AMOT TOHA1, TEL-AVIV

PERIODIC REPORT 2023

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

PERIODIC REPORT 2023

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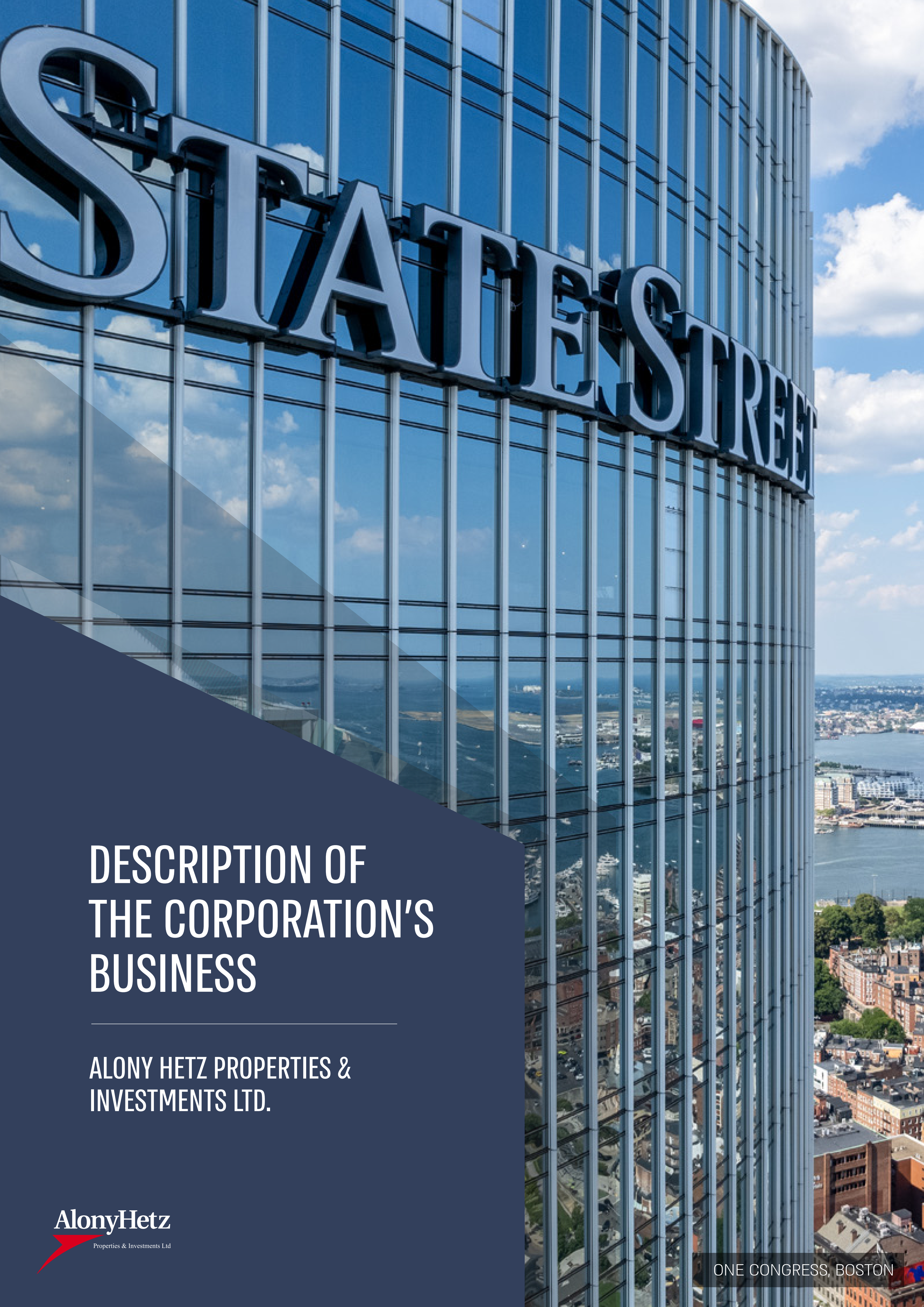
AlonyHetz
Properties & Investments Ltd



ONE CONGRESS, BOSTON

DESCRIPTION OF THE CORPORATION'S BUSINESS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

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

1. The Corporation's activity and a description of its business development

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

The Company does not have a controlling shareholder.

