS thousands	13,002,920	13,405,251			13,591,420	(4.3)
Financial debt (bank credit and bonds)[5]	NIS thousands	20,892,613	17,434,633			19,032,307	9.8
Net financial debt[6]	NIS thousands	18,969,240	15,818,997			17,337,606	9.4
Ratio of net financial debt to total balance sheet[7]	%	52.81	48.3			50.1	
Main financial results – Expanded Solo[8]							
Total balance sheet	NIS thousands	13,073,780	13,103,991			13,311,610	(1.8)
Equity attributed to Company shareholders	NIS thousands	7,085,159	8,020,710			7,709,979	(8.1)
Financial debt (bank credit and bonds)[5]	NIS thousands	6,005,230	4,701,802			5,513,779	8.9
Net financial debt[6]	NIS thousands	5,430,254	4,664,685			5,027,172	8.0
Net financial debt ratio to balance sheet total[6]	%	43.4	35.7			39.2	
Earnings (loss) per share data							
Earnings (loss) per share - basic	NIS	(3.73)	1.60	(2.52)	0.71	(1.60)	
Comprehensive income (loss) per share – basic	NIS	(2.43)	3.13	(1.53)	2.02	(0.30)	
FFO per share - according to the management approach[4]	**NIS**	**1.80**	**1.56**	**0.86**	**0.79**	**3.48**	15.7
Current dividend per share[9]	NIS	0.64	0.62	0.32	0.31	1.26	3.2
NAV per share	NIS	39.42	45.99			42.90	(8.1)
NNAV per share[10]	NIS	44.83	52.49			48.53	(7.6)
Price per share at end of period	NIS	28.86	43.76			35.80	(19.4)

[2] Balance sheet data of June 30, 2023 compared to December 31, 2022. Result data of 1-6/2023 compared to 1-6/2022
[3]. Electricity revenues in the first half of 2023 and of 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 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 June 30, 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 86 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 June 30, 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 86 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

	Unit	H1 2023	H1 2022	Q2 2023	Q2 2022	Year 2022	% Change[11]
Investment in Israel – Amot Investments Ltd. (rate of holdings 53.8%)[12]							
Number of income-generating properties	Unit	114	114			114	
Value of investment property (not including property in self-construction)	NIS thousands	16,815,266	16,024,777			16,623,086	1.2
Weighted discount rate derived from investment property	%	6.31	6.12			6.20	
Occupancy rate at end of period	%	93.6	95			94.4	
Value of investment property in self-construction	NIS thousands	2,558,163	1,858,987			2,341,725	9.2
Ratio of net financial debt to total balance sheet	%	43.0	41.4			41.9	
NOI[13]	NIS thousands	499,313	447,627	252,580	228,194	930,996	11.5
FFO[14] per share - according to the management approach	NIS	0,858	0.77	0,434	0.39	1,604	11.4
NAV per share	NIS	18.55	17.78			18.68	(0.7)
Price per share at end of period	NIS	19.43	20.98			20.65	(5.9)
Investment in the United States - Carr Properties Corporation (rate of holdings - 47.4%)[15]							
Number of income-generating properties	Unit	17	17			17	
Value of investment property (not including property in self-construction)	USD thousands	2,565,808	3,256,610			2,835,655	(9.5)
Occupancy rate at end of period[16]	%	88.10	85.50			87.90	
Number of properties in development	Unit	1	1			2	
Value of property in development	USD thousands	764,255	664,803			697,253	9.6
Ratio of net financial debt to total balance sheet	%	56.6	44.6			51.2	
NOI [17]	USD thousands	86,911	74,508	42,286	37,532	148,670	16.6
FFO [14]	USD thousands	40,356	38,925	18,923	20,292	70,988	3.7

[11] Balance sheet data of June 30, 2023 compared to December 31, 2022. Result data of 1-6/2023 compared to 1-6/2022
[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 June 30, 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)

	Unit	H1 2023	H1 2022	Q2 2023	Q2 2022	Year 2022	% Change[18]
Investment in the United Kingdom – Brockton Everlast Inc. Limited (rate of holdings - 83.2%)[19]							
Number of income-generating properties	Unit	12	10			13	
Value of investment property	GBP thousands	915,125	950,350			1,081,515	(15.4)
Occupancy rate at end of period	%	97.8	97.5			96.6	
Value of land for initiation	GBP thousands	303,445	233,950			208,000	45.9
Ratio of financial debt to total balance sheet	%	32.8	31.1			30.7	
NOI	GBP thousands	21,020	16,791	10,880	8,405	42,311[20]	25.2
FFO	GBP thousands	8,327	5,680	3,916	2,679	**Error! Bookmark not defined.**[20]	46.6
Investment in renewable energy – Energix Renewable Energies Ltd. (rate of holdings - 50.4%)							
Installed capacity from connected photovoltaic systems (MWp)	Unit	554	457.7			554	-
Installed capacity from connected wind systems (MW)	Unit	301	245			245.2	22.8
Balance of connected electricity-generating facilities – according to book value	NIS thousands	3,432,499	2,134,752			2,910,128	18.0
Price per share at end of period	NIS	12.0	10.57			11.08	8.3

[18] Balance sheet data of June 30, 2023 compared to December 31, 2022. Result data of 1-6/2023 compared to 1-6/2022

[19] As of June 30, 2023, the Dovetail project, which is in the process of evacuating tenants in preparation for the start of initiation, is being re-presented from investment property to land for initiation.

[20] 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 date of publication of the 2022 Periodic Report and until the date of publication of this report:

a. **Trends and changes in the office sector**

As a result of the global economic slowdown and the transition to hybrid work, the downward trend in demand for office space continues, including the trend of shortening rental periods while reducing office space in new leases and when renewing existing ones.

The worsening of the credit crunch (with emphasis on the United States office sector) and the increase in the price of money around the world led to a further reduction in the volume of transactions, a substantial decrease in construction starts, an increase in discount rates which resulted in a decrease in value and an increase in the number of cases of properties being handed over to lenders in non-recourse loans.

The public office REITs continued to trade at a discount on equity (in economic terms), although at a lower rate than at the beginning of the year.

b. **Developments in Israel**

Towards the end of the second quarter of 2023, there were signs indicating the moderation of inflation and a certain moderation was even observed in the increase in the Consumer Price Index (the "CPI"), which rose in the reporting period by a rate of 2.5%, after the CPI published for June 2023 remained unchanged.

According to the Bank of Israel's updated macroeconomic forecast from July 2023,[21] the GDP is expected to grow at a rate of 3% in each of the years 2023 and 2024. The inflation rate is expected to be 3% in the next four quarters ending in the second quarter of 2024 and at 2.4% in 2024 as a whole. The monetary interest rate is expected to be 4.75%-5% in the second quarter of 2024. The forecast assumes that the controversy surrounding the legislation to apply changes to the legal system (the "legislative changes") will be settled in a way that does not affect economic activity.

Following the rating reports published by the international rating companies Moody's and S&P in April and May 2023 and the downgrading of Israel's rating forecast by Moody's, at the end of July 2023 they published additional and exceptional reports in which they criticize and warn against the consequences of the controversial legislative changes on the stability of the Israeli economy.

On August 2, 2023, the Bank of Israel published a Financial Stability Report for the first half of 2023 in which the Bank defines the Israeli financial system as stable, but identifies two factors that have particularly been affecting the financial system in recent months: the first, the continued increase in interest rates and the slowing of growth in Israel and the world, and the second, a lack of certainty surrounding the consequences of the legislative changes on the functioning of the economy and the financial system as a whole. The Bank warns that as these processes intensify, they may challenge the system in the medium term.

The business environment and the uncertainty existing in the market as described above have an effect on the income-generating property sector in Israel in which Amot Investments Ltd. operates.

[21] The macroeconomic forecast of the Bank of Israel's Research Division from July 2023 is available on the Bank of Israel website at: https://www.boi.org.il/publications/pressreleases/a10-07-23

From the beginning of 2023, there has been a moderation in demand and a lengthening of the negotiation stage for closing agreements.

Since, according to the Company's management, Israeli income-generating property companies are a reflection of the Israeli economy, to the extent that the assessments described above or some of them materialize, the financial performance of the Company may also be affected.

c. <u>Developments in the United States</u>[22]

The growth rate of economic activity in the United States in the first quarter of 2023 was at an annual rate of 2.4%, higher than the rate of increase in the first quarter (2.0%). The unemployment rate increased slightly from approx. 3.4% in the previous quarter to approx. 3.5% in the current quarter, but is still very low in historical terms.

The rate of inflation in the United States recorded a significant decrease to an annual rate of approx. 3%. At the same time, at the end of July 2023, the FED raised the interest rate by 0.25% to a level of 5.25%-5.5%.

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.

Close to the date of publication of this report, the international rating agency Moody's announced a downgrade of several regional banks in the United States that have a high exposure rate to loans that were given to the income-generating property sector (with an emphasis on the office sector). In addition, other banks were put on Moody's watch list.

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-Corona 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 June 2023, the vacancy rate in Washington D.C. (where the office market is 135 million sq.ft.) was 12.5% in Trophy type offices (as of the end of 2022 - 16.8%) and 18.0% in Class A type offices (as of the end of 2022 - 16.8%). The total office space offered for sublease by tenants amounted to 3.6 million sq.ft. (as of the end of 2022 - 3.5 million sq.ft.). The total area of the Trophy type office buildings under construction and expected to be added to the market by the end of 2025 is 1.3 million sq.ft. (as of the end of 2022 - one million sq.ft.), of which 47% are pre-leased.

As of June 2023, the vacancy rate in Boston CBD (where the office market is 67 million sq.ft.) was 12.1% (as of the end of 2022 - 11.2%), of which 10.0% in Class A type offices (as of the end of 2022 - 9.6%). The total office space offered for sublease by tenants amounted to 4.4 million sq.ft. (as of the end of 2022 - 3.8 million sq.ft.). The total area of office buildings under construction and expected to be added to the market by the end of 2025 is 4.3 million sq.ft. (as of the end of 2022 - 4.9 million sq.ft.), of which 83% are pre-leased.

[22] Information regarding the real estate markets:
JLL Office Market Observation Washington DC Q2 2023
JLL Boston Office Overview July 2023

d. Developments in the UK[23]

As of June 2023, the annual inflation rate in the UK decreased to a rate of 7.9% from a record 11.1% recorded in October 2022. The Bank of England ("BOE") continued to raise the interest rate to 5.25% in August 2023. The BOE expects that inflation in 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% and zero percent growth is expected in the second quarter based on the estimates for the months of April and May. The BOE expects that the GDP will increase by approx. 0.5% during 2023 to approx. 0.5% 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 UK unemployment rate rose by approx. 0.2% to 4.0% in May 2023.

The GDP exchange rate strengthened against most major currencies in the first half of 2023 following the process of recovery from the period of political instability in September 2022.

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 the second quarter of the year, the take-up activity of offices in London (where the office market is 252 million sq.ft.) amounted to approx. 2 million sq.ft., approx. 20% below the quarterly average in the last decade. Approx. 53% of the total activity was contributed by the financial sector and professional services such as lawyers and accountants.

The vacancy rate reached approx. 9.5% in the Greater London office market and is higher than the average of the decade, which is 5.5%. It should be emphasized that the existing vacancy rate in modern and new office buildings is only approx. 1.6%. The rental prices of offices in Prime properties remained unchanged throughout the first half of 2023.

The transaction volume in the second quarter of 2023 was approx. GBP 1.4 billion and is lower than the average of the previous decade (approx. GDP 3 billion). The discount rate of the Prime properties in the West End amounts to approx. 4% and approx. 5% in the City compared to approx. 3.25% and approx. 4.0%, respectively, in the corresponding quarter of 2022.

As of June 2023, the total area of office buildings under construction and expected to be added to the market by the end of 2025 is approx. 16 million sq.ft. (the same as at the end of 2022), of which approx. 43% are pre-leased.

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.

[23] Information regarding the real estate markets:
JLL Central London Office Market Report, Q2/2023

2.2 Statement of Financial Position

Statement of Financial Position Item	June 30, 2023 NIS millions	December 31, 2022 NIS millions	Notes and explanations
Cash and cash equivalents	1,923	1,695	For the Statement of Cash Flows – see Section 2.6 below.
Investment property, investment property in development and land rights	24,400	23,772	The increase stems from the effect of exchange rates on BE's properties (approx. NIS 550 million) and from investments in property in development and in existing income-generating assets (mainly in Amot) in the amount of approx. NIS 300 million. On the other hand, there was a decrease in respect of the fair value adjustment of the consolidated companies' properties in the reporting period in the net amount of NIS 220 million.
Investments in companies accounted for according to the equity method and securities measured at fair value through profit and loss	3,948	4,286	The main changes are as follows: • An increase in investments due to the effects of exchange rates (mainly the USD) in the amount of NIS 200 million. • A decrease in investments in respect of the Group's share in the losses of associates in the amount of approx. NIS 570 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	6,472	5,206	Most of the increase is due to Energix's investments in the initiation and development of projects (mainly in the United States and in Israel) in the amount of approx. NIS 1 billion. In addition, there was an increase due to the effect of exchange rates (PLN and USD) on the electricity-generating facilities in the amount of approx. NIS 0.3 billion. For information regarding the electricity-generating facilities, see Note 5 to the financial statements.
Other assets	1,099	1,355	
Total assets	37,842	36,314	
Loans and bonds	20,164	18,566	The main changes are as follows: • Raising of bonds and receipt of loans in the amount of NIS 2 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 0.5 billion. For information regarding the main changes in the Group's financial debt, see Section 2.4.3 below.
Other liabilities	4,675	4,157	
Total liabilities	24,839	22,723	
Equity attributed to shareholders	7,085	7,710	For information regarding the main changes in equity attributed to the shareholders, see Section 2.7.2 below.
Non-controlling interests	5,918	5,881	
Total equity	13,003	13,591	
Total liabilities and equity	37,842	36,314	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of June 30, 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	4,664,509	4,910,324	Stock market value - tradable
Energix	USD/PLN/NIS	276,060,936	1,173,216	3,312,731	Stock market value - tradable
CARR	USD	-	2,529,511	2,529,511	Equity method
BOSTON AH	USD	-	689,122	689,122	Equity method
BROCKTON EVERLAST	GBP	-	3,220,933	3,220,933	Equity method
BROCKTON FUNDS	GBP	-	173,750	173,750	Equity method
Other[24]			585,845	585,845	
Total			13,036,887	15,422,217	

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:

	H1 2023	After the balance sheet date	Total
	NIS millions	NIS millions	NIS millions
Brockton Everlast	50	-	50
AH Boston	29	6	35
	79	6	85

[24] Mainly including cash in the amount of NIS 489 million and a short-term bridging loan to BE, whose balance as of the date of the report is NIS 86 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 share Profit (loss) in millions			Company share Profit (loss) NIS millions
		Revaluations of income-generating properties	Revaluation of properties in initiation, development and construction	Total	Total
Israel (Amot)	ILS	142	-	142	**76**
USA (Carr and AH Boston) (1)	USD	(361)	2	(359)	(630)
UK (BE) (2)	GBP	(21)	(59)	(80)	(297)
Company share before the tax effect					**(851)**
Tax effect					123
Company share after tax					**(728)**

(1) USA (Carr and AH Boston) – The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of most of the properties in the range of 0.25%-0.5%.

(2) UK (BE) – The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow in the range of 0.25%-0.5%.

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[25]:

Geographic region	Currency	100% at the investee level Loss in millions	Company share Loss in NIS
Israel (Amot)	ILS	(687)	(369)
USA (Carr and AH Boston)	USD	(91)	(165)
UK (BE)	GBP	(66)	(257)
Company share before the tax			**(791)**
Tax effect			89
Company share after tax			**(702)**

[25] 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 June 30, 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 reporting period, 243 new leases were signed, including option exercises and contract renewals amounting to 126 thousand sq.m. at annual rental fees in the amount of NIS 125 million (of which 75 new leases, including option exercises and contract renewals for 32 thousand sq.m at annual rental fees of NIS 34 million, were signed in the second quarter of 2023). The rate of increase in rent per sq.m. between the new contracts signed in the reporting period and the previous contracts is approx. 5% (weighted average).

2.3.5 Investment in Carr

As of June 30, 2023 and close to the date of publication of the financial statements, the Group's effective rate of holdings in Carr is 47.4%. The balance of the investment in Carr in the financial statements as of June 30, 2023, is USD 684 million (approx. NIS 2.5 million).

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:

- **Sale of The Elm building** – In June 2023, Carr signed a binding sales agreement for the sale of The Elm, a residential rental building in the Bethesda, Maryland area in metropolitan Washington D.C. for the amount of USD 250 million, a price identical to the value of the property in Carr's financial statements as of March 31, 2023. At the time of signing, the buyer transferred to Carr a non-refundable deposit in the amount of USD 10 million. Completion of the transaction is expected in the third quarter of the year. The proceeds of the sale are expected to be used by Carr to reduce utilized credit facilities.

- **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 most the rental areas in the tower is expected to be completed in 2023 and the remainder in 2024.

- **300 East 2nd (previous name: Block 16)** – Further to Section 2.3.5 to the Board of Directors' Report for 2022, Carr decided not to execute the project. As a result, Carr recorded a loss in the second quarter of 2023 resulting from the amortization of the planning and development costs invested in the amount of USD 11 million (the Company's share - approx. NIS 19 million).

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.

2.3.5.4 The balance of loans to be repaid in the coming year

As of June 30, 2023, the balance of Carr's loans to be repaid in the coming year totals USD 198 million. Regarding a non-recourse loan in the amount of USD 134 million that is due in September 2023, Carr is negotiating to extend the loan agreement under new conditions or to hand over the property to the lenders.

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 June 30, 2023 Financial Statements, is USD 186 million (approx. NIS 689 million).

In the reporting period, the Group invested a total of USD 8 million (approx. NIS 29 million) in the Boston partnerships. Subsequent to the balance sheet date, the Group invested a total of USD 1.7 million (approx. NIS 6 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 June 30, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 83.2% of the rights in BE. During the reporting period, 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 10a to the Financial Statements.

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.

While implementing the plan, BE is working to locate a strategic investor that will join, as a non-controlling interest, 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.

2.3.7.3 The balance of loans to be repaid in the coming year

As of June 30, 2023, the balance of BE's loans to be repaid in the coming year is approx. GBP 196 million.
Regarding a loan in the amount of GBP 63 million that is due in September 2023, BE is in advanced negotiations for the receipt of a new long-term loan.

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[26].