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

2. Area of activity

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

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

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

2.1 The following is a description of the Group's main holdings as of December 31, 2023

Main investments in the income-generating property segment:

Activity in Israel

Holdings of 51.1% in Amot Investments Ltd. (hereinafter - "**Amot**"). Amot is a public company listed for trading on the Tel Aviv Stock Exchange Ltd. (the "**TASE**") that operates directly and indirectly through corporations under its control, renting, managing and maintaining income-generating properties in Israel, as well as initiating, developing and establishing real estate for rental purposes. Amot owns, directly and indirectly, property that includes office buildings, logistics and industry, malls and commercial centers, supermarkets and others. Immediately prior to the publication of this report, the Company's stake in Amot is 51.1%. For additional information regarding Amot, see Chapter B below.

Activity in the United States

Carr - 47.7% holdings in the capital of Carr Properties (hereinafter - "**Carr**") and 50% in the control, a private income-generating property company (REIT) whose assets are located in the Washington D.C. area, in Boston, Massachusetts and in Austin, Texas. Carr engages directly and indirectly, through wholly or partly owned companies, in investments in income-generating properties for rental purposes, including the management and maintenance of office buildings under its ownership in the Washington D.C. and Boston metropolitan areas, and in Austin, Texas, as well as in the initiation, development and establishment of real estate for rental purposes in those areas.[1] For additional information on Carr see Chapter c1 below.

AH Boston - Holdings of 55% in the capital and 50% in the control of three property companies in the Boston metropolitan area, two of in the Boston Central Business District (CBD) and one in East Cambridge. 2 For additional information on the investment in the Boston properties through the three property companies, see Chapter c2 below.

1 The holding in Carr is through joint control with an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter - "**JPM**").
2 The holding is through joint control with Oxford, which holds the remaining rights in the assets. Oxford is the real estate branch of OMERS (the Ontario Municipal Employees Retirement System).

Activity in the UK

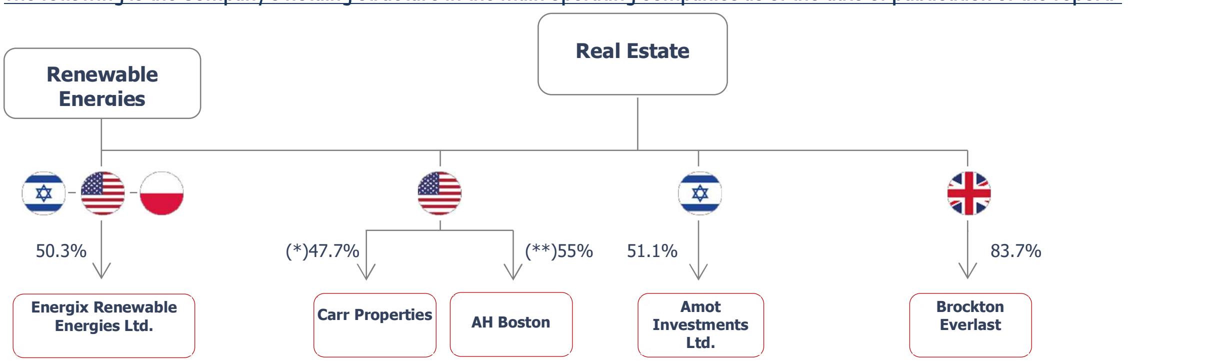
Holdings of 83.4% in Brockton Everlast Inc. ("**BE**"), a private company that engages directly and indirectly through corporations under its control, in the leasing, management and maintenance of income-generating properties, as well as in the initiation and development of income-generating property for rental purposes in the London metropolitan area, Cambridge and Oxford in the UK. Close to the date of publication of this report, the Company's holding is 83.7%. For information regarding the investment in properties in London, Cambridge and Oxford, see Chapter D below and Notes 4b, 4c and 6d to the financial statements.

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

Renewable Energy Investments:

Holdings of 50.3% in Energix Renewable Energies Ltd. (hereinafter - "**Energix**"), a public company whose shares are listed for trading on the stock exchange. Energix engages in the planning, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix operates in Israel, Poland and the United States. The Company's holding rate in Energix close to the date of publication of the report is 50.3%. For additional information regarding Energix, see Chapter E below.