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 reporting period – Energix's revenues for the reporting period, including revenues from the unwinding of electricity hedging agreements in the amount of NIS 153 million, amounted to approx. NIS 421 million, compared to revenues of approx. NIS 202 million in the corresponding period last year. The increase is 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 increase in electricity production with the increase in the capacity of the projects in commercial operation compared to the corresponding period last year. It should be clarified that the amount of NIS 78 million of 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 in respect of the second half of 2023. By neutralizing the revenues from the unwinding of electricity hedging agreements, which were supposed to be associated with the second half of 2023, Energix's revenues for the reporting period amounted to approx. NIS 343 million, which reflects an increase of approx. 70% in revenues for the reporting period compared to the corresponding period last year.

[26] **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):

Energix is working to associate the projects that will be established (all or some of them) under this competitive procedure for the regulation of the market model instead of the Competitive Procedure. In that context, Energix, through its wholly owned SPCs, entered into electricity sales agreements with a private supplier for five photovoltaic facilities with combined energy storage. 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 its revenues from these facilities.

b) Signing of a binding agreement, subsequent to the balance sheet date, for the receipt of financing in the amount of up to NIS 255 million for the construction of the extra-high voltage Julis project with a capacity of approx. 87 MWp. The loan is a NIS loan linked to the CPI for 23 years, and it will be provided on a non-recourse basis, except as stipulated in the agreement. For additional information regarding the financing agreement, see Note 8 to the Financial Statements.

c) Construction work on a wind farm in the Golan Heights with a capacity of approx. 104 MW (ARAN Project): Further to Energix's announcements regarding the construction work on the project, against the backdrop of (i) the Israeli Druze community's opposition to the project's development activity, which according to information provided to Energix, is mainly based on claims that are not related to the project, and since (ii) 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. According to the information available at Energix as of the date of approval of the report and as of its assessments, except in relation to the schedules for the project's construction, this delay has no material effect on Energix.

(2) United States

a) Acquisition of the rights of a partner in the United States – All of Energix's activity in the US is wholly owned (100%) – 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 the report, all of Energix's activities in the United States are wholly owned. For additional information, see Note 5(b)(2) 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 –

In the reporting period, 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 (ITC) of 30%. The amount of the tax partner's investment may increase by an additional USD 100 million, up to a total of USD 350 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, subject to the publication of the regulations under the Inflation Reduction

Act of 2022, which is in effect from August 2022 (the "IRA Act"),[27] which should be published during 2023. 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 equipment in the United States; (3) the location of projects in areas defined in advance as those for which additional tax benefits will be given and (4) instructions published in July 2023 regarding guidelines for eligibility for the ITC tax benefit.

- **Financing transactions on a short-term and long-term non-recourse basis for the projects' financing:** During the reporting period, Energix made withdrawals in the amount of USD 290 million from the construction loan facility in the amount of up to USD 510 million provided by the Santander CIB Bank to an American subsidiary of Energix. The construction loan facility is divided into a Back Leverage loan in the amount of up to USD 260 million, which will be converted, upon completion of the facilities' construction, into a long-term loan and an additional loan in the amount of up to USD 250 million, which is expected to be repaid from the amounts to be invested by the tax partner, as detailed above.

c) Additional financing agreement on a long-term non-recourse basis in the amount of USD 70 million: Close to the date of approval of the financial statement, Energix entered into an additional loan agreement with the Santander CIB Bank for projects in the United States that are in commercial operation with a capacity of 224 MWp, on a non-recourse basis, in the amount of up to USD 70 million. 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.

d) Purchase of panels for Energix's future projects with a capacity of approx. 5 GWp from First Solar: As part of the expansion of Energix's strategic collaboration with First Solar, one of the world's leading panel suppliers, in July 2023, Energix entered into a series of agreement with First Solar for the purchase of additional panels in the years 2026-2030 with a capacity of approx. 5 GWp [28]. The transaction is for future photovoltaic projects that Energix intends to establish, most of them are in the United States and guarantees Energix a regular supply of the panels made in the US, which will enable it, subject to the provisions of the IRA law, to benefit from an increased tax benefit for local production at a rate of at least 40% of construction costs (instead of 30%).
The purchase cost of the panels is estimated at a total amount of approx. USD 1.5 billion, depending on the final capacity of the panels to be purchased and the territory where they will be produced (in or outside the US), and most will be paid close to the receipt of the panels.

[27] The amount of the actual tax benefit will be dependent on the actual compliance with criteria published in the regulations.
[28] Energix has the right to increase or decrease the supply of panels by an aggregate rate of up to 20%, and the total cost of panels' purchase will be updated accordingly.

(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 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.

2.3.9 Dividend receipts

The following are the dividends 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 for 2023:

	From January 2023 to the date of publication of the Reports	**2023 Forecast**
	NIS millions	
Amot	207	344
BE	59	59
Energix	88	127
AH Boston	8	18
Total cash dividend	362	548
Carr – Dividend Reinvestment Plan [29]	57	116
Total dividend	419	664

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

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

The information on dividend receipts for 2023 constitutes forward-looking information in accordance with Section 32A of the Securities Law, 1968, in view of the fact that there is no certainty that the authorized bodies of the investees will actually approve the dividend distributions, and this is at their sole discretion.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of June 30, 2023, the Group has cash balances of NIS 1.9 billion (of which the Company's expanded solo balance – NIS 0.5 billion) and unutilized lines of credit in the amount of NIS 2 billion (of which the Company's expanded solo lines of credit – NIS 550 million).

[29] 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 June 30, 2023, all of the Company's assets (expanded solo) are not encumbered. Their balance (not including cash) as of June 30, 2023 is NIS 12.5 billion (a market value of NIS 14.8 billion). As of June 30 2023, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 18.9 billion.

2.4.3 Financial debt

As of June 30, 2023, the Group's net financial debt amounted to NIS 19 billion, constituting 52.8% 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 June 30, 2023, the net financial debt of the Company (expanded solo) amounted to NIS 5.4 billion, constituting 43.4% 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 36.3%.

2.4.3.1 The following are data regarding the Company's financial debt (expanded solo) as of June 30, 2023:

Investee	Financial debt ratio at fixed interest (*)	Average duration of debt at fixed interest (in years)
The Company (expanded solo)	74%	5.5
Amot	100%	5.1
Energix	98%	8.5
BE	100%	1.7
Carr	69%	3.1
AH BOSTON	100%	2.7

(*) 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:

- Further to Note 12b.1 to the Annual Financial Statements, 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.
- Further to Note 12b.3 to the Annual Financial Statements, subsequent to the date of the report, in August 2023, the Company entered into an agreement with the bank to extend the credit facility in the amount of NIS 150 million for a period of one more year from the date of signing the extension (hereinafter, in this subsection - the "**Utilization Period**") and which is subject to final repayment by the end of two years from the end of the utilization period. All other terms of the agreement remain unchanged.

As of June 30, 2023 and as of the date of publication of the report, the Company (Expanded Solo) has a credit facility in the total amount of NIS 550 million, which is unutilized.

- 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 CPI-linked 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%.

  In addition, in June 2023, the Company issued, through a shelf offer report, NIS 236.8 million PV of bonds (Series M) by way of a series expansion, for a consideration of NIS 218.6 million (gross) and at an effective interest rate of 6.4% and approx. NIS 169.8 million PV of CPI-linked bonds (Series O) by way of a series expansion, for a consideration of NIS 157.7 million (gross) and at an effective interest rate of 4.1%.

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

For disclosure specific to bondholders, see Section 5 below.

For details of the Company’s liabilities (expanded solo) maturing after June 30, 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 2.4 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 June 30, 2023 amounted to a total of NIS 1.5 billion in the consolidated statements (NIS 233 million in the Company's expanded solo statements). As of June 30, 2023, the Group has a high balance of unutilized long-term credit facilities and a high balance of unencumbered assets. In this light, the Company’s Board of Directors believes that the existence of a working capital deficit does not indicate a liquidity problem. Regarding the amount of the Company’s credit facilities and unencumbered assets, see Sections 2.4.1 and 2.4.2 above.

2.5 Operating results

In the reporting period, the Group recorded a loss of NIS 476 million, compared to a profit of NIS 557 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 670 million, compared to a profit of NIS 279 million attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded a comprehensive loss of NIS 112 million, compared to comprehensive income of NIS 808 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 437 million, compared to a comprehensive income of NIS 545 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 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.

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

	H1 2023 NIS thousands	H1 2022 NIS thousands	For the year 2022 NIS thousands
Share of Company shareholders in net profit (loss) for the period	**(670,320)**	**278,922**	**(281,467)**
Adjustments to profit and loss:			
Fair value adjustments of investment property	220,147	(456,863)	(685,918)
Company share in property revaluations and other non-FFO items in investees	669,155	139,375	1,117,433
Profit from decrease in rate of holdings, from acquisition and realization of associates	(438)	(21,337)	(20,391)
Net losses (profits) from investments in securities measured at fair value through profit and loss	(2,685)	(5,337)	1,351
Others (mainly depreciation and amortizations)	82,880	51,046	108,427
Revenues from unwinding of electricity-hedging agreements for Q3-Q4/2023	(78,323)	-	-
Financing expenses that are not FFO (mainly linkage differences and exchange rate differences)	221,898	231,985	369,399
Deferred taxes and current taxes that are not FFO, net	(20,880)	(8,751)	(111,843)
Share of non-controlling interests in the above adjustments to FFO	(97,184)	62,677	115,961
Real FFO according to the management approach	**324,250**	**271,717**	**612,952**
The following are the sources of the FFO:			
Revenues			
Investment property NOI	571,773	501,601	1,071,118
NOI from electricity sales (including revenues from unwinding of electricity-hedging agreements)	295,520	169,888	451,570
Group share in FFO without real estate revaluations	68,080	57,147	109,082
Group share in FFO without real estate revaluations	19,657	14,185	31,605
Group share in FFO of Brockton Everlast and Amot associates	13,304	10,324	23,155
Other revenues	-	1,019	2,281
Total revenues	**968,334**	**754,164**	**1,688,811**
Expenses			
Real financing, net	(216,135)	(161,807)	(343,245)
Administrative and general	(87,000)	(79,370)	(164,257)
Current taxes	(49,173)	(26,153)	(64,279)
Share of non-controlling interests attributed to operating activities	(291,776)	(215,117)	(504,078)
Total expenses	**(644,084)**	**(482,447)**	**(1,075,859)**
Real FFO according to the management approach	**324,250**	**271,717**	**612,952**
FFO per share (NIS) according to the management approach	**1.80**	**1.56**	**3.48**

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

	H1 2023 NIS thousands	H1 2022 NIS thousands	For the year 2022 NIS thousands
FFO according to the management approach	**324,250**	**271,717**	**612,952**
Plus:			
Linkage differences on the credit of the Company and its investees and exchange rate differences	(131,884)	(144,540)	(229,186)
FFO according to the Securities Authority approach	**192,366**	**127,177**	**383,766**

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

	H1 2023 NIS thousands	H1 2022 NIS thousands	Q2 2023 NIS thousands	Q2 2022 NIS thousands	For the year 2022 NIS thousands
Revenues and profits					
Revenues from rental fees and management of investment property	654,348	573,553	332,077	293,240	1,219,178
Fair value adjustments of investment property	(220,147)	456,863	(62,986)	333,301	685,918
Group share in losses of associates, net	(568,085)	(57,718)	(371,978)	(100,735)	(953,589)
Net profits (losses) from investments in securities measured at fair value through profit and loss	2,685	5,337	2,300	4,464	(1,351)
Profit from decrease in rate of holdings, from acquisition and realization of associates	438	21,337	327	2,972	20,391
Revenues from sale of electricity and green certificates	268,713	201,874	125,599	110,361	502,410
Revenues from unwinding of electricity-hedging agreements	152,760	-	-	-	23,027
Other revenues, net	757	930	58	360	2,089
	291,469	1,202,176	25,397	643,963	1,498,073
Costs and expenses					
Cost of investment property rental and operation	81,089	71,550	39,816	38,384	146,800
Development, maintenance and operation costs of electricity-generating facilities	45,323	26,810	23,962	12,567	56,141
Depreciation and amortizations	77,582	50,336	43,955	27,920	112,398
Administrative and general	96,877	85,570	50,581	45,923	179,082
Financing expenses, net	438,033	393,792	223,711	230,639	712,644
	738,904	628,058	382,025	355,433	1,207,065
Profit (loss) before taxes on income	(447,435)	574,118	(356,628)	288,530	291,008
Income tax expenses (income)	28,293	17,402	10,615	(2,225)	(47,564)
Net profit (loss) for the period	**(475,728)**	**556,716**	**(367,243)**	**290,755**	**338,572**
Allocation of net income (loss) for the period:					
Share of Company shareholders	**(670,320)**	**278,922**	**(452,126)**	**123,915**	**(281,467)**
Share of non-controlling interests	194,592	277,794	84,883	166,840	620,039
	(475,728)	556,716	(367,243)	290,755	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 – amounted to NIS 654 million in the reporting period, compared to NIS 573 million in the corresponding period last year, an increase of NIS 81 million (approx. 14%). The increase is mainly due to a change in Amot's revenues (approx. NIS 57 million) due to additional revenues from properties whose construction has been completed and from additional revenues in identical properties as a result of occupancies, an increase in prices and an increase in the CPI. The balance of the increase (approx. NIS 24 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 220 million, as follows:

- Fair value adjustments of Amot’s properties - A profit of NIS 137 million is mainly due to an increase in the NOI from the properties. Since the value adjustment made by Amot from the beginning of the year is lower than the NOI increase rate in its reports, Amot's discount rate rose by approx. 0.35% compared to the discount rate from the beginning of the year.
- Fair value adjustment of BE properties - A loss in the amount of NIS 357 million was mainly due to the increase in the discount rate of the projected cash flow of the properties in the range of 0.25%-0.5%.

In the corresponding period last year, positive property valuations were recorded in the amount of NIS 457 million, of which NIS 427 million stems from the revaluation of Amot’s properties, which was mainly due to the effect of the increase in the CPI in the corresponding period last year by a rate of 3.13%.

Group share in the losses 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 losses** – A loss of NIS 449 million was recorded in the reporting period, compared to a loss of NIS 35 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 289 million (the Company's share in the loss before tax - NIS 492 million). The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of most of the properties in the range of 0.25%-0.5%. The loss in the corresponding period last year was due to a negative value adjustment of Carr's properties in the amount of USD 60 million (the Company's share in the loss before tax - NIS 90 million) mainly due to the increase in the discount rate of most of the properties by 0.25%.
- **Group share in AH Boston’s losses** – A loss of NIS 125 million was recorded in the reporting period, compared to a loss of NIS 32 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 70 million (the Company's share in the loss before tax - NIS 138 million) mainly due to the increase in the discount rate of the properties by a rate of 0.25%-0.5%. The loss in the corresponding period last year was due to a negative value adjustment of AH Boston's properties in the amount of USD 29 million (the Company's share - NIS 54 million) mainly due to the increase in the discount rate of two of the properties by 0.25%.

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

Profit from decrease in rate of holdings from acquisition and 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 269 million compared to NIS 202 million in the corresponding period last year, an increase of NIS 67 million (approx. 33%). The increase in revenues stems mainly from new facilities that were connected in Poland, Israel and the United States

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).

Net financing expenses – Financing expenses in the reporting period amounted to NIS 438 million compared to NIS 394 million in the corresponding period last year, an increase of NIS 44 million. The change stemmed mainly from the increase in the Group’s financial debt balance and from the increase in interest rates.

Income tax expenses (income) – The difference between the tax expenses in the reporting period and the tax expenses in the corresponding period last year is due to the non-creation of deferred taxes in the reporting period since they are not expected to be utilized in the near future.

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

	H1 2023 NIS thousands	H1 2022 NIS thousands	Q2 2023 NIS thousands	Q2 2022 NIS thousands	For the year 2022 NIS thousands
Net profit (loss) for the period	**(475,728)**	**556,716**	**(367,243)**	**290,755**	**338,572**
Other comprehensive income (loss)					
Profit from investment in Carr (1) (2)	21,753	177,688	30,829	134,743	181,802
Profit from investment in AH Boston (1)	3,608	41,772	4,364	33,798	39,205
Profit from investment in BE (1) (3)	213,031	17,413	139,369	42,005	13,514
Profit (loss) from investment in Energix and others (4)	133,190	(3,675)	87,892	10,369	(16,089)
Tax effects	(7,629)	17,721	(8,983)	22,970	(4,777)
Total other comprehensive income for the period	363,953	250,919	253,471	243,884	213,655
Total comprehensive income (loss) for the period	**(111,775)**	**807,635**	**(113,772)**	**534,639**	**552,227**
Allocation of comprehensive income (loss) for the period:					
Share of Company shareholder	**(436,758)**	**545,115**	**(275,101)**	**352,820**	**(53,496)**
Share of non-controlling interests	324,983	262,520	161,329	181,819	605,723
	(111,775)	807,635	(113,772)	534,639	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 5.1% and 10.1% against the USD and the GBP, respectively. In the corresponding period last year, there was a devaluation of the NIS by a rate of 12.5% and 0.8% against the USD and the GBP, respectively.

(2) In addition to the description in Section (1) above, the comprehensive profit (loss) from the investment in Carr in the reporting period also includes an other comprehensive loss in the amount of NIS 2 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 15 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 other comprehensive income in the amount of approx. NIS 18 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 22 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 a loss from electricity price-fixing transactions in the US, which was partially offset by a profit from the effect of exchange rates in Energix (net of hedging) due to the depreciation of the NIS against the USD and the PLN.

2.6 Cash flows

	H1 2023 NIS millions	H1 2022 NIS millions	For the year 2022 NIS millions
Total cash provided by operating activities	**524**	**20**	**629**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(334)	(450)	(1,159)
Investment in electricity-generating systems	(807)	(614)	(1,131)
Investment in Carr	-	(202)	(202)
Investment in AH Boston	(29)	(15)	(57)
Proceeds from repaid hedging transactions	(235)	71	36
Acquisition of consolidated companies	-	-	(298)
Investment in Brockton Funds, net	-	-	(4)
Repayment (provision) of loans	3	125	127
Net decrease (increase) in deposits (including pledged deposits)	420	-	(407)
Other	-	48	46
Total cash used in investing activities	**(982)**	**(1,037)**	**(3,049)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	1,138	460	244
Proceeds from the issue of bonds	843	1,155	3,037
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit)	(936)	(911)	(1,544)
Capital raised by the Company	-	23	295
Capital raised by Amot (net of the Company's investment in the issue)	3	484	487
Capital raised by Energix (net of the Company's investment in the issue)	-	180	534
Capital raised by BE (net of the Company's investment in the issue)	8	504	569
Purchase of shares from non-controlling interests	(24)	(35)	(38)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(424)	(393)	(652)
Total cash provided by financing activities	**608**	**1,467**	**2,932**
Total increase in cash balances in the period	**150**	**450**	**512**
Other influences	**48**	**6**	**24**
Cash and cash equivalents and designated deposit at end of period	1,927	1,650	1,729
Less - designated deposit	(4)	(34)	(34)
Cash and cash equivalents at end of period	**1,923**	**1,616**	**1,695**

2.7 Equity

2.7.1 Equity per share

	As of June 30 2023	As of December 31 2022
	NIS millions	NIS millions
Equity	13,003	13,591
Less non-controlling interests	(5,918)	(5,881)
Equity attributed to Company shareholders	**7,085**	**7,710**
NAV per share	**39.42**	**42.90**
NNAV per share	**44.83**	**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 625 million.