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

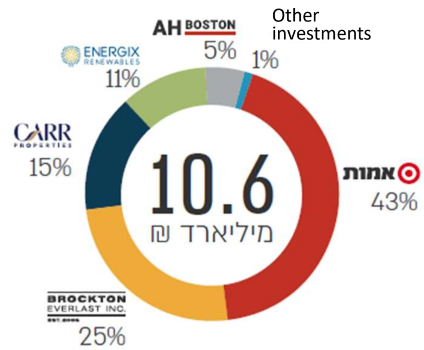


* The Company and JP Morgan (through SSPF Investment Fund, managed by JP Morgan) have joint control in Carr.

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

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

The following are the Company's main investments[4] (expanded solo)[5] as of December 31, 2023:



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

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

The following is the amount of investments (realizations) carried out by the Company (expanded solo) in the main investees in the field of income-generating property in the years 2021-2023 (in NIS millions):

Year		2023	2022	2021	Total 2021-2023
Investment in Amot	(1)	(220)	159	288	**227**
Investment in BE	(2)	274	487	671	**1432**
Investment in Carr	(3)		202	-	**202**
Investment in AH Boston		51	57	39	**147**
Investment in PSP	(4)	-	-	(216)	**(216)**

(1) In the years 2021-2023, the amount of the Group's investments in income-generating property and in land for development in Israel through Amot (not including real estate revaluations) increased by approx. NIS 3.7 billion. For additional information see Section 4 of Chapter B below.

(2) In the years 2021-2023, the amount of the Group's net investments in income-generating property in the UK (through BE) (not including property revaluations) increased by approx. GBP 0.5 billion. For additional information, see Sections 4 and 5 of Chapter D below. In 2023, including the conversion of a bridging loan into capital in the amount of GBP 85 million.

(3) In the years 2021-2023, the change in the amount of the Group's investments in income-generating property and in land for development in Washington D.C., in Boston and in Austin, Texas (through Carr) (not including property revaluations and net of realizations) was in an insignificant amount. For additional information, see Sections 4 and 5 in Chapter c1 below.

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

(5) In 2023, the Group recorded net losses from property revaluations, in which the Company's share (after tax) amounts to NIS 2.6 billion (in 2022 - the Company recorded losses from property revaluations, in which the Company's share (after tax) was NIS 0.8 billion). For additional information, see Section 2.3.3 of the Board of Directors' Report.

For a summary of the Group's main data for the years 2021-2023, see Section 1.6 of the Board of Directors' Report.

4 Not including cash.

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

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

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

Energix Renewable Energies Ltd.	
Date (year):	**Investment amount (in NIS millions):**
2021	-
2022	204
2023	-

In the years 2021-2023, Energix strengthened and expanded its activities and increased its portfolio of projects in all three of its activity locations - Israel, Poland and the United States. For information regarding Energix's business development in 2023, see Chapter E below.

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

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

4. Distribution of Dividends

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

For additional information regarding the Company's dividend policy, for details regarding the amounts of dividends distributed by the Company in the reporting periods and for the balance of the distributable profits as of December 31, 2023 - see Note 16d to the financial statements.

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

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

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

	31.12.2023		31.12.2022	
	NIS thousands	%	NIS thousands	%
Israel - investment in Amot	4,506,094	48	4,698,814	40
UK - Brockton Everlast	2,656,530	28	3,169,275	27
USA - Investment in Carr	1,568,555	17	2,844,673	25
USA - Investment in AH Boston	525,811	5	756,482	7
UK - Investment in Brockton Funds	165,382	2	157,639	1
Other	9,932	-	-	-
Total *	**9,432,304**	**100**	**11,626,883**	**100**

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

	31.12.2023		31.12.2022	
	NIS thousands	%	NIS thousands	%
Israel - Investment property (including property in development) *	19,363,069	72	18,666,208	67
UK - Investment property in Brockton Everlast *	4,980,037	19	5,562,252	20
USA - Investment in Carr	1,568,555	6	2,844,673	10
USA - Investment in AH Boston	525,811	2	756,482	3
UK - Investment in Brockton Funds	222,219	1	216,233	1
Other	-	-	-	-
Total **	**26,659,691**	**100**	**28,045,848**	**100**

(*) The balances presented above do not include cash, deposits and tradable securities, which, as of December 31, 2022, amounted to NIS 2.9 billion (consolidated) and NIS 1.0 billion (expanded solo), and as of December 31, 2022, they amounted to NIS 2.3 billion (consolidated) and NIS 409 million (expanded solo).
(**) Including investment in real estate companies held by Amot and/or by BE and which are presented in the consolidated financial statements using the equity method.