The main changes are as follows:

- The loss attributed to the Company shareholders in the amount of NIS 670 million - see additional details in Section 2.5.2 above.
- Other comprehensive income attributed to the Company shareholders in the amount of NIS 234million - see additional details in Section 2.5.3 above.
- A reduction in capital following dividends paid in the amount of NIS 147 million.
- A loss from the acquisition of the non-controlling interests in consolidated companies and other funds in the amount of NIS 42 million.

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

Below is the composition of the surplus of assets over liabilities on the basis of the Company's Statements (expanded solo) by currency, as of June 30, 2023 (in NIS millions)[30]:

	Assets	Liabilities	Assets, net	%
USD	3,169	(2,454)	715	10%
GBP	3,485	(2,391)	1,094	15%
Other (mainly PLN)	223	(26)	197	3%
Excess assets over liabilities in foreign currency	6,877	(4,871)	2,006	28%
Excess assets over liabilities in NIS	6,197	(1,118)	5,079	72%
Equity as of June 30, 2023	13,074	(5,989)	7,085	100%

[30] 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.

In August 2023, the Company's Board of Directors approved (after approval by the Remuneration Committee) an amendment to the Company's remuneration policy for the years 2022-2024, subject to the approval of the General Meeting.

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 linkage base report for monetary balances (expanded solo) as of June 30, 2023, see Section 2.7.3 above and Appendix B.

4. Corporate Governance Aspects

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.

The composition of the Company's Board of Directors for years has included a majority of Board members who are independent directors, even though the Company did not include a provision on this matter in its Articles of Association.

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.

At its meeting on August 3, 2023, the Audit Committee continued the discussion of the risk survey and also discussed the control system in an investee - BE.

5. Special Disclosure for Bondholders

5.1 The following are data as of June 30, 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 June 30, 2023	958,316	1,399,383	160,746	1,551,104	767,537	668,327	5,505,413
Linked par value as of June 30, 2023	958,316	1,399,383	160,746	1,551,104	767,537	688,594	5,525,680
Value in the financial statements as of June 30, 2023 (at amortized cost)	978,404	1,409,596	158,756	1,503,833	734,683	655,356	5,440,628
Stock market value as of June 30, 2023	940,108	1,438,286	137,614	1,299,980	701,529	622,680	5,140,197
Accrued Interest as of June 30, 2023	12,332	8,308	1,441	12,597	12,777	5,940	53,395

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 June 30, 2023
Net financial debt to value of holdings31	%	Less than 80	42.2%
Minimum equity (Series I, J, K, L, M and O)[32]	NIS billions	More than 2.2	7.1

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.

[31] 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.
[32] 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 June 30	As of December 31
	2023	2022
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	488,957	409,110
Loan to a consolidated company	86,019	77,497
Other accounts receivable	32,515	36,216
Total current assets	607,491	522,823
Non-current assets		
Securities measured at fair value through profit and loss	173,756	157,657
Investments in investees	12,288,155	12,618,087
Others	4,378	13,043
Total non-current assets	12,466,289	12,788,787
Total assets	13,073,780	13,311,610
Current liabilities		
Short-term credit and current maturities of long-term liabilities	594,344	613,681
Other accounts payable	246,273	261,071
Total current liabilities	840,617	874,752
Non-current liabilities		
Bonds and long-term loans	4,849,084	4,588,141
Deferred taxes	45,866	71,438
Others	253,054	67,300
Total non-current liabilities	5,148,004	4,726,879
Equity	7,085,159	7,709,979
Total liabilities and equity	13,073,780	13,311,610

Financial Data, Expanded Solo

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

	H1 2023	H1 2022	Q2 2023	Q2 2022	For the year 2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues					
Group share in profits (losses) of associates, net	(568,409)	306,595	(392,829)	121,548	(371,066)
Profit from decrease in rate of holdings, from acquisition and realization of investees	438	3,240	327	2,972	2,293
Net profit (loss), relating to investments in long-term securities intended for sale	2,646	2,504	2,299	2,943	(7,018)
Other revenues, net	10,285	9,204	5,094	4,620	18,766
	(555,040)	321,543	(385,109)	132,083	(357,025)
Expenses					
Administrative and general	18,253	16,285	8,938	9,406	35,210
Financing expenses, net	113,048	62,023	58,947	32,227	142,218
	131,301	78,308	67,885	41,633	177,428
Profit (loss) before taxes on income	(686,341)	243,235	(452,994)	90,450	(534,453)
Income tax income	(16,021)	(35,687)	(868)	(33,465)	(252,986)
Net profit (loss) for the period	(670,320)	278,922	(452,126)	123,915	(281,467)

2. The Company's liabilities (expanded solo) maturing after June 30, 2023:

	Bonds	Short-term credit	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current maturities	593,775	4,920	598,695	11
Second year	593,775	-	593,775	11
Third year	593,775	-	593,775	11
Fourth year	593,775	-	593,775	11
Fifth year	681,635	-	681,635	12
Sixth year onward	2,497,035	-	2,497,035	45
Total repayments	5,553,770	4,920	5,558,690	100
Others			18,356	
Balance of liability related to transactions in financial derivatives			428,184	
Total financial debt (taking into account the value of transactions in financial derivatives)			6,005,230	

(*) 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.

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

As of June 30, 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	482,400	-	5,107	1,221	229	488,957	-	488,957
Loan to a consolidated company	-	-	-	86,019	-	86,019	-	86,019
Other accounts receivable	12,896	-	156	3,109	-	16,161	16,354	32,515
Total current assets	495,296	-	5,263	90,349	229	591,137	16,354	607,491
Non-current assets								
Securities measured at fair value through profit and loss	6	-	-	173,750	-	173,756	-	173,756
Investments in associates	-	-	-	-	-	-	12,288,155	12,288,155
Others	1,940	-	-	-	-	1,940	2,438	4,378
Total non-current assets	1,946	-	-	173,750	-	175,696	12,290,593	12,466,289
Total assets	497,242	-	5,263	264,099	229	766,833	12,306,947	13,073,780
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	592,982	1,362	-	-	-	594,344	-	594,344
Payables and credit balances	227,774	5,596	-	-	35	233,405	12,868	246,273
Total current liabilities	820,756	6,958	-	-	35	827,749	12,868	840,617
Non-current liabilities						-		
Bonds and long-term loans	4,193,728	655,356	-	-	-	4,849,084	-	4,849,084
Deferred tax liabilities	-	-	-	-	-	-	45,866	45,866
Others	251,911	-	926	-	-	252,837	217	253,054
Total non-current liabilities	4,445,639	655,356	926	-	-	5,101,921	46,083	5,148,004
Total liabilities	5,266,395	662,314	926	-	35	5,929,670	58,951	5,988,621
Excess assets over liabilities (liabilities over assets)	(4,769,153)	(662,314)	4,337	264,099	194	(5,162,837)	12,247,996	7,085,159
Financial derivatives	5,055,555	(255,435)	(2,432,794)	(2,367,326)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**286,402**	**(917,749)**	**(2,428,457)**	**(2,103,227)**	**194**	**(5,162,837)**	**12,247,996**	**7,085,159**
Allocation of non-monetary assets (liabilities), net - by linkage basis	582,368	5,127,742	3,143,707	3,197,704	196,475	12,247,996	(12,247,996)	-
Excess assets over liabilities (liabilities over assets)	**868,770**	**4,209,993**	**715,250**	**1,094,477**	**196,669**	**7,085,159**	**-**	**7,085,159**

Appendix C – Rating Reports[33]

- For the Midroog rating report, see the immediate report published by the Company on April 24, 2023 (Ref: 2023-01-044871), the rating report dated June 13, 2023 for the expansion of bonds of Series M and O (Ref: 2023-01-065133) as updated in the rating report dated June 14, 2023 (Ref: 2023-01-055657).
- For the rating report of Maalot, the Israel Securities Rating Company Ltd., see the immediate report dated May 31, 2023 (Ref: 2023-01-059283), the rating report dated June 13, 2023 for the expansion of bonds of Series M and O (Ref: 2023-01-065163) as updated in the rating report dated June 14, 2023 (Ref: 2023-01-055861).

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

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

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

Signal House Washington DC

Consolidated Financial Statements

Alony Hetz Properties & Investments ltd.

AlonyHetz
Properties & Investments Ltd

Deloitte.

A Review Report of the Independent Auditor to the shareholders of

Alony Hetz Properties & Investments Ltd.

Introduction

We have reviewed the accompanying financial information of **Alony Hetz Properties & Investments Ltd.** the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of June 30, 2023, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 12% of the total consolidated assets as of June 30, 2023, and whose revenues included in consolidation constitute approximately 15% and 18% of the consolidated revenues from rental fees and management of investment property, sale of electricity and green certificates and cancellation of electricity hedging agreements, for the periods of six and three months ended on that date, respectively. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 3,598 million NIS as of June 30, 2023, and the share of the results of which for the periods on six and three months ended that date, amounted to a loss of approximately 431 million NIS and loss of 309 million NIS, respectively. The interim condensed financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, August 14, 2023

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

		As of June 30		As of December 31
		2023	2022	2022
	Note	NIS thousands	NIS thousands	NIS thousands
Assets		(Unaudited)	(Unaudited)	
Current assets				
Cash and cash equivalents		1,923,373	1,615,636	1,694,701
Deposits and designated deposit		19,957	34,037	449,790
Trade receivables		180,221	100,970	125,201
Current tax assets, net		42,595	40,609	48,796
Other receivables		183,919	234,772	167,003
Total current assets		2,350,065	2,026,024	2,485,491
Non-current assets				
Investment property		21,110,130	19,439,435	20,621,239
Investment property in development and land rights		3,289,574	2,771,864	3,151,043
Long-term investments:				
Securities measured at fair value through profit and loss		238,380	217,123	216,251
Investment in companies accounted for using the equity method	6.7	3,709,181	4,927,224	4,070,029
Deferred tax assets		101,300	66,308	59,937
Electricity-generating facilities:				
Connected electricity-generating facilities	5	3,432,499	2,134,752	2,910,128
Right-of-use asset		488,843	319,312	390,987
Electricity-generating facilities in development	5	2,514,804	1,974,310	1,813,125
Pledged deposits		36,292	54,518	57,205
Fixed assets, net		117,680	113,777	113,963
Other assets		453,482	337,099	424,639
Total non-current assets		35,492,165	32,355,722	33,828,546
Total assets		37,842,230	34,381,746	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

		As of June 30		As of December 31
		2023	2022	2022
	Note	NIS thousands	NIS thousands	NIS thousands
		(Unaudited)	(Unaudited)	
Liabilities and equity				
Current liabilities				
Short term credit and current maturities of long-term loans	8	1,352,686	282,288	369,685
Current maturities of bonds	9	1,287,809	1,304,008	1,290,727
Current maturities of lease liabilities		24,669	12,905	17,711
Current tax liabilities, net		70,010	33,532	57,938
Payables and credit balances		1,135,817	917,815	981,560
Total current liabilities		3,870,991	2,550,548	2,717,621
Non-current liabilities				
Bonds	9	13,549,422	11,836,250	13,387,196
Loans from banking corporations and financial institutions	8	3,973,847	3,638,423	3,518,816
Lease liability		643,250	422,996	542,985
Deferred tax liabilities		1,805,279	1,885,869	1,822,737
Provisions		16,483	16,483	16,483
Other liabilities		980,038	625,926	716,779
Total non-current liabilities		20,968,319	18,425,947	20,004,996
Equity				
Equity attributed to Company shareholders		7,085,159	8,020,710	7,709,979
Non-controlling interests		5,917,761	5,384,541	5,881,441
Total equity		13,002,920	13,405,251	13,591,420
Total liabilities and equity		37,842,230	34,381,746	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

August 14, 2023

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

	For the six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenues and profits					
Revenues from rental fees and management of investment property	654,348	573,553	332,077	293,240	1,219,178
Fair value adjustment of investment property	(220,147)	456,863	(62,986)	333,301	685,918
Group share in losses of associates, net	(568,085)	(57,718)	(371,978)	(100,735)	(953,589)
Net profits (losses) from investments in securities measured at fair value through profit and loss	2,685	5,337	2,300	4,464	(1,351)
Profit from decrease in rate of holding, from acquisition and realization of associates	438	21,337	327	2,972	20,391
Revenues from sale of electricity and green certificates	268,713	201,874	125,599	110,361	502,410
Revenues from unwinding of electricity-hedging agreements	152,760	-	-	-	23,027
Other revenues, net	757	930	58	360	2,089
	291,469	1,202,176	25,397	643,963	1,498,073
Costs and expenses					
Cost of investment property rental and operation	81,089	71,550	39,816	38,384	146,800
Development, maintenance and operation costs of electricity-generating facilities	45,323	26,810	23,962	12,567	56,141
Depreciation and amortizations	77,582	50,336	43,955	27,920	112,398
Administrative and general	96,877	85,570	50,581	45,923	179,082
Financing income	(48,898)	(35,781)	(36,928)	(15,266)	(80,078)
Financing expenses	486,931	429,573	260,639	245,905	792,722
	738,904	628,058	382,025	355,433	1,207,065
Income (loss) before taxes on income	(447,435)	574,118	(356,628)	288,530	291,008
Income tax expenses (income)	28,293	17,402	10,615	(2,225)	(47,564)
Net profit (loss) for the period	(475,728)	556,716	(367,243)	290,755	338,572
Attributed to Company shareholders	**(670,320)**	**278,922**	**(452,126)**	**123,915**	**(281,467)**
Attributed to non-controlling interests	194,592	277,794	84,883	166,840	620,039
	(475,728)	556,716	(367,243)	290,755	338,572
Net earnings (loss) per share attributed to Company shareholders (in NIS):					
Basic	(3.73)	1.60	(2.52)	0.71	(1.60)
Fully diluted	(3.73)	1.54	(2.52)	0.66	(1.67)
Weighted average of share capital used in calculation of earnings (loss) per share (thousands of shares)					
Basic	179,722	174,344	179,722	174,398	176,049
Fully diluted	179,722	174,673	179,722	174,619	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 six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Net profit (loss) for the period	(475,728)	556,716	(367,243)	290,755	338,572
Other comprehensive income (loss)					
Amounts to be classified in the future to profit or loss, net of tax					
Profit from translation of financial statements for foreign activities	771,130	593,856	374,264	556,447	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	(503,052)	(328,018)	(209,290)	(297,845)	(482,816)
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	92,627	(26,706)	76,726	(16,633)	(33,410)
Company's share in other comprehensive income of associates, net of tax	3,248	11,787	11,771	1,915	32,593
Other comprehensive income for the period, net of tax	363,953	250,919	253,471	243,884	213,655
Total comprehensive income for the period	(111,775)	807,635	(113,772)	534,639	552,227
Distribution of comprehensive income (loss) for the period					
Company shareholders	**(436,758)**	**545,115**	**(275,101)**	**352,820**	**(53,496)**
Non-controlling interests	324,983	262,520	161,329	181,819	605,723
	(111,775)	807,635	(113,772)	534,639	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 Six-Month Period ended June 30, 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 (loss) for the period	-	-	230,314	3,248	-	(670,320)	(436,758)	324,983	(111,775)
Dividend paid to Company shareholders	-	-	-	-	-	(147,372)	(147,372)	-	(147,372)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-		(276,883)	(276,883)
Issuance of capital in consolidated companies	-	-	-	(22)	-	-	(22)	12,164	12,142
Expiry of options to employees	-	3,556	-	(3,556)	-	-	-	-	-
Allocation of benefit in respect of options to employees and officers	-	-	-	2,307	-	-	2,307	18,640	20,947
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(42,975)	-	-	(42,975)	(42,584)	(85,559)
Balance as of June 30, 2023	197,796	2,798,718	(321,051)	437,682	(589)	3,972,603	7,085,159	5,917,761	13,002,920

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended June 30, 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 April 1, 2023	197,796	2,795,162	(486,306)	471,514	(589)	4,482,240	7,459,817	5,858,309	13,318,126
Total comprehensive income (loss) for the period	-	-	165,255	11,770	-	(452,126)	(275,101)	161,329	(113,772)
Dividend paid to Company shareholders	-	-	-	-	-	(57,511)	(57,511)	-	(57,511)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(77,695)	(77,695)
Issuance of capital in consolidated companies	-	-	-	(22)	-	-	(22)	9,459	9,437
Expiry of options to employees	-	3,556	-	(3,556)	-	-	-	-	-
Allocation of benefit in respect of options to employees and others	-	-	-	951	-	-	951	8,943	9,894
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(42,975)	-	-	(42,975)	(42,584)	(85,559)
Balance as of June 30, 2023	197,796	2,798,718	(321,051)	437,682	(589)	3,972,603	7,085,159	5,917,761	13,002,920

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

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

	Share capital	Share premium	Capital reserve from 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	-	-	254,406	11,787	-	278,922	545,115	262,520	807,635
Dividends declared and paid to Company shareholders	-	-	-	-	-	(184,825)	(184,825)	-	(184,825)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(209,328)	(209,328)
Exercise of employee options	365	14,921	-	(1,661)	-	-	13,625	-	13,625
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(26,571)	-	-	(26,571)	(8,707)	(35,278)
Issuance of capital in consolidated companies	-	-	-	33,382	-	-	33,382	1,137,334	1,170,716
Allocation of benefit in respect of options to employees and others	-	-	-	1,810	-	-	1,810	11,332	13,142
Balance as of June 30, 2022	192,477	2,529,299	(492,337)	327,856	(589)	5,464,004	8,020,710	5,384,541	13,405,251

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

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

	Share capital	Share premium	Capital reserve from 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 April 1, 2022	192,419	2,526,942	(719,327)	320,312	(589)	5,394,160	7,713,917	5,094,350	12,808,267
Total comprehensive income (loss) for the period	-	-	226,990	1,915	-	123,915	352,820	181,819	534,639
Dividend paid to Company shareholders	-	-	-	-	-	(54,071)	(54,071)	-	(54,071)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(68,640)	(68,640)
Exercise of employee options	58	2,357	-	(260)	-	-	2,155	-	2,155
Transaction with non-controlling interests and exit from consolidation	-	-	-		-	-	-		-
Allocation of benefit in respect of employee options	-	-	-	960	-	-	960	5,457	6,417
Issuance of capital in consolidated companies	-	-	-	4,929	-	-	4,929	171,555	176,484
Balance as of June 30, 2022	192,477	2,529,299	(492,337)	327,856	(589)	5,464,004	8,020,710	5,384,541	13,405,251

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the 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 six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Cash flows - Operating activities					
Net profit (loss) for the period	(475,728)	556,716	(367,243)	290,755	338,572
Net income (expenses) not entailing cash flows (Appendix A)	1,062,404	(38,556)	642,612	48,254	876,508
	586,676	518,160	275,369	339,009	1,215,080
Changes in working capital (Appendix B)	(62,218)	(498,025)	47,088	(107,260)	(585,917)
Net cash provided by operating activities	524,458	20,135	322,457	231,749	629,163
Cash flows - Investing activities					
Investment in real estate (including property in development) and in fixed assets	(334,591)	(449,609)	(152,800)	(189,670)	(1,158,580)
Investment in electricity-generating systems	(806,707)	(614,141)	(584,554)	(395,542)	(1,131,008)
Investment in associates	(29,121)	(216,116)	(15,068)	(208,383)	(258,340)
Decrease (increase) in pledged deposit and restricted cash	20,189	(93)	20,459	1,589	(7,222)
Repayment of loans provided to associates, net	2,550	111,586	1,885	109,826	112,886
Repayment of loans from others	-	13,730	-	13,730	13,730
Decrease (increase) in deposits and tradable securities, net	400,000	-	400,000	-	(400,000)
Cash provided by (used in) financial derivatives designated for hedging	(234,708)	71,422	(102,717)	31,004	35,592
Proceeds from the realization of investment in associates	-	25,353	-	-	25,360
Acquisition of consolidated companies	-	-	-	-	(298,057)
Others	253	20,286	112	143	16,154
Net cash used in investing activities	(982,135)	(1,037,582)	(432,683)	(637,303)	(3,049,485)
Cash flows - Financing activities					
Proceeds from the Group's issue of bonds, net	842,792	1,154,941	368,032	396,182	3,037,381
Repayment of bonds	(876,144)	(701,593)	-	(4,039)	(1,180,892)
Receipt of long-term loans, net of capital raising expenses paid	812,758	367,020	812,758	214,305	243,872
Repayment of long-term loans	(60,201)	(208,785)	(39,373)	(193,710)	(360,725)
Proceeds from the issue of shares and options	-	23,490	-	3,487	294,672
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	10,772	1,168,328	10,772	174,856	1,591,266
Acquisition of shares and options from non-controlling interests in consolidated companies, net	(24,243)	(35,278)	(24,243)	-	(38,138)
Increase (decrease) in short-term credit and in utilized long-term credit facilities	326,091	93,280	192,419	103,389	(3,820)
Dividend paid to Company shareholders	(147,372)	(184,825)	(57,511)	(184,825)	(298,145)
Dividend paid to non-controlling interests in consolidated companies	(276,883)	(209,328)	(87,717)	(81,406)	(353,586)
Net cash provided by financing activities	607,570	1,467,250	1,175,137	428,239	2,931,885
Increase in cash and cash equivalents	149,893	449,803	1,064,911	22,685	511,563
Cash and cash equivalents at beginning of period	1,694,701	1,163,289	829,128	1,575,990	1,163,289
Balance of designated deposit at beginning of period	34,435	30,433	3,615	31,066	30,433
Effect of changes in exchange rates on foreign currency cash balances	48,044	6,148	29,419	19,932	23,851
Cash and cash equivalents and designated deposit at end of period	1,927,073	1,649,673	1,927,073	1,649,673	1,729,136
Less - Balance of designated deposit at end of period	3,700	34,037	3,700	34,037	34,435
Total cash and cash equivalents	1,923,373	1,615,636	1,923,373	1,615,636	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 six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Adjustments required to present cash flows from operating activities					
a. Expenses (income) not entailing cash flows:					
Fair value adjustment of investment property and profit from its realization	220,147	(456,863)	62,986	(333,301)	(685,919)
Net profits from changes in holding rate and from realization of investments in investees	(438)	(21,337)	(327)	(2,972)	(20,391)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	183,422	273,165	138,518	238,044	496,504
Profit from fair value adjustment of financial assets at fair value through profit and loss	(16,138)	(7,012)	(7,562)	(6,139)	(1,570)
Company share in results of associates, net of dividends and capital reductions received	566,886	84,450	371,705	116,945	993,100
Deferred taxes, net	3,512	26,679	19,999	1,343	(42,419)
Depreciation and amortizations	77,582	50,336	43,955	27,920	112,406
Allocation of benefit in respect of share-based payment	20,718	11,836	10,339	6,113	25,261
Others, net	6,713	190	2,999	301	(464)
	1,062,404	(38,556)	642,612	48,254	876,508
b. Changes in asset and liability items (changes in working capital):					
Decrease (increase) in trade receivables and in other receivables	(55,337)	(70,817)	100,891	(33,236)	(138,811)
Decrease (increase) in current tax assets, net	6,201	(43,753)	(951)	(10,274)	(52,369)
Decrease in other payables	(17,066)	(10,607)	(34,309)	(43,397)	(16,018)
Increase (decrease) in current tax liabilities, net	3,984	(367,101)	(18,543)	(20,353)	(372,972)
Purchase of CAP options	-	(5,747)	-	-	(5,747)
	(62,218)	(498,025)	47,088	(107,260)	(585,917)

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

	For the six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
c. Non-cash activity:					
Exercise of employee options against receivables	868	2,706	868	2,706	-
Investment in electricity-generating systems against supplier credit and payables	160,679	-	160,679	-	49,294
Increase in right-of-use asset against lease liabilities	86,828	47,955	86,828	9,405	160,706
Investment in real estate and fixed assets against other accounts payable	17,209	11,178	17,209	11,178	24,473
Contingent consideration with non-controlling interests	79,358	-	79,358	-	-
Increase in provision for evacuation and restoration	25,339	-	25,339	-	-
d. Additional information:					
Interest paid	292,317	201,789	75,881	36,743	404,206
Interest received	20,756	3,620	5,805	2,765	9,249
Taxes paid (*)	64,466	403,564	50,773	41,378	406,979
Taxes received	10,061	22,874	6,692	2,830	22,831
Dividend and capital reductions received	9,813	36,592	4,826	27,516	55,786

(*) The taxes paid in the six-month period ended June 30, 2022 and in the year ended December 31, 2022 include a payment in the amount of NIS 362 million, which are payments on account of tax arrangements of the Company and a subsidiary.

e. Acquisition of buildings through the acquisition of house companies					
The amounts recognized on the acquisition date in respect of assets and liabilities:					
Cash and cash equivalents	-	-	-	-	-
Investment property	-	-	-	-	532,061
Loans from banking corporations and financial institutions	-	-	-	-	(258,434)
Derivative financial instruments	-	-	-	-	32,573
Working capital	-	-	-	-	(8,143)
Total consideration, net	-	-	-	-	298,057

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”) have been prepared as of June 30, 2023 and for the six- and three-month periods ended on that date. These statements should be reviewed within the context of the Company's Consolidated Annual Financial Statements as of December 31, 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, with the exception of the early adoption of the amendment to IAS 1 “Presentation of Financial Statements” regarding the classification of liabilities as current or non-current, as detailed below:

Early adoption of the amendment to IAS 1 "Presentation of Financial Statements” regarding the classification of liabilities as current or non-current

In 2020, the Amendment to IAS 1 regarding the classification of liabilities as current or non-current was published (hereinafter - the “2020 Amendment”). The “2020 Amendment” clarified that the classification of liabilities as current or non-current is based on an entity’s rights that exist at the end of the reporting period and is not affected by the entity's expectation of exercising this right.

The “2020 Amendment” removed the reference to the existence of an “unconditional right” to postpone settlement of a liability for a period of at least 12 months after the reporting period and clarified that if the right to postpone settlement is conditional on the compliance with financial covenants, the right exists if the entity is in compliance with the established criteria at the end of the reporting period, even if the examination of compliance with the covenants is examined by the lender at a later date.

Also, in the “2020 Amendment”, a definition was added to the term "settlement" in order to clarify that a settlement can be the transfer of cash, goods and services or capital instruments of the entity itself to a counterparty. In this context, it was clarified that if according to the terms of the liability, the counterparty has an option to demand settlement in the entity's capital instruments, this condition does not affect the classification of the liability as current or non-current if the option is classified as a separate capital component in accordance with IAS 32 "Financial Instruments: Presentation". The “2020 Amendment” only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of the recognition of those liabilities or the income and expenses related thereto.

In October 2022, another amendment was published regarding the classification of liabilities with financial covenants (hereinafter - the “2022 Amendment”), which clarified that only financial covenants that the entity must be in compliance with at the end or before the end of the reporting period affect the entity's right to postpone the settlement of a liability for at least 12 months after the reporting period, even if the compliance is actually examined after the reporting period.

Note 2 – Significant Accounting Policies (continued)

In addition, the 2022 Amendment states that if the entity's right to postpone settlement of the liability is subject to the entity complying with financial covenants within 12 months from the reporting period, the entity is required to provide a disclosure that will allow the users of the financial statements to understand the risk inherent therein.

The start date of the two amendments was determined for annual reporting periods beginning on or after January 1, 2024. Early implementation is possible provided that both amendments are carried out at the same time. The other amendments published as part of the "2020 Amendment" remain as they were.

The Group chose to apply the amendments in an early implementation from June 30, 2023 in order to more adequately present Energix's engagement in a short-term and long-term non-recourse financing agreement (for additional information, see Note 7).

During the reporting period, Energix engaged with CIB Santander for the receipt of a short-term loan for the construction period that will be converted into a long-term loan of up to 260 million dollars. The construction loan will be converted into a long-term loan upon and subject to the completion of the projects' construction.

Prior to the early implementation of the amendments to IAS 1, the construction loan was presented as a current liability since Energix does not have an "unconditional right" to postpone its settlement for at least 12 months after the reporting period.

With the early application of the amendments to IAS 1, since Energix has the right to postpone the settlement of the construction loan for more than 12 months after the reporting period and it is not required to meet the condition regarding commercial operation as of June 30, 2023, the construction loan in the amount of NIS 890 million is presented under non-current liabilities as of June 30, 2023.

The early implementation of the amendments has no effect on the Group's Consolidated Statements, except as described above.

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.

Note 2 – Significant Accounting Policies (continued)

Exchange rates and linkage bases:

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

	As of June 30 / for the month of June	As of June 30 / for the month of June	As of December 31 / for the month of December	For the six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2022	2023	2022	2023	2022	2022
					%	%	%	%
Consumer Price Index								
(2000 base)								
In Israel (in lieu CPI)	146.65	140.74	143.53	2.17	3.22	0.97	1.73	5.26
In Israel (known CPI)	146.65	140.21	143.13	2.46	3.13	1.36	1.93	5.28
Exchange rate against the NIS								
USD	3.70	3.48	3.52	5.11	12.54	2.35	10.20	13.18
GBP	4.67	4.24	4.24	10.14	0.76	4.54	1.61	0.88
PLN	0.90	0.78	0.80	12.50	1.44	7.14	2.24	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 June 30, 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.a below.

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

a. The Company's holdings in BE

As of June 30, 2023 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 83.2% of the rights in BE. During the reporting period, 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 10a below.

b. Fair value adjustments of investment property

In the reporting period, BE recorded a negative valuation of GBP 80 million (NIS 357 million), of which GBP 44 million (NIS 200 million) was recorded in the second quarter of 2023.
The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow in the range of 0.25%-0.5%.

Note 5 – Energix (consolidated company)

a. The Company's holdings in Energix

As of June 30, 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 –

1. **Purchase of panels for the Company's future projects with a capacity of approx. 5 GWp from First Solar –** After the date of the report, Energix entered into a series of agreements directly and through wholly owned subsidiaries to purchase additional panels in the years 2026-2030 with a capacity of 5 GWp for future photovoltaic projects that Energix intends to establish, most of which are in the United States. Energix has the right to increase (subject to availability) or decrease the supply of panels it will purchase by an aggregate rate of up to 20%.

   The purchase cost of the panels is estimated by Energix at USD 1.5 billion, depending on the final capacity of the panels to be purchased and the territory where they will be produced (in or outside the US).

Note 5 – Energix (consolidated company) (continued)

According to the terms of the purchase transaction, after payment of advances to guarantee the execution of the order, and similar to previous transactions for the purchase of panels from First Solar, most of the consideration for the purchase of the panels will be paid close to their receipt and financed based on the sources that will be used by Energix to establish the future projects.

2. **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 held 58% (through a company structure in the US), 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 Energix's 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, during the reporting period, Energix recognized a contingent liability in respect of success fees in the amount of NIS 80 million, which was recorded as a decrease in equity, in a capital reserve from transactions with non-controlling interests. The part of the purchase transaction attributed to the Company's shareholders described above is approx. NIS 43 million. 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).

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

Engagement with a tax partner – During the reporting period, Energix entered into an agreement with Morgan Stanley Renewables Inc., 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 will reach 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.

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.

Note 5 – Energix (consolidated company) (continued)

- **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.

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 7e.a and 7e.b 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, which was recorded in the first quarter to Revenues from unwinding of electricity-hedging agreements. The terms of the option granted to the broker in July 2022 were updated, so that the exercise period given to the broker was extended until December 31, 2024, while giving the right to unwind the price fixing transactions for the years 2034-2032, in whole or in part, until March 31, 2025.

The following 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	16%	220

(*) Expected volume of green certificates issued in Energix’s 2 wind farms operating commercially as of the date of the report.
(**) Average price in PLN per certificate.

Note 5 – Energix (consolidated company) (continued)

2. **Banie Stage 4 with a capacity of 56 MW –** Further to Note 7e.3 to the Annual Financial Statements, during the reporting period, the project has completed all the requirements and has received a permanent electricity-generation license. As of the date of the report, Energix has recognized assets for Banie Stage 4 in the amount of approx. NIS 306 million, which were recorded under ‘Connected electricity-generating facilities’.

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, during the reporting period, 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 in which the project company is engaged, 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 34 million for this project, which were recorded under ‘Electricity-generating facilities in development’.

Israel:

Photovoltaic projects in Israel:

1. **The winning projects in the third and fourth competitive procedures (up to 137 MWp):** Regarding projects whose construction and connection to the grid have been partially completed, 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, the projects are in development stages.

   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 model regulation instead of the competitive procedure, Energix has committed to sell, to the private supplier, the electricity that is expected to be produced in 5 of the projects established under this competitive procedure (based on actual production), 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 (storage).
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.

Note 5 – Energix (consolidated company) (continued)

As of the date of the report, Energix has recognized assets in the amount of NIS 722 million for these projects, which were recorded under ‘Connected electricity-generating systems’ and ‘Systems in development and initiation’.

5. **Projects in initiation –** During the reporting period, 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 7 million has already been provided by Energix.

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

Wind energy projects in Israel - ARAN project with a capacity of 104 MW:

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. Energix commenced construction after entering into agreements for the purchase of the main equipment for the project and with performance contractors. Against the backdrop of the Israeli Druze community’s opposition to the project’s development activity, which according to information provided to Energix, is mainly based on claims that are not related to the project, 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. According to the information available at Energix as of the date of approval of the report, this delay has no material effect on Energix.

The 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 are in the document discovery stage. 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 419 million, which is presented under the ‘Systems in development and initiation’ item.

c. Management fee agreement with Energix

Further to Notes 6 and 5 to the Annual Financial Statements, in the reporting period, the Company's Board of Directors (following the approval and recommendation of the Audit Committee), approved the update and renewal of the management agreement with Energix for a period of 3 years starting July 1, 2023. The management fee agreement update, which was approved by the General Meeting of Energix shareholders in July 2023, includes an increase in the maximum management fee per year to the amount of NIS 10.5 million, linked to the June 2023 CPI (replacing a maximum management fee of NIS 8.6 million), while the other terms of the agreement remain unchanged.

The aforementioned in this note regarding projects in development and nearing construction are in part forward-looking information.

Note 6 – Carr Properties (hereinafter - “Carr”) (an associate)

a. The Company’s Holdings in Carr:

As of June 30, 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 June 30, 2023 is 47.4%.

The balance of the investment in Carr in the financial statements as of June 30, 2023, is USD 684 million (NIS 2.5 million).

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

- **Sale of The Elm building** – In June 2023, Carr signed a binding sales agreement for the sale of The Elm, a residential rental building in the Bethesda, Maryland area in metropolitan Washington D.C. for the amount of USD 250 million, a price identical to the value of the property in Carr's financial statements as of March 31, 2023. At the time of signing, the buyer transferred to Carr a non-refundable deposit in the amount of USD 10 million. Completion of the transaction is expected in the third quarter of the year. The proceeds of the sale are expected to be used by Carr to reduce utilized credit facilities.

- **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 most the rental areas in the tower is expected to be completed in 2023 and the remainder in 2024.

- **300 East 2nd (previous name: Block 16)** – Further to Note 6g.3 to the 2022 Financial Statements, Carr decided not to build the project. As a result, Carr recorded a loss in the second quarter of 2023 resulting from the amortization of the planning and development costs invested in the amount of USD 11 million (the Company's share - approx. NIS 19 million).

c. Fair value adjustments of investment property

In the reporting period, Carr recorded a negative revaluation in the amount of USD 289 million in its financial statements (the Group's share in the negative revaluation before tax is approx. USD 136 million, (NIS 492 million)). Of the aforementioned amount, a total of USD 190 million was recorded in the second quarter of 2023 (the Group's share of the negative revaluation in the second quarter, before tax, is approx. USD 90 million (approx. NIS 328 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 in the range of 0.25%-0.5%.

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

d. The following is concise information regarding Carr:

	For the six-month period ended June 30	For the six-month period ended June 30	For the three-month period ended June 30	For the three-month period ended June 30	For the year ended December 31
	2023	2022	2023	2022	2022
	USD thousands				
Revenues (not including real estate valuations)	113,913	98,894	55,504	50,065	203,448
Adjustment of investment property value (*)	(291,971)	(60,221)	(190,966)	(62,234)	(547,083)
Loss from continuing activity	(255,086)	(20,815)	(177,944)	(38,780)	(463,417)
Other comprehensive income (loss)	(1,264)	11,686	4,825	1,879	25,865
Total comprehensive loss (including share of non-controlling interests in profit)	(256,350)	(9,129)	(173,119)	(36,901)	(437,552)
Company share in Carr's comprehensive loss in USD thousands	(124,305)	(10,108)	(87,313)	(18,551)	(225,155)
Company's share of Carr's comprehensive loss in thousands of dollars	(124,844)	(5,524)	(85,100)	(17,920)	(214,002)
Company share in Carr's comprehensive loss in NIS thousands	(449,389)	(35,179)	(318,585)	(62,172)	(780,842)
Company's share of Carr's comprehensive loss in NIS thousands	(451,049)	(20,426)	(310,514)	(60,057)	(743,763)

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

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

d. The following is concise information regarding Carr:

	As of June 30	As of June 30	As of December 31
	2023	2022	2022
	USD thousands		
Investment property	1,634,899	2,495,255	2,107,521
Property in development and land for development	-	5,936	8,876
Investment in investees	641,297	743,902	671,714
Other non-current assets	187,006	179,714	194,856
Other current assets	316,235	55,183	58,901
Total assets	2,779,437	3,479,990	3,041,868
Current liabilities	255,373	124,877	244,729
Non-current liabilities	1,122,939	1,265,955	1,137,985
Total liabilities	1,378,312	1,390,832	1,382,714
Equity attributed to shareholders	1,306,326	1,943,666	1,544,754
Non-controlling interests	94,799	145,492	114,400
Equity (including non-controlling interests)	1,401,125	2,089,158	1,659,154
Total liabilities and equity	2,779,437	3,479,990	3,041,868
Company share in net assets - in USD thousands	683,651	1,017,127	808,375
Book value of investment – in NIS thousands	2,529,509	3,559,948	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 June 30, 2023 Financial Statements, is USD 186 million (approx. NIS 689 million).

In the reporting period, the Group invested a total of USD 8 million (approx. NIS 29 million) in the Boston partnerships. Subsequent to the balance sheet date, the Group invested a total of USD 1.7 million (approx. NIS 6 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 2.2 million (approx. NIS 7.9 million).

b. Fair value adjustments of investment property

In the reporting period, the Group recorded a negative revaluation of approx. USD 70 million in its financial statements in respect of the Boston properties (the Group's share in the negative revaluation before tax is approx. USD 38 million (NIS 138 million)). Of the aforementioned amount, a total of USD 32 million was recorded in the second quarter of 2023 (the Group's share of the negative revaluation in the second quarter, before tax, is approx. USD 18 million (approx. NIS 64 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 in the range of 0.25%-0.5%.

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. Further to Note 12b.3 to the Annual Financial Statements, subsequent to the date of the report, in August 2023, the Company entered into an agreement with the bank to extend the credit facility in the amount of NIS 150 million for a period of one more year from the date of signing the extension (hereinafter, in this subsection - the "**Utilization Period**") and which is subject to final repayment by the end of two years from the end of the utilization period. All other terms of the agreement remain unchanged.
As of June 30, 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 the construction of an extra-high voltage project with a capacity of approx. 87 MWp – Subsequent to the date of the report, in July 2023, an agreement was signed for the receipt of financing for the project's construction in an initial total amount of up to NIS 255 million. The financing transaction is at accepted terms for Project Finance transactions and is guaranteed with the full rights in the project and a lien on all the borrower's assets and rights therein, subject to the provisions of the production license (which is expected to be received close to the date of the facility's commercial operation) and the law.

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

The loan is a NIS loan linked to the CPI for 23 years, and it will be provided on a non-recourse basis, with the exception of a company guarantee in favor of the lenders that will apply during the construction period and a guarantee in favor of the project company that owns the project, instead of the construction contractor.
The financing amount will be provided over the construction period, subject to compliance with the conditions for withdrawal as is customary in transactions of this type, including the provision of initial equity for the project at a rate of at least 15% of the total construction costs during the construction period and compliance with financial ratios of 1:1.2.

The loan will be repaid in semi-annual payments and will bear interest at a rate of 2%-2.5% above the rate of return of an index-linked government bond with the same average life. The financing agreement determined coverage ratios (ADSCR and LLCR) for breach and distribution - below 1.05 and 1.15, respectively, and that the reserve fund is guaranteed by a company guarantee. Energix has the right to increase leverage in the amount of up to NIS 15 million subject to the terms of the financing agreement.

b. **Receipt of financing for the Virginia 1 and Virginia 2 projects in an amount of up to USD 70 million** – Subsequent to the date of the report, Energix signed a back leverage financing agreement in the amount of up to USD 70 million (approx. NIS 260 million) with a leading international bank in the field of renewable energy. The loan was provided for a period of 5 years with semi-annual repayments according to a 15-year repayment schedule (approx. 2/3 of the principal will be repaid in one payment at the end of the loan period).

c. **Engagement in a short-term and long-term financing agreement with Santander CIB on a non-recourse basis for the financing of projects in development with a total capacity of 416 MWp** – During the reporting period, Energix, through a designated corporate structure in the United States, entered into a transaction with Santander CIB, 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).
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 principal and the interest payments in its respect will be in semi-annual payments, according to an amortization 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 was hedged for the entire debt period (up to 22 years) at a rate of 100% of the long-term loan amount according to an amortization schedule. The interest rate of the long-term loan after the aforementioned hedging is in the range of 5%-5.6%. The 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.

During the reporting period, Energix made withdrawals from the construction and bridging loan facilities in the amount of approx. USD 290 million.

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 CPI-linked 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%.

In addition, in June 2023, the Company issued, through a shelf offer report, NIS 236.8 million PV of bonds (Series M) by way of a series expansion, for a consideration of NIS 218.6 million (gross) and at an effective interest rate of 6.4% and approx. NIS 169.8 million PV of CPI-linked bonds (Series O) by way of a series expansion, for a consideration of NIS 157.7 million (gross) and at an effective interest rate of 4.1%.

b. As of June 30, 2023, the Company's bonds amount to approx. NIS 5,438,508 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 and May 2023, the Company paid a dividend for Q1 and Q2/2023, respectively, in the total amount (including the additional dividend) of NIS 0.82 per share (NIS 147.4 million).

In August 2023, the Company declared that it would distribute a dividend for the third quarter of 2023 in the amount of NIS 0.32 per share (NIS 57.5 million), which will be paid during September 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 addition, Amot's Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.28 per share.

Following Amot's above policy, in March and June 2023, Amot paid a dividend for the first and second quarters of 2023, respectively, in the total amount of NIS 0.82 per share (approx. NIS 385 million, the Company's share - approx. NIS 207 million).

In August 2023, Amot announced a dividend distribution for Q3/2023 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 August 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 per share.

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

Following Energix's above policy, in March and June 2023, Energix paid a dividend for the first and second quarters of 2023, respectively, in the total amount of NIS 0.32 per share (approx. NIS 175 million, the Company's share - approx. NIS 88 million).

In August 2023, Energix declared a dividend distribution for Q3/2023 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 August 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:

(1) 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.

(2) Further to Note 18d, subsequent to the date of the report, in July 2023, the Company purchased a directors and officers insurance policy for one year from July 15, 2023 to July 14, 2024, with a liability limit of USD 65 million per case and per period in addition to coverage for legal expenses according to Section 66 of the Insurance Contract Law, 1981, at a cost of USD 314 thousand.

(3) Subsequent to the date of the report, in August 2023, the Company's Board of Directors approved (after approval by the Remuneration Committee) an amendment to the Company's remuneration policy for the years 2022-2024, subject to the approval of the General Meeting.

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 June 30, 2023		As of June 30, 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)	5,204,087	4,680,117	2,145,724	2,036,215	3,879,948	3,575,817
Bonds (including maturities)	15,055,722	14,282,696	13,320,596	13,313,813	14,869,207	14,222,509
	20,259,809	18,962,813	15,466,320	15,350,028	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 June 30, 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	-	966	-	966
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	132	-	132
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	159,743	-	159,743
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	70,759	-	70,759
Financial assets measured at fair value through profit and loss:				
Tradable securities	6	-	-	6
Real estate investment funds (1)	-	-	238,374	238,374
	6	237,972	238,374	476,352
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(218,491)	-	(218,491)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(118,409)	(118,409)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(50,750)	-	(50,750)
Financial derivatives (Swap contract for swapping NIS principal and interest with GBP principal and interest) designated for hedging	-	(3,312)	-	(3,312)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(574,960)	-	(574,960)
	-	(847,513)	(118,409)	(965,922)

Note 11 – Financial Instruments (continued)

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

	For the six-month period ended June 30, 2023
	NIS thousands
Balance as of January 1, 2023	19,686
Amounts recorded to profit and loss in the period	17,092
Amounts recorded to other comprehensive income in the period	83,187
Balance as of June 30, 2023	119,965

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

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	12,581	-	12,581
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	54,877	-	54,877
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	47,716	-	47,716
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	130,903	-	130,903
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	17,598	-	17,598
Financial assets measured at fair value through profit and loss:				
Tradable securities	74	-	-	74
Real estate investment funds (1)	-	-	217,049	217,049
	74	263,675	217,049	480,798
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(180,338)	-	(180,338)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging	-	-	(189,023)	(189,023)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(32,764)	-	(32,764)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(234,496)	-	(234,496)
	-	(447,598)	(189,023)	(636,621)

Note 11 – Financial Instruments (continued)

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

	For the six-month period ended June 30, 2022
	NIS thousands
Balance as of January 1, 2022	143,802
Amounts recorded to profit and loss in the period	7,082
Amounts recorded to other comprehensive income in the period	(122,858)
Balance as of June 30, 2022	28,026

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)
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 six-month period ended June 30		For the three-month period ended June 30		For the year ended December 31
	2023	2022	2023	2022	2022
	NIS millions	NIS millions	NIS millions	NIS millions	NIS millions
Investment in Carr	(315)	570	(249)	467	(145)
Investment in Boston	(67)	51	(27)	23	(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 451 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 135 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 125 million. On the other hand, there was an increase due to the increase in the USD exchange rate (an increase of approx. NIS 36 million) and due to an investment in the amount of approx. NIS 29 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 six-month period ended June 30, 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	172,943	(449,389)	(265,651)	(125,383)	101,498	(2,428)	325	(568,085)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	2,658	-	(12)	39	2,685
Profit from decrease in holding rate	-	438	-	-	-	-	-	438
Other revenues, net (*)	5,502	-	-	-	4,783	-	846,146	856,431
	178,445	(448,951)	(265,651)	(122,725)	106,281	(2,440)	846,510	291,469
Administrative and general	-	-	-	-	-	18,253	78,624	96,877
Financing expenses, net	-	-	-	-	-	113,050	324,983	438,033
Other expenses, net (*)	-	-	-	-	-	-	203,994	203,994
	-	-	-	-	-	131,303	607,601	738,904
Profit (loss) before tax	178,445	(448,951)	(265,651)	(122,725)	106,281	(133,743)	238,909	(447,435)
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	688,441	(644,893)	(251,812)		422,260			
Revaluation profits (losses) (in the investee's books), before tax (**)	138,026	(1,053,951)	(356,678)		-			
Net profit (loss) (in the investee's books)	323,099	(922,056)	(319,229)		200,977			
Company share in net profits	172,943	(449,389)	(265,651)		101,498			

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

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property, fair value adjustments of investment property and revenues from the activation of electricity-generating facilities, including revenues from unwinding of electricity-hedging agreements.

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

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the three-month period ended June 30, 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	Energigx			
Group share in profits (losses) of investees, net	113,577	(318,585)	(144,804)	(57,353)	16,763	(2,428)	20,852	(371,978)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	2,308	-	(8)	-	2,300
Profit from decrease in holding rate	-	327	-	-	-	-	-	327
Other revenues, net (*)	2,770	-	-	-	2,324	-	389,654	394,748
	116,347	(318,258)	(144,804)	(55,045)	19,087	(2,437)	410,507	25,397
Administrative and general	-	-	-	-	-	8,938	41,643	50,581
Financing expenses, net	-	-	-	-	-	58,949	164,762	223,711
Other expenses, net (*)	-	-	-	-	-	-	107,733	107,733
	-	-	-	-	-	67,887	314,138	382,025
Profit before tax	116,347	(318,258)	(144,804)	(55,045)	19,087	(70,324)	96,369	(356,628)
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits	415,739	(494,274)	(144,667)		125,716			
Revaluation profits (losses) (in the investee’s books), before tax (**)	138,026	(696,797)	(199,517)		-			
Net profit (loss) (in the investee's books)	212,574	(649,261)	(173,976)		33,132			
Company share in net profits	113,577	(318,585)	(144,804)		16,763			

For Carr’s concise financial information, see Note 6 above.

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property, fair value adjustments of investment property and revenues from the activation of electricity-generating facilities, including revenues from unwinding of electricity-hedging agreements.

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

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

	As of June 30, 2023							
	Income-generating property segment				Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,664,513	2,529,511	3,220,933	689,122	1,173,217	10,859	(8,578,974)	3,709,181
Investment in securities measured at fair value through profit and loss	-	-	-	173,750	-	6	64,624	238,380
Other assets	-	-	86,019	-	-	525,850	33,282,800	33,894,669
	4,664,513	2,529,511	3,306,952	862,872	1,173,217	536,715	24,768,450	37,842,230
Liabilities	-	-	-	-	-	7,085,163	17,754,147	24,839,310

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the six-month period ended June 30, 2022							
	Income-generating property segment				Energy segment	Unattributed results	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	269,280	(35,179)	60,282	(31,806)	44,018	-	(364,313)	(57,718)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	2,576	-	(72)	2,833	5,337
Profit from decrease in rate of holding, from acquisition and realization of associates	-	3,240	-	-	-	-	18,097	21,337
Other revenues, net (*)	5,281	-	-	394	3,529	-	1,224,016	1,233,220
	274,561	(31,939)	60,282	(28,836)	47,547	(72)	880,633	1,202,176
Administrative and general	-	-	-	-	-	16,285	69,285	85,570
Financing expenses, net	-	-	-	-	-	62,023	331,769	393,792
Other expenses, net (*)	-	-	-	-	-	-	148,696	148,696
	-	-	-	-	-	78,308	549,750	628,058
Profit before tax	274,561	(31,939)	60,282	(28,836)	47,547	(78,380)	330,883	574,118
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	922,765	121,755	110,865		202,500			
Revaluation profits (losses) (in the investee's books), before tax (**)	428,573	(202,130)	30,104		-			
Net profit (loss) (in the investee's books)	500,111	(72,531)	70,843		82,243			
Company share in net profits	269,280	(35,179)	60,282		44,018			

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

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

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

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the three-month period ended June 30, 2022							
	Income-generating property segment				Energy segment	Unattributed results	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Group share in profits (losses) of investees, net	163,885	(62,173)	42,455	(43,265)	20,646	-	(222,283)	(100,735)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	2,997	-	(54)	1,521	4,464
Profit from decrease in rate of holding, from acquisition and realization of associates	-	2,972	-	-	-	-	-	2,972
Other revenues, net (*)	2,684	-	-	-	1,936	-	732,642	737,262
	166,569	(59,201)	42,455	(40,268)	22,582	(54)	511,880	643,963
Administrative and general	-	-	-	-	-	9,406	36,517	45,923
Financing expenses, net	-	-	-	-	-	32,227	198,412	230,639
Other expenses, net (*)	-	-	-	-	-	-	78,871	78,871
	-	-	-	-	-	41,633	313,800	355,433
Profit before tax	166,569	(59,201)	42,455	(40,268)	22,582	(41,687)	198,080	288,530
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	533,040	(40,782)	75,304		110,658			
Revaluation profits (losses) (in the investee's books), before tax	300,333	(208,565)	34,413		-			
Net profit (loss) (in the investee's books)	305,147	(129,970)	51,315		38,767			
Company share in net profits (loss)	263,885	(62,173)	42,455		20,646			

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

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

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

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

	As of June 30, 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	4,473,008	3,559,948	2,929,830	879,567	966,137	15,555	(7,896,821)	4,927,224
Investment in securities measured at fair value through profit and loss	-	-	-	161,446	-	74	55,603	217,123
Other assets	-	-	-	-	-	118,426	29,118,973	29,237,399
	4,473,008	3,559,948	2,929,830	1,041,013	966,137	134,055	21,277,755	34,381,746
Liabilities	-	-	-	-	-	5,083,281	15,893,214	20,976,495

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the year ended December 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	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 holding rate in investees	-	2,293	-		-		18,098	20,391
Other revenues, net (*)	10,629	-	-	394	7,743	-	2,413,856	2,432,622
	640,307	(778,549)	(151,653)	(194,063)	129,958	(3,025)	1,855,098	1,498,073
Administrative and general	-	-	-	-	-	35,210	143,872	179,082
Financing expenses, net	-	-	-	-	-	142,218	570,426	712,644
Other expenses, net (*)	-	-	-	-	-	-	315,339	315,339
	-	-	-	-	-	177,428	1,029,637	1,207,065
Profit before tax	640,307	(778,549)	(151,653)	(194,063)	129,958	(180,453)	825,461	291,008
Additional information regarding segment results:								
Revenues (in the investee's books) including revaluation profits (losses)	2,012,423	(1,205,884)	(102,770)		527,325			
Revaluation profits (losses) (in the investee's books), before tax (**)	984,285	(1,889,877)	(295,598)		-			
Net profit (loss) (in the investee's books)	1,171,146	(1,607,059)	(184,016)		235,910			
Company share in net profits (loss)	629,678	(780,842)	(151,653)		122,215			

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

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

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

Note 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	-	-	-	-	-	5,512,446	17,210,171	22,722,617

Note 12 – Operating Segments (continued)

Geographical information:

	For the six-month period ended June 30, 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	549,481	-	104,867	-	-	-	-	654,348
Fair value adjustment of investment property	136,532	-	(356,679)	-	-	-	-	(220,147)
Group share in profits (losses) of associates, net	9,698	(574,772)	(3,011)	-	-	-	-	(568,085)
Revenues from sale of electricity and green certificates (*)	-	-	-	75,531	323,461	22,481	-	421,473
Other	-	438	2,697	733	-	24	(12)	3,880
	695,711	(574,334)	(252,126)	76,264	323,461	22,505	(12)	291,469
Costs and expenses								
Cost of investment property rental and operation	69,340	-	11,749	-	-	-	-	81,089
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	14,249	22,268	8,806	-	45,323
Depreciation and amortizations	1,637	-	1,079	24,670	25,952	17,402	6,842	77,582
	70,977	-	12,828	38,919	48,220	26,208	6,842	203,994
Administrative and general expenses							96,877	96,877
Profit before financing	624,734	(574,334)	(264,954)	37,345	275,241	(3,703)	(103,731)	(9,402)

Note 12 – Operating Segments (continued)

Geographical information:

	For the three-month period ended June 30, 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	277,227	-	54,850	-	-	-	-	332,077
Fair value adjustment of investment property	136,532	-	(199,518)	-	-	-	-	(62,986)
Group share in profits (losses) of associates, net	5,575	(375,938)	(1,615)	-	-	-	-	(371,978)
Revenues from sale of electricity and green certificates	-	-	-	45,263	66,154	14,182	-	125,599
Other	(29)	327	2,309	63	0	24	(9)	2,685
	419,305	(375,611)	(143,974)	45,326	66,154	14,206	(9)	25,397
Costs and expenses								
Cost of investment property rental and operation	34,491	-	5,325	-	-	-	-	39,816
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	9,006	12,009	2,947	-	23,962
Depreciation and amortizations	834	-	558	16,012	14,576	10,677	1,298	43,955
	35,325	-	5,883	25,018	26,585	13,624	1,298	107,733
Administrative and general expenses							50,581	50,581
Profit before financing	383,980	(375,611)	(149,857)	20,308	39,569	582	(51,888)	(132,917)

Note 12 – Operating Segments (continued)

Geographical information:

	As of June 30, 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)	18,658,852	-	5,740,852	-	-	-		24,399,704
Investments in associates	411,927	3,218,696	67,757	-	-	-	10,801	3,709,181
Connected electricity-generating facilities	-	-	-	939,772	1,514,559	978,168	-	3,432,499
Electricity-generating facilities in development	-	-	-	955,590	56,118	1,503,096	-	2,514,804
Right-of-use asset	-	-	-	205,708	127,444	155,691	-	488,843
Securities measured at fair value through profit and loss (**)	-	-	238,374	-	-	-	6	238,380
	19,070,779	3,218,696	6,046,983	2,101,070	1,698,121	2,636,955	10,807	34,783,411

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,529,511 thousand and for an investment in Boston in the amount of NIS 689,122 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 six-month period ended June 30, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	492,793	-	80,760	-	-	-	-	573,553
Fair value adjustment of investment property	426,758	-	30,105	-	-	-	-	456,863
Group share in profits (losses) of associates, net	11,457	(66,984)	(2,191)	-	-	-	-	(57,718)
Revenues from sale of electricity and green certificates	-	-	-	63,449	117,064	21,361	-	201,874
Other	(89)	3,240	5,802	18,693	29	-	(71)	27,604
	930,919	(63,744)	(63,744)	82,142	117,093	21,361	(71)	1,202,176
Costs and expenses								
Cost of investment property rental and operation	62,162	-	9,388	-	-	-	-	71,550
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	10,783	12,313	3,714	-	26,810
Depreciation and amortizations	1,551	-	1,034	22,899	11,327	11,728	1,797	50,336
	63,713	-	-	33,682	23,640	15,442	1,797	148,696
Administrative and general expenses							85,570	85,570
Profit before financing (*) The amount of NIS 23 million stemmed from the unwinding of electricity-hedging agreements.	867,206	(63,744)	(63,744)	48,460	93,453	5,919	(87,438)	967,910

Note 12 – Operating Segments (continued)

Geographical information:

	For the three-month period ended June 30, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others and unassigned expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenues and profits								
Revenues from rental fees and management of investment property	252,350	-	40,890	-	-	-	-	293,240
Fair value adjustment of investment property	298,887	-	34,414	-	-	-	-	333,301
Group share in profits (losses) of associates, net	5,851	(105,446)	(1,140)	-	-	-	-	(100,735)
Revenues from sale of electricity and green certificates	-	-	-	39,461	57,112	13,788	-	110,361
Other	64	2,972	4,517	296	-	-	(53)	7,796
	557,152	(102,474)	78,681	39,757	57,112	13,788	(53)	643,963
Costs and expenses								
Cost of investment property rental and operation	32,840	-	5,544	-	-	-	-	38,384
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	6,131	4,383	2,053	-	12,567
Depreciation and amortizations	806	-	512	14,040	4,986	6,565	1,011	27,920
	33,646	-	6,056	20,171	9,369	8,618	1,011	78,871
Administrative and general expenses							45,923	45,923
Profit before financing	523,506	(102,474)	72,625	19,586	47,743	5,170	(46,987)	519,169

Note 12 – Operating Segments (continued)

Geographical information:

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

(*) The balance is in respect of an investment in Carr in the amount of NIS 3,559,948 thousand and for an investment in Boston in the amount of NIS 879,567 thousand.

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

Note 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

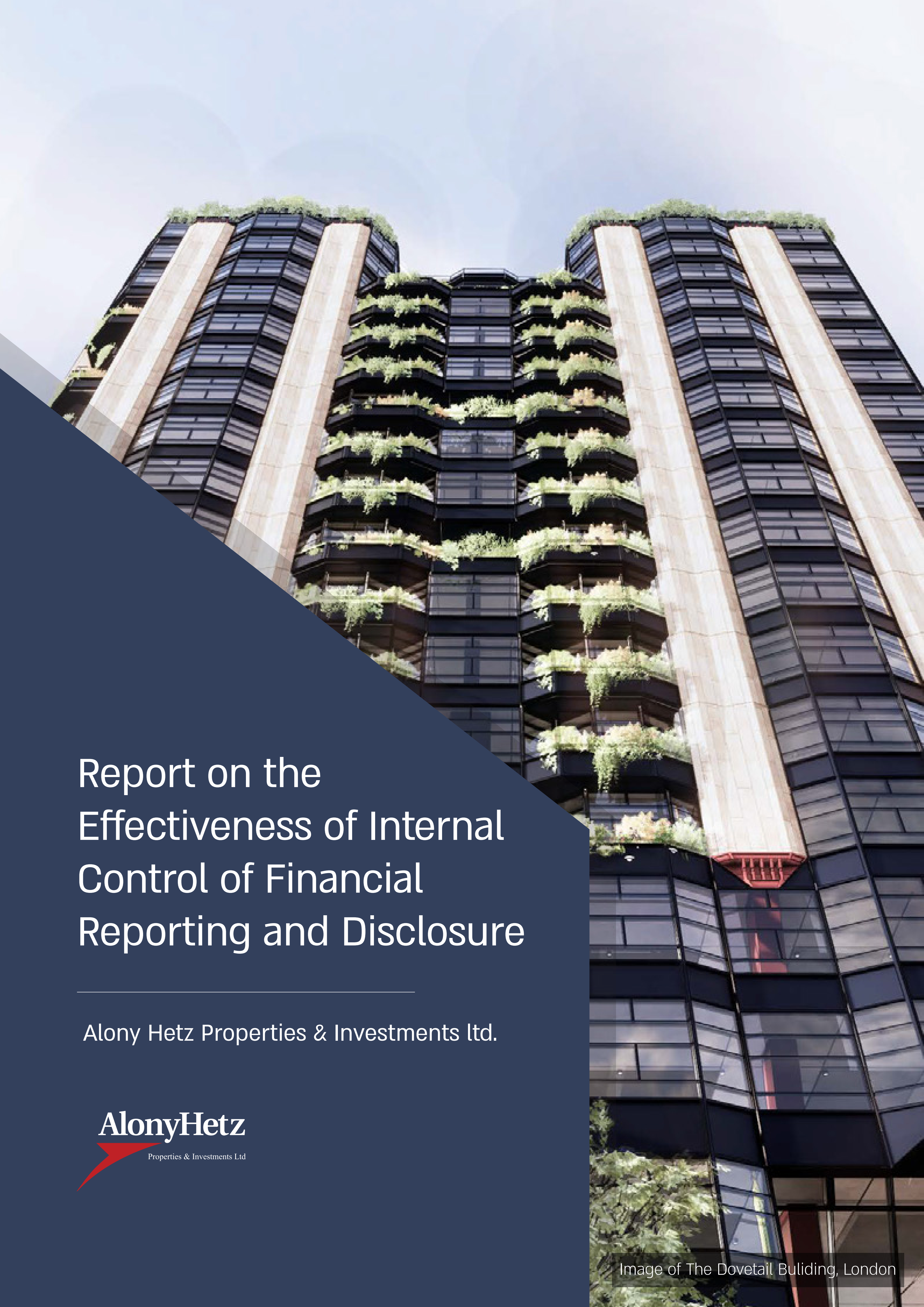
Note 12 – Operating Segments (continued)

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 Q2/2023

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 Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the Quarterly Report for the period ended March 31, 2023 (hereinafter – "**the Last Quarterly Report on Internal Controls**"), the internal control over financial reporting and disclosure was found to be effective.

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

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

Executive Statements

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

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

August 14, 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

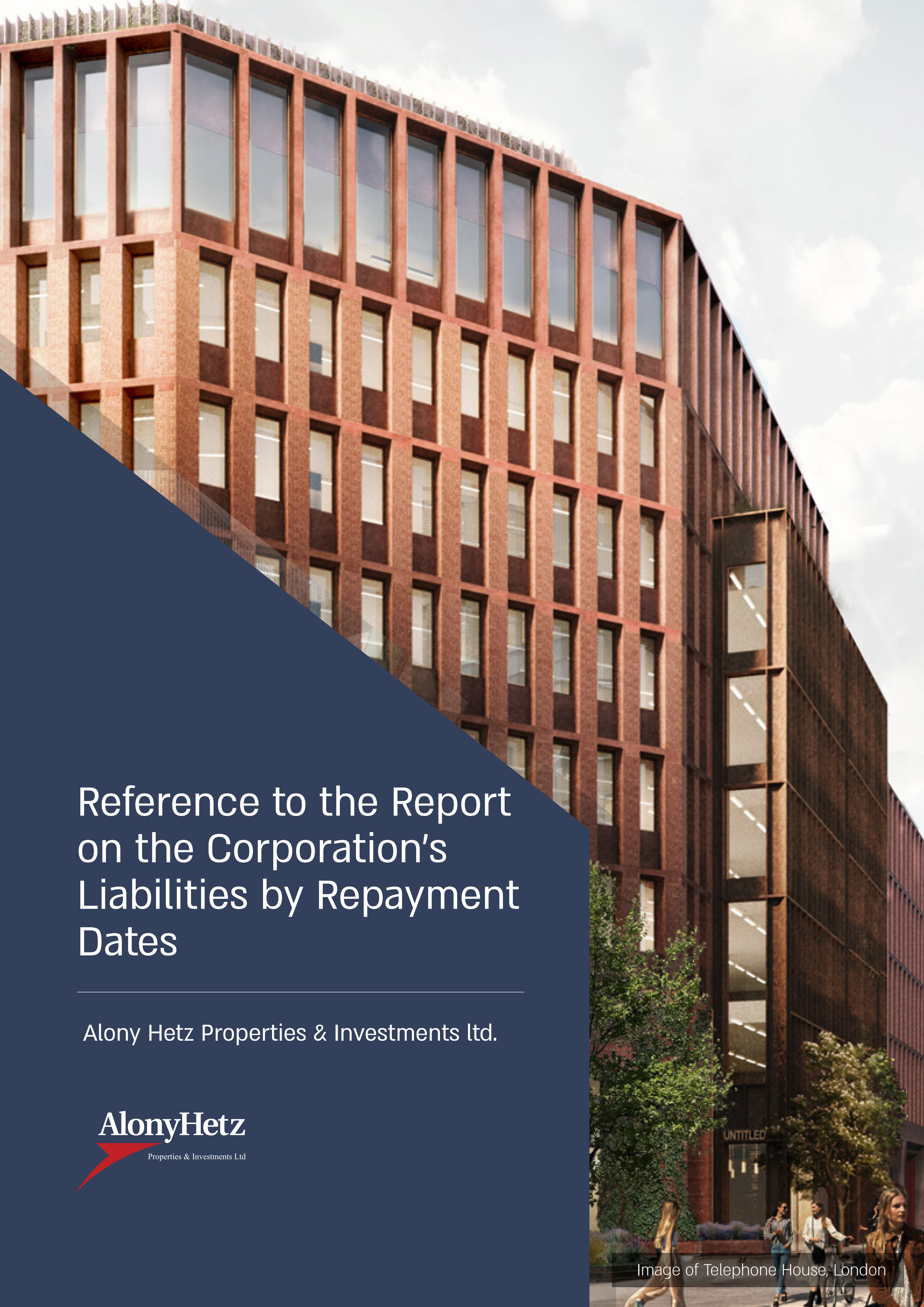
I, Oren Frenkel, do hereby state that:

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 second 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.

August 14, 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

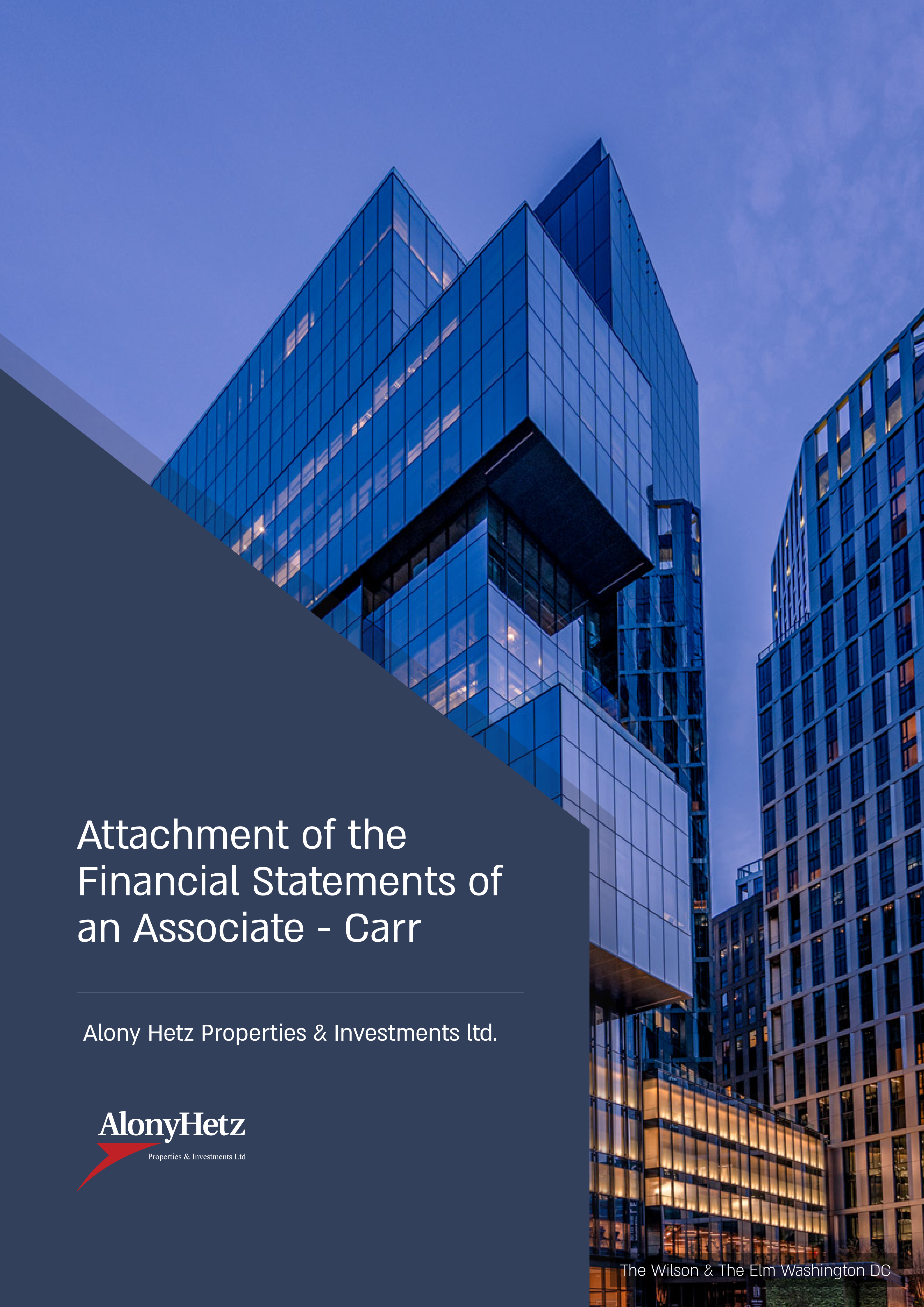
Report on the Status of Liabilities by Repayment Dates, as of June 30, 2023

Regarding the status of liabilities by repayment dates as of June 30, 2023, see the Immediate Report dated August 15, 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 June 30, 2023 (Unaudited)

CARR PROPERTIES HOLDINGS L.P.

Table of Contents

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 June 30, 2023, and the related condensed consolidated statements of operations and comprehensive income (loss), and of cash flows for the three-month and six-month periods ended June 30, 2023 and 2022 and the condensed consolidated statement of changes in equity for the six-month periods ended June 30, 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.

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, 2023, 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.

PricewaterhouseCoopers LLP

August 2, 2023

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

	Notes	June 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $2,332,382 and $2,606,762)	4,11	$ 1,634,899	$ 2,107,521
Properties in development (cost of $0 and $8,876)	4,11	—	8,876
Investments in associates and joint ventures	5	641,297	671,714
Goodwill	8	9,326	9,326
Derivative assets, net of current	12	26,856	36,524
Straight line rent receivable		116,246	112,003
Deferred leasing costs and other, net		34,578	37,003
		2,463,202	2,982,967
Current assets			
Trade receivables, net		8,111	4,594
Prepaid expense and other assets		8,815	11,314
Restricted cash	10	6,531	6,364
Cash and cash equivalents	2,10	35,807	36,629
Derivative assets	12	6,482	—
Assets held for sale	6	250,489	—
		316,235	58,901
Total assets		$ 2,779,437	$ 3,041,868
EQUITY			
Equity attributable to common shareholders	18	$ 1,666,533	$ 1,666,533
Equity reserve from increase in CPP		9,713	9,488
Equity reserve for cash flow hedges	12	5,368	6,400
Retained earnings (accumulated deficit)		(375,288)	(137,667)
Equity attributable to non-redeemable non-controlling interests	18	94,799	114,400
Total equity		1,401,125	1,659,154
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 630,603	$ 604,289
Notes payable, net of current portion and deferred financing fees	9,10	310,690	372,641
Lease liabilities, net of current portion	7	146,875	145,908
Redeemable non-controlling interests, net of current portion	18	22,148	—
Security deposits		3,886	4,427
Other liabilities		8,737	10,720
		1,122,939	1,137,985
Current liabilities			
Current portion of notes payable, net of deferred financing fees	9,10	197,599	136,902
Current portion of lease liabilities	7	449	614
Redeemable non-controlling interests, current	18	27,729	70,987
Rent received in advance		6,358	7,967
Trade and other payables	2	21,809	28,259
Liabilities held for sale	6	1,429	—
		255,373	244,729
Total liabilities		1,378,312	1,382,714
Total equity and liabilities		$ 2,779,437	$ 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	August 2, 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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenues					
Rental revenue		$ 46,247	$ 42,114	$ 94,839	$ 83,647
Recoveries from tenants		5,138	4,257	10,825	8,379
Parking income		2,782	2,520	5,545	4,459
Property management fees and other	15	1,337	1,174	2,704	2,409
Total revenues		55,504	50,065	113,913	98,894
Operating expenses					
Property operating expenses					
Direct payroll and benefits		2,173	2,542	4,485	4,724
Repairs and maintenance		2,662	2,656	5,087	4,859
Cleaning		1,448	1,351	2,847	2,697
Utilities		2,032	1,734	4,623	4,284
Real estate and other taxes		9,111	8,794	18,552	17,508
Other expenses	14	5,376	4,313	10,912	8,611
Property operating expenses		22,802	21,390	46,506	42,683
Non-property general and administrative expenses	13	4,351	4,417	10,153	10,870
Total operating expenses		27,153	25,807	56,659	53,553
Other operating loss					
Net loss from fair value adjustment of investment properties	0	(145,610)	(79,102)	(245,409)	(94,167)
Realized loss on disposition of development property	4	(10,944)	—	(10,962)	—
(Loss) income from investments in associates	0	(40,717)	22,252	(36,059)	44,875
Total other operating loss and expense		(197,271)	(56,850)	(292,430)	(49,292)
Operating (loss)		(168,920)	(32,592)	(235,176)	(3,951)
Other (expense) income					
Other income		544	44	562	501
Revaluation of redeemable non-controlling interests		6,466	4,703	10,731	3,800
Interest expense	9	(16,013)	(10,787)	(31,304)	(20,602)
Pre-tax (loss)		(177,923)	(38,632)	(255,187)	(20,252)
Income and franchise tax expense (benefit)		21	148	(101)	563
Net (loss)		$ (177,944)	$ (38,780)	$ (255,086)	$ (20,815)
Attribution of net (loss) income					
Common shareholders		$ (166,932)	$ (36,213)	$ (237,621)	$ (19,580)
Non-redeemable non-controlling interests		(11,012)	(2,567)	(17,465)	(1,235)
		$ (177,944)	$ (38,780)	$ (255,086)	$ (20,815)
Other comprehensive income					
Items that may be subsequently reclassified to income or loss:					
Unrealized gain (loss) on cash flow hedges	12	$ 3,864	$ 1,879	$ (3,186)	$ 11,686
Less: Reclassification of interest rate cap included in net income		961	—	1,922	—
Other comprehensive income		4,825	1,879	(1,264)	11,686
Total comprehensive (loss)		$ (173,119)	$ (36,901)	$ (256,350)	$ (9,129)
Attribution of comprehensive (loss) income					
Common shareholders		$ (162,763)	$ (34,979)	$ (238,653)	$ (10,561)
Non-redeemable non-controlling interests		(10,356)	(1,922)	(17,697)	1,432
		$ (173,119)	$ (36,901)	$ (256,350)	$ (9,129)

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		—	—	—	—	—	—	154	154
Issuance of common shares, net of offering costs	18	45,755	60,337				60,337	—	60,337
Change in equity reserve from increase in CPP		—	—	184	—	—	184	1,689	1,873
Net loss		—	—	—	—	(19,580)	(19,580)	(1,235)	(20,815)
Unrealized loss on cash flow hedges	12	—	—	—	9,019	—	9,019	2,667	11,686
Distributions	18	—	—	—	—	—	—	(1,944)	(1,944)
Balance as of June 30, 2022		1,439,103	1,666,533	10,013	(6,154)	273,274	1,943,666	145,492	2,089,158

	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		—	—	—	—	—	—	106	106
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(1,718)	(1,718)
Issuance of common shares from stock split	18	294	—	—	—	—	—	—	—
Change in equity reserve from increase in CPP		—	—	225	—	—	225	1,708	1,933
Net loss		—	—	—	—	(237,621)	(237,621)	(17,465)	(255,086)
Unrealized loss on cash flow hedges - intrinsic	12	—	—	—	(1,762)	—	(1,762)	(279)	(2,041)
Unrealized loss on cash flow hedges - time value		—	—	—	(1,075)	—	(1,075)	(70)	(1,145)
Amortization of interest rate cap		—	—	—	1,805	—	1,805	117	1,922
Distributions	18	—	—	—	—	—	—	(2,000)	(2,000)
Reverse stock split		(1,465,690)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance as of June 30, 2023		15,098	$ 1,666,533	$ 9,713	$ 5,368	$ (375,288)	$ 1,306,326	$ 94,799	$ 1,401,125

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities					
Net (loss) income		**$ (177,944)**	**$ (38,780)**	**$ (255,086)**	**$ (20,815)**
Adjustments to reconcile net income to net cash provided by operating activities					
Net loss from fair value adjustment of investment properties	4	145,610	79,102	245,409	94,167
Loss on write-off of development properties		10,944	—	10,962	—
Loss (income) from investments in associates	5	40,717	(22,252)	36,059	(44,875)
Income and franchise tax expense (benefit)		21	148	(101)	563
Interest expense, net excluding amortization of deferred financing fees		15,558	10,409	30,431	19,848
Amortization of deferred financing fees		489	411	940	821
Amortization of equipment leases		111	66	217	133
Amortization of Equipment & Software		52	75	105	122
Amortization of deferred leasing costs and lease incentives		1,580	1,287	3,042	2,637
Amortization of note payable premium		(34)	(33)	(67)	(67)
Provision for bad debt (recovery) expense		(140)	276	(87)	449
LTIP Compensation		(274)	149	156	1,806
Revaluation of redeemable non-controlling interests		(6,466)	(4,703)	(10,731)	(3,800)
Changes in assets and liabilities					
Trade receivables		(236)	(2,412)	(3,430)	(373)
Straight line rent receivable		(1,210)	(5,571)	(4,243)	(11,062)
Purchase of interest rate cap		—	(11,530)	—	(11,530)
Prepaid expense and other assets		1,236	398	2,499	1,581
Trade and other payables		3,795	4,298	(4,050)	(7,039)
Rent received in advance		(313)	(511)	(1,609)	(4,035)
Cash generated by operations		**$ 33,496**	**10,827**	**50,416**	**18,531**
Cash paid for interest		(13,445)	(9,615)	(26,433)	(18,099)
Net cash provided by operating activities		**20,051**	**1,212**	**23,983**	**432**
Cash flows from investing activities					
Contributions to investment in associates and joint ventures	5	(9,138)	27	(17,676)	(86)
Return of capital from investments in associates	5	7,922	4,195	12,034	6,691
Acquisition of development property land		—	2,821	—	(2,208)
Additions to deferred leasing costs		(297)	(2,507)	(596)	(7,349)
Additions to tenant improvements		(8,935)	(2,888)	(19,948)	(7,202)
Additions to construction in progress, including capitalized interest		(1,308)	(736)	(2,701)	(2,430)
Other capital improvements on income generating properties		(1,393)	(7,416)	(4,989)	(12,034)
(Increase) decrease in restricted cash		(343)	170	(214)	(269)
Net cash (used in) investing activities		**(13,492)**	**(6,334)**	**(34,090)**	**(24,887)**
Cash flows from financing activities					
Redemption of redeemable non-controlling interest	18	(12,756)	(60,994)	(12,780)	(60,994)
Distribution to non-controlling interest partner	5	(1,718)	—	(1,718)	—
Principal portion of lease payments	7	(99)	(370)	(439)	(509)
Issuance of common shares, net of offering costs	17	—	60,337	—	60,337
Borrowings under credit facility	9	20,000	75,000	32,000	88,000
Repayments under credit facility	9	(6,000)	(60,000)	(6,000)	(60,000)
Repayments of notes payable	9	(688)	(669)	(1,370)	(1,333)
Payment of deferred financing fees		(455)	(104)	(455)	(139)
Issuance of redeemable non-controlling interests		—	—	—	1,785
Distributions to common shareholders and non-redeemable non-controlling interests	18	(59)	(51)	(59)	(63)

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)

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2023	2022	2023	2022
Issuance of preferred shares of consolidated subsidiary, net of offering costs		(17)	(6)	106	154
Net cash (used in) provided by financing activities		**(1,792)**	**13,143**	**9,285**	**27,238**
Net (decrease) increase in cash and cash equivalents		**4,767**	**8,021**	**(822)**	**2,783**
Cash and cash equivalents, beginning of the period		**31,040**	**23,135**	**36,629**	**28,373**
Cash and cash equivalents, end of the period		**$ 35,807**	**$ 31,156**	**$ 35,807**	**$ 31,156**
Supplemental disclosures of cash flow information:					
Capitalized interest		$ 173	$ 356	$ 312	$ 619
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		93	(369)	286	556
Lease liabilities arising from obtaining/revaluing right-of-use assets	7	(1)	(3,425)	1	1,063
Non-cash interest expense	9	652	638	1,240	1,216
Issuance of redeemable non-controlling interests	18	—	—	2,401	1,775
DRIP reinvestment of non-controlling interests at CPP	18	971	—	1,933	—

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 90.65% 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 12 operating properties, one operating property held for sale, 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, and one non-consolidated development property owned through a joint venture.

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

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

The ownership interests of Alony-Hetz, CET, and Clal Insurance Enterprise Holdings Ltd. ("Clal") in Holdings as of June 30, 2023, were 52.33%, 38.89%, 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 and six months ended June 30, 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 and 1701 Duke Street properties. In addition, the Partnership leases air rights at its 2001 Penn property. The Partnership also enters into various equipment and copier leases in the normal course of operations. At inception of a contract, the Partnership assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether the contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;

- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Partnership has the right to direct the use of the asset. The Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Partnership allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and air rights in which it is the lessee, the Partnership has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. The interest for this liability is included within "Interest expense" on the 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 7 - "Leases" for additional details regarding initial measurement of ground/air rights leases.

Certain investment properties being constructed, developed or redeveloped are also measured at fair value. Subsequent expenditures related to properties in development are added to the property's carrying amount when it is probable that future economic benefits associated with the item will flow to the Partnership. Fair value measurement of an investment property in development is only applied if the fair value is considered to be reliably measurable. If the Partnership determines that the fair value of an investment property in development is not reliably determinable when construction is incomplete, it measures that property in development at cost until either its fair value becomes reliably determinable or construction is completed. It may sometimes be difficult to determine reliably the fair value of an investment property in development. In order to evaluate whether the fair value of an investment property in development can be determined reliably, management considers the following factors, among others:

- Provisions of the construction contract;
- Stage of completion;
- Whether the project or property is standard (typical for the market) or non-standard;
- Level of reliability of cash inflows after completion;
- Development risk specific to the property;
- Past experience with similar construction; and
- Status of construction permits.

The Partnership will reclassify portions of an investment property that are placed into service from “Properties in development” to “Income generating properties” when those portions are deemed to be substantially complete, including tenant improvements, and upon commencement of revenue recognition. The Partnership considers a property in development as substantially complete after major construction has ended and the property is available for tenant occupancy. For properties that are built in phases, the Partnership ceases capitalization on the portion of a property that is considered substantially complete but no later than one year from completion of major construction activity if not occupied.

The fair value of certain properties in development has been prepared giving consideration to costs incurred to date and to key development risk factors, including entitlement risk, construction risk, leasing/sales risk, operations risk, credit risk, capital market risk, pricing risk, event risk and valuation risk. The fair value of properties in development includes the timely recognition of profit after such consideration.

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 and six months ended June 30, 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 August 31, 2038. Revenue from rental properties is comprised of minimum base rent, straight-line rent adjustments, lease termination fee income, and lease incentive amortization.

Rental revenue from tenants is recognized on a straight-line basis over the terms of the leases, including all fixed and determinable rent escalations and any periods of free rent (rent abatement), regardless of when contractual rent payments are due. Recognition of rental revenue commences when control of the leased space has been transferred to the tenant and the leased space is or can be ready for its intended use.

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

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

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

Future cash revenues under non-cancelable leases as of June 30, 2023 are as follows:

Years Ending December 31,	Amount
Remainder of 2023	76,284
2024	142,872
2025	130,673
2026	123,277
2027	115,477
Thereafter	478,725
	$ 1,067,308

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.

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

3. Standards Issued

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.

The Partnership made an early adoption of the amendments as of June 30, 2023, and they did not have a material impact on the Partnership's financial position or results from operations.

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	**$**	**2,107,521**
Capital expenditures additions and other		22,866
Net loss from fair value adjustment of income generating properties		(245,409)
Reclassification of The Elm to properties held for sale		(250,079)
Balance, June 30, 2023	**$**	**1,634,899**

Acquisitions

There were no acquisitions completed for the three and six months ended June 30, 2023, or for the year ended December 31, 2022.

2023 Dispositions

As of June 30, 2023, the Partnership elected to permanently cease development activities for 300 E Second and wrote off all costs incurred, which resulted in a loss of $10.9 million.

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.

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

The fair value of the Partnership's proportionate interest in the investment property was $205.8 million as of June 30, 2023, and the carrying value of the assumed debt was $143.3 million.

Properties in Development

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

Balance, December 31, 2022	**$**	**8,876**
Capital expenditures additions and other		2,086
Disposition of 300 E Second		(10,962)
Balance, June 30, 2023	**$**	**—**

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.

As of June 30, 2023, the Partnership elected to permanently cease development activities on this site and wrote off all costs incurred, which resulted in a loss of $10.9 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 June 30, 2023, the building was 99% leased. During the six months ended June 30, 2023 and 2022, the consolidated non-wholly owned operating property (Otter Wilson Boulevard LLC) distributed a total of $3.0 million and $0.0 million, of which $1.2 million and $0.0 million were distributed to the non-controlling interests, and $1.8 million and $0.0 million to the Company, respectively.

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

	As of June 30, 2023						For the six months ended June 30, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	2,769	104,022	1,222	80,680	24,889	4,807	(5,270)
		$ 2,769	$104,022	$ 1,222	$ 80,680	$ 24,889	$ 4,807	$ (5,270)
Less interest held by non-controlling interests						(9,956)		2,109
Equity attributable to Partnership						$ 14,933		$ (3,161)

	As of December 31, 2022						For the six months ended June 30, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	3,787	112,070	1,571	80,667	33,619	4,579	107
		$ 3,787	$112,070	$ 1,571	$ 80,667	$ 33,619	$ 4,579	$ 107
Less interest held by non-controlling interests						(13,448)		(43)
Equity attributable to Partnership						$ 20,171		$ 64

5. Investments in Associates and Joint Ventures

The changes in the Partnership’s investments in associates and joint ventures are set forth below:

Balance, December 31, 2022	**$**	**671,714**
Contributions		17,676

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

Distributions	(12,034)
Share of unrealized loss on valuation of underlying properties	(46,562)
Share of net income (excluding unrealized loss on valuation)	10,503
Balance, June 30 2023	**$ 641,297**

One Congress

On September 24, 2018, the Partnership entered into a 50-50 joint venture with National Real Estate Advisors, LLC in the One Congress office development project in downtown Boston, Massachusetts (One Congress). One Congress is under construction as a 43-story, 1,007,000 square foot office tower. Construction of the base building was completed on April 18, 2023.

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 property was 100% leased at June 30, 2023. Occupancy commenced in May 2023. See note 19 - "Credit and Other Risks" for additional details regarding construction impacts.

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact the joint venture's returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in the joint venture using the equity method. For the six months ended June 30, 2023 and 2022, the Partnership contributed $17.7 million and $0.0 million to the venture, respectively. The Partnership has contributed a total of $298.3 million to the venture as of June 30, 2023.

Construction Loan

On December 10, 2019, the joint venture entered into a $570.0 million facility on the One Congress project. The loan is interest only and will bear an interest rate of LIBOR plus 2.00% which can be reduced over time as certain milestones are met. The loan has a 5-year term, and matures in 2024 and can be extended one year by the joint venture subject to terms and conditions. Transaction costs and related fees were $5.8 million. As of June 30, 2023, the joint venture drew $423.0 million of borrowing under this facility.

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 and joint ventures is as follows:

	As of June 30, 2023						For the six months ended June 30, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 10,517	$ 813,370	$ 11,902	$ 532,323	$ 279,662	$ 39,326	$ (65,015)
100 Congress	51.00 %	4,448	294,396	9,614	140,826	148,405	14,209	(23,244)
One Congress	75.00 %	6,318	1,099,529	34,215	504,907	566,725	1,952	11,957
		$ 21,283	$ 2,207,295	$ 55,731	$ 1,178,056	$ 994,792	$ 55,487	$ (76,302)
Less: interest held by third-parties						(353,495)		40,243
Amounts per financial statements						$ 641,297		$ (36,059)

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

	As of December 31, 2022						For the six months ended June 30, 2022	
Property	Percent Owned	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Equity	Revenues	Net Income (Loss)
Midtown Center	51.00 %	$ 10,492	$ 894,694	$ 12,584	$ 532,654	$ 359,948	$ 37,594	$ (628)
100 Congress	51.00 %	15,449	315,716	11,260	139,904	180,000	15,164	9,422
One Congress	75.00 %	2,541	1,002,334	43,956	430,384	530,535	—	53,865
		$ 28,482	$2,212,744	$ 67,800	$ 1,102,942	$1,070,483	$ 52,758	$ 62,659
Less: interest held by third-parties						(398,769)		(17,784)
Amounts per financial statements						$ 671,714		$ 44,875

6. Assets Held for Sale

2023 Assets Held for Sale

On June 27, 2023, the Partnership signed a binding purchase and sale agreement to sell The Elm and its accompanying assets and liabilities at a contractual purchase price of $250.0 million, and on June 29, a $10.0 million non-refundable deposit was received from the buyer. The Partnership has classified The Elm as held for sale as of June 30, 2023 as criteria for such classification has been met. The sale of The Elm is expected to close within the next 90 days. The Partnership intends to use the proceeds from the sale to pay down the credit facility.

The Partnership’s assets and liabilities held for sale as of June 30, 2023, are as follows:

	June 30, 2023
Assets	
Property, at fair value	$ 250,078
Trade receivables, net	366
Prepaid expense and other assets	45
Total Assets	**$ 250,489**
Liabilities	
Security deposits and other	$ 342
Rent received in advance	188
Trade and other payables	899
Total Liabilities	**$ 1,429**

Operating results of the Partnership’s assets held for sale for the three and six months ended June 30, 2023, are as follows:

	Three months ended June 30, 2023	Six months ended June 30, 2023
Revenues		
Rental revenue	$ 4,371	$ 8,454
Property management fees and other	403	774
Total Revenues	**$ 4,774**	**$ 9,228**
Expenses		
Property operating expenses	$ 1,768	$ 3,650
Total Expenses	**$ 1,768**	**$ 3,650**

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

Net gain (loss) from fair value adjustment of investment properties	$ 51	$ (39,418)
Operating income (loss)	**$ 3,057**	**$ (33,840)**

2022 Assets Held for Sale

There were no assets classified as Held for Sale for the year ended December 31, 2022.

7. Leases

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

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

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

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

	June 30, 2023	December 31, 2022
Non-current assets		
Income generating properties, net of ROUA	$ 1,527,499	$ 1,987,121
ROUA, at fair value	107,400	120,400
Income generating properties, at fair value	1,634,899	2,107,521
Properties in development, net of ROUA	—	8,647
ROUA, at fair value	—	229
Properties in development, at fair value	—	8,876
Total investment properties, at fair value	**1,634,899**	**2,116,397**
Current assets - CPH		
Prepaid expense and other assets, net of ROUA	8,113	10,406
ROUA, net of accumulated depreciation	702	908
Prepaid expense and other assets	**$ 8,815**	**$ 11,314**

At June 30, 2023 and December 31, 2022, "Investment properties, at fair value" included ROUA comprised of ground leases and an air rights lease of $107.4 million and $120.4 million, respectively. "Prepaid expense and other assets" included ROUA of $0.7 million and $0.9 million, respectively, related to equipment and copier leases.

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

ROUA	**Ground Lease and Air Rights, at fair value**	**Equipment and Copier Leases**	**Total**
Balance as of December 31, 2022	**$ 120,629**	**$ 908**	**$ 121,537**
Fair value adjustment, valuation[(1)]	(13,229)	—	(13,229)
ROUA Additions, net	—	10	10
Accumulated Depreciation	—	(217)	(217)
Balance as of June 30, 2023	**$ 107,400**	**$ 701**	**$ 108,101**

(1) Fair Value adjustment, valuation of "ground lease, at fair value" includes 300 E Second write-off of related right-of-use asset balance. Depreciation and interest paid on lease liabilities was 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**	**June 30, 2023**	**December 31, 2022**
Columbia Center	4.93%	2120	$ 134,267	$ 133,105
1701 Duke Street	5.20%	2107	7,931	7,864
2001 Penn	4.94%	2087	4,412	4,400
300 E Second[(1)]	5.54%	2023	—	242
Other equipment leases	Various	Various	714	911
Total lease liabilities			147,324	146,522
Less current portion			449	614
Lease liabilities, net of current portion			**$ 146,875**	**$ 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 had the right to terminate the lease until April 1, 2024. Due to the termination option, the Partnership's liability was only through the prepaid term of March 31, 2023. As of June 30, 2023, The Partnership wrote-off the costs associated with this development project. 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	**June 30, 2023**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 4,934
One to five years	19,459
More than five years	1,254,972
Total undiscounted lease liabilities as of June 30, 2023	$ 1,279,365

Lease liabilities	**June 30, 2023**
Current lease liabilities	$ 449
Non-current lease liabilities	146,875
Total lease liabilities	$ 147,324

Lease expense costs were as follows:

Lease Expense	Six Months Ended June 30,	
	2023	**2022**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 3,503	$ 2,221
Equipment lease depreciation	217	133
Total lease expense	$ 3,720	$ 2,354

Cash Flows	Six Months Ended June 30,	
	2023	**2022**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 439	509
Interest paid on lease liabilities	2,262	2221
Total cash outflows related to leases	$ 2,701	$ 2,730

8. Goodwill

The carrying value of goodwill was $9.3 million as of June 30, 2023 and December 31, 2022. No impairment losses were recognized in the three and six months ended June 30, 2023 and 2022, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

Borrower/Facility	**Contractual Rate**	**Maturity**	**Principal Balance as of June 30, 2023**		**Principal Balance as of December 31, 2022**	
Credit facility [1]:						
Revolver	SOFR +1.25% to 2.00%[8]	7/1/25	$ 334,500	[7]	$ 308,500	
Term Loan	SOFR +1.20% to 1.90%[8]	7/1/26	300,000	[7]	300,000	
75-101 Federal	SOFR +1.61%[10]	3/12/25	143,639	[2,5,6]	143,639	[2,5,6]
1700 New York Avenue	SOFR +1.61%[9]	4/25/24	61,830	[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	29,122	[2,3]	29,988	[2,3]
1615 L Street	4.61%	9/1/23	134,250	[2]	134,250	[2]
2311 Wilson	SOFR +1.46%[10]	3/27/27	75,000	[2,5]	75,000	[2,5]
Total Debt			1,143,341		1,118,777	
Less unamortized deferred financing fees			4,449		4,946	
Total Debt, net of unamortized deferred financing fees			1,138,892		1,113,831	
Less current portion, net of unamortized deferred financing fees [5]			197,599		136,902	
Debt obligations, net of current portion			**$ 941,293**		**$ 976,929**	

(1) Interest under the credit facility was 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. On April 13, 2023, the credit facility agreement was amended to switch from LIBOR to SOFR (note 9 below). As of June 30, 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 June 30, 2023, the SOFR rate was 5.09%, and as of December 31, 2022, the one-month LIBOR was 4.39%. In addition to changing the benchmark from LIBOR to SOFR, a credit spread adjustment of 0.1145%.

(2) The fair value of the collateral pledged to these notes was $609.0 million and $697.2 million as of June 30, 2023, and December 31, 2022, respectively.

(3) The carrying value of the Clarendon Square note payable as of June 30, 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 $0.1 million and $0.1 million, as of June 30, 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 11 - "Fair Value Measurements" for additional information.
(6) Represents the Partnership's proportionate share of the $287.3 million note encumbering 75-101 Federal.
(7) On May 3, 2022, the Partnership purchased a three-year 2.50% Term SOFR cap for $11.5 million to hedge the risk of rising interest rates on $400 million of its corporate credit facility. See note 11 - "Fair Value Measurements" for additional information.
(8) On April 13, 2023, the Partnership amended the credit facility agreement to switch LIBOR to SOFR, effective immediately.
(9) On December 22, 2022, the Partnership amended the 1700 New York Avenue loan and swap agreement to switch LIBOR to SOFR, effective June 30, 2023. In addition to changing the benchmark from LIBOR to SOFR, the associated spread of 1.50% now includes a credit spread adjustment of 0.1145%.
(10) On May 12, 2023, and June 1, 2023, The Partnership amended the loans and associated swap agreements from 2311 Wilson and 75-101 Federal Street, respectively, to switch LIBOR to Term SOFR, effective in June 2023. In addition to changing the benchmark from LIBOR to Term SOFR, the amendments includes a credit spread adjustment of 0.1145%.

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

1615 Debt Maturity

The Partnership's debt associated with 1615 L St. matures on September 1, 2023. To satisfy the outstanding balance of the note payable, The Partnership will consider working with the lender to amend the note, which could extend maturity, or listing the Property for sale. As of June 30, 2023, there has been no formal loan amendment or determination as to how the outstanding note will be satisfied.

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.

As of June 30, 2023 the Partnership had amended all LIBOR based debt to SOFR based interest including applicable swap instruments.

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 June 30, 2023 and December 31, 2022, respectively.

The Partnership has no outstanding letters of credit as of June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023, the Partnership had capacity to borrow an additional $165.5 million under the Credit Facility. Subsequent to June 30, 2023, the Partnership has not borrowed from the revolver through August 2, 2023.

Interest Expense

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

Description	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Credit facility	9,041	3,735	$ 17,335	$ 6,324
Notes payable	4,308	4,396	8,604	8,662
Distributions to redeemable non-controlling interests	568	849	1,234	1,975
Lease liabilities	1,784	1,751	3,503	3,439
Amortization of deferred financing fees	494	450	953	899
Gross interest expense	16,195	11,181	$ 31,629	$ 21,299
Capitalized interest expense				
Capitalized deferred financing fees	(9)	(38)	(13)	(78)
Capitalized interest	(173)	(356)	(312)	(619)
Total capitalized interest expense	(182)	(394)	(325)	(697)
Net interest expense	16,013	10,787	31,304	20,602

Future Maturities of Debt

For periods subsequent to June 30, 2023, scheduled annual maturities of debt outstanding as of June 30, 2023 are as follows:

Years Ending December 31,	Amount [(1)]
Remainder of 2023 [(2)]	$ 135,638
2024	127,955
2025	479,915
2026	301,860
2027	97,495
Thereafter	0
	$ 1,142,863

(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 six months ending December 31, 2023.

Net Debt reconciliation

This section shows an analysis of net debt and the movements in net debt for the six months ended June 30, 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)
Cash flows	(24,175)	440	(23,735)	(822)	(24,557)
New leases	—	(1)	(1)	—	(1)
Other changes	(885)	(1,241)	(2,126)	—	(2,126)
Net Debt, June 30 2023	$ (1,138,892)	$ (147,324)	$ (1,286,216)	$ 35,807	$ (1,250,409)

10. Financial Instruments

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

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of June 30, 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	$ 35,807	$ 35,807	Level 1
Restricted cash(1)	6,531	6,531	Level 1
Trade receivables, net	8,111	8,111	Level 3
Liabilities, including current portion			
Credit facility(2,4)	$ 634,500	$ 634,500	Level 3
Notes payable(2,4)	508,363	473,294	Level 3
Redeemable non-controlling interests(3)	49,877	49,877	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for taxes, insurance, and repairs and maintenance of $6.4 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 11 - "Fair Value Measurements" for additional information.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of December 31, 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 11 - "Fair Value Measurements" for additional information.

The fair value of indebtedness has been determined by giving consideration to one or more of the following criteria, as appropriate: (i) interest rates and/or interest rate spreads for loans of comparable quality and remaining maturity, (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.

11. Fair Value Measurements

The following assets and liabilities, measured at fair value as of June 30, 2023, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 1,634,899
Investments in properties in development[2]	—	—	—
Investment in investment property held for sale[3]	—	—	250,078
Derivative assets[1]	—	33,338	—
Total Assets	$ —	$ 33,338	$ 1,884,977

(1) See note 12 - "Derivative Instruments" for additional information.
(2) As of June 30, 2023, the Partnership wrote-off the property in development.
(3) As of June 30, 2023, The Elm is classified as held for sale. Refer to note 6 - "Assets Held for Sale" 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 12 - "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 19 - "Credit and Other Risks") the Partnership considered the potentially broad effects on the fair value measurement of the properties at June 30, 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. The Partnership has made material changes to both capitalization and discount rates as of June 30, 2023.

The following table sets forth quantitative information about the Level 3 fair value measurements as of June 30, 2023:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 1,634,899	Discounted cash flow - Income capitalization	Discount Rate	6.50 - 9.75% (7.14%)
			Exit Capitalization Rate	5.25% - 8.00% (5.86%)
Total	$ 1,634,899			

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

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			

12. Derivative Instruments

The following table summarizes the Partnership's interest rate swap and interest rate cap agreements as of June 30, 2023:

	Cash Flow Hedges	
	Interest Rate Cap(2)	Interest Rate Swaps(3)
Notional balance	$ 400,000	$ 276,830
Weighted average interest rate (1)	2.50 %	1.34 %
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 SOFR.

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 SOFR, effective June 30, 2023.

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 $3.9 million and $(3.2) million for the three and six months ended June 30, 2023, respectively, and $1.9 million and $11.7 million for the three and six months ended June 30, 2022. There was no material hedge ineffectiveness recognized during the six months ended June 30, 2023 and 2022.

During the three and six months ended June 30, 2023, the Partnership reclassified $5.4 million and $9.8 million, respectively, and $(0.1) million and $(0.8) million for the three and six months ended June 30, 2022, 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 to interest expense is shown within "Reclassification of interest rate cap included in net income" in Other Comprehensive Income (Loss). The remaining portion of the reclassification is shown in "Unrealized gain (loss) on cash flow hedges" net, in Other Comprehensive Income (Loss).

13. Non-Property General and Administrative Expenses

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Description	**2023**	**2022**	**2023**	**2022**
Personnel and compensation	$ 3,038	$ 2,554	$ 6,671	$ 6,939
Professional fees	744	820	1,854	1,950
Information technology	282	303	603	633
Other corporate	287	740	1,025	1,348
Total non-property general and administrative	$ 4,351	$ 4,417	$ 10,153	$ 10,870

14. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $5.4 million and $10.9 million for the three and six months ended June 30, 2023, respectively, and $4.3 million and $8.6 million for the three and six months ended June 30, 2022. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Company is substantially reimbursed through recovery income, amortization of deferred leasing commissions, and other non-recoverable charges including marketing and allocable overhead costs.

15. Related Party Transactions

The Partnership manages properties owned by associates and other 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 totaled $1.2 million and $2.4 million for the three and six months ended June 30, 2023, respectively, and $1.1 million and $2.3 million for the three and six months ended June 30, 2022. Construction management fees for the three and six months ended June 30, 2023 totaled $0.1 million and $0.2 million, respectively, and $0.1 million for the three and six months ended June 30, 2022 , 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 June 30, 2023 and December 31, 2022, respectively. The Partnership leases the ground under 1701 Duke property from related parties. See note 7 - "Leases" for additional information.

On May 5, 2022, a related party holder of Redeemable Non-controlling Interests in the Partnership exercised its contractual redemption right, and the Partnership executed a redemption of ownership interest in CPP totaling $60.3 million. See note 18 - "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. The partial redemption includes a 2 year lock out period for the remaining units. These units will be redeemed in April 2025. See note 18 - "Equity" for additional information.

16. 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 June 30, 2023, the Partnership had $1.0 million in performance bonds outstanding with commitment terms expiring through June 24, 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 June 30, 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 at CPP 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 $000)	Grant Date	Vest Date		Outstanding Units (in $000) (1)
2018 service units	15	Dec 2017	Mar 2021, Mar 2022		—
2018 performance units	15	Dec 2017	Mar 2021, Mar 2022	(2)	—
2019 service units	15	Dec 2018	Mar 2022, Mar 2023		—
2019 performance units	31	Dec 2018	Mar 2022, Mar 2023	(2)	—

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	16.9
2021 performance units	38	Apr 2021	Mar 2024	33.8
2022 special service units	19	Mar 2022	Mar 2025	17.4
2022 service units	27	Mar 2022	Mar 2025	24.6
2022 performance units	27	Mar 2022	Mar 2025	24.6
2023 service units	71	Jun 2023	June 2026, June 2027, June 2028	71.0
Total outstanding units				**279.3**

(1) Vesting is based on continued employment services through the vesting dates. Compensation expense will be recognized over the respective vesting periods.
(2) These units did not meet performance threshold and expired without vesting.

Vesting of performance units granted prior to 2022 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.

For the 2022 performance units, the return thresholds based on NAV were changed to 4.5% and 7.5% cumulative per annum return. The range of earnings between 75% and 125% based on linear interpolation remains the same.

A summary of the Partnership's LTIP activity during the period ended June 30, 2023 is presented below:

(in thousands)	**Total Units**
LTIP units outstanding, December 31, 2022	**$ 26,692**
LTIP unit reverse split[1]	(26,425)
LTIP units granted	71
LTIP units converted	(23)
LTIP units forfeited	(36)
LTIP units outstanding, June 30, 2023	**$ 279**

(1) See note 18 - "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 and six months ended June 30, 2023, the Company recognized $(0.3) million and $0.2 million of LTIP-related expense, of which $0.0 million was capitalized, respectively, and $0.0 million and $1.7 million of LTIP-related expense for the three and six months ended June 30, 2022, of which $0.0 million and $0.2 million was capitalized. During the three and six months ended June 30, 2023, the Company recognized $0.2 million and $0.4 million of LTIP dividend expense, respectively, and $0.2 million and $0.3 million for the three and six months ended June 30, 2022.

For the six months ended June 30, 2023 and 2022, there were 36 thousand and 1 thousand LTIP units forfeited, respectively.

17. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $0.7 million and $1.5 million for the three and six months ended June 30, 2023, respectively, and $0.8 million and $1.5 million for the three and six months ended June 30, 2022, respectively. Employee benefit expense for these officers was less than $0.1 million and $0.1 million for the three and six months ended June 30, 2023, respectively, and $0.1 million for the three and six months ended June 30, 2022. For the three and six months ended June 30, 2023 and 2022, LTIP expense was ($0.3) million and ($0.1) million, respectively, and $0.1 million and $1.2 million for the three and six months ended June 30, 2022, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

18. Equity

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 reverse stock split at a ratio of 1 unit of common shares for every 100 units outstanding.

2023 Stock Split

Effective June 30, 2023, the Partnership executed a stock split at a ratio of 1.01 units of common shares for every 1.00 unit outstanding. 313 thousand shares were issued.

Dividend Reinvestment Program ("DRIP")

As of June 30, 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 June 30, 2023, after share issuance are as follows:

Partner/Investor	2023 Units Issue	Ownership Percent
Carr Properties Corporation	294	89.93 %
Clal ENP REIT, LP	19	5.84 %
Other Investors	—	4.23 %
	313	100.00 %

Non-Controlling Interests

Certain of the non-controlling interests have redemption rights that allow them to request the redemption of their interest at 97% of the Net Asset Value per common interests in CPP. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of June 30, 2023, all redeemable non-controlling interests were determined to be current, due to the expiration of any remaining lock-out provisions, except for CP OC/Columbia LP, which partially redeemed in April 2023, and includes a 2 year lock out period for the remaining units. These units will be redeemed in April 2025. The value of current and non-current redeemable non-controlling interests were $27.7 million and $22.1 million respectively.

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 June 30, 2023 and December 31, 2022, the total value of non-redeemable non-controlling interests was $94.8 million and $114.4 million, respectively.

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

	Shares		Value
Balance, December 31, 2022	**67,961**	**$**	**70,987**
LTIP Issuances	—		—
LTIP Vesting	23		2,401
Redemptions	(126)		(12,780)
Revaluation/Other/Stock Split	(67,281)		(10,731)
Balance, June 30, 2023	**577**	**$**	**49,877**

The Partnership also maintained eight additional subsidiary REITs as of June 30, 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 six months ended June 30, 2023, the Partnership paid $1.6 million of distributions from CPP, all of which was attributable to redeemable non-controlling interests. As of June 30, 2023, the Partnership has not declared any unpaid distributions.

19. Credit and Other Risks

In early spring 2020, the outbreak of a novel strain of coronavirus (COVID-19) had adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The 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 96% and 99% of contractual rent from its tenants during the three and six months ended June 30, 2023, respectively. The Partnership continues to closely monitor tenant payments and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

During the three and six months ended June 30, 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.

20. Subsequent Events

The Partnership evaluated subsequent events through August 2, 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

Date: August 14, 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 August 14, 2023, regarding the Consolidated Financial Statements of the company as of June 30, 2023, and for the periods of six and three months ended June 30, 2023.

Respectfully,

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

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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 August 2, 2023 regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings L.P. as of June 30, 2023 and for the three-month and six-month periods ended June 30, 2023 and 2022.

PricewaterhouseCoopers LLP

August 11, 2023