5.3 Information regarding investments in the renewable energies segment

Energix engages, by itself and through subsidiaries and partnerships under its full control or under joint control, in the initiation, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources and in 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.
As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 1,279 MW in commercially operated projects, approx. 533 MW in projects in development or pre-construction, approx. 473 MW in projects in advanced initiation stages, approx. 6.3 GW in projects in the initiation stage,[6] approx. 318 MWh in storage projects in the development stage and pre-construction, approx. 136 MWh in storage projects in advanced initiation stages and approx. 7 GWh in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 7.6 billion - for details, see Chapter E below.
The balance of the Company's investment (expanded solo) in Energix as of December 31, 2023 is NIS 1,151 million.

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

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

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

	31.12.2023		31.12.2022	
	NIS thousands	**%**	**NIS thousands**	**%**
Israel	2,409,211	30	1,897,076	37
Poland	1,741,500	21	1,518,532	30
USA	3,948,365	49	1,698,632	33
Total	**8,099,076**	**100**	**5,114,240**	**100**

	31.12.2023		31.12.2022	
	NIS thousands	**%**	**NIS thousands**	**%**
Photo-voltaic systems	3,697,256	49	1,850,700	39
Wind farm	1,519,478	20	1,059,428	22
Projects in development	2,370,899	31	1,813,125	38
Total	**7,587,633**	**100**	**4,723,253**	**100**
Right-of-use asset and others	511,443		390,987	
	8,099,076		**5,114,240**	

For additional information regarding Energix, see Chapter E below.

5.4 Result data based on the Consolidated Statement of Income

See Section 2.5.2 of the Board of Directors' Report.

5.5 Result data based on the Expanded Solo Statement of Income

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

6. General environment and impact of external factors - General [7]

General

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

During 2023, central banks slowed down the rate of interest rate increases and some even started reducing interest rates (Israel reduced by 0.25% from a level of 4.75% and Poland reduced approx. 1% from a level of 6.75%), and now it seems that the cycle of interest rate hikes has come to an end, among other things, against the backdrop of continuing moderation in inflation. However, even at the end of 2023, inflation levels in the main blocs remained higher than the main central banks' targets mainly due to the continued influence of demand pressures in the service industries. Despite the halt in the rate of interest rate increases in most regions as mentioned, the interest rate remains high, which affects the financing expenses of the Group companies both in the income-generating property segment and in the renewable energy segment.

Economic activity moderated in the leading countries as weakness in the global industrial sector and world trade continued in the background.

In the capital markets and around the world, the leading stock indices recorded sharp increases led by the large technology stocks. However, trade was characterized by volatility in the setting of high uncertainty that resulted, among other things, from the continuation of a tightening monetary policy and fear of its consequences on real and financial activity.

According to the Bank of Israel, based on a forecast compiled by international institutions, the GDP in developed economies grew by 1.3% in 2023 and is expected to grow by 0.8% and 1.5% in 2024 and 2025, respectively. Inflation forecasts in the developed markets were updated to 2.3% and 2.2%, respectively, compared to an increase in inflation at a rate of 3.1% in 2023.

Foreign exchange rates - During 2023, the NIS exchange rate recorded high volatility, and during the first three quarters, due to the legal reform, a significant devaluation was recorded against the currency basket and against the USD in particular, and then due to the Iron Swords War, there was another sharp devaluation and its rate reached a level of over NSI 4.0. Towards the end of 2023 and until the date of the report, the value of the USD fell sharply back to levels of approx. NIS 3.6. The changes in the USD and GBP exchange rates have a significant effect on the value of the Company's holdings and on the value of derivatives.

As of the date of the report, the strengthening of the PLN against the NIS is evident. The strengthening of the PLN and the USD has a positive effect on Energix's results since more than half of Energix's revenues and net profit are in the PLN currency.

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

1. Demand for office space -

Economic environment - Uncertainty regarding various factors in the economic environment (with an emphasis on the rate of increase in inflation, the level of interest and the employment rate), including geopolitical risks in the various regions, led to the continuation of streamlining measures by tenants that were reflected, among other things, in the shortening of rental periods, a reduction in the amount of demand for space and multiple sublets.

"Work from home" - As a continuation of the trend of working from home which began during the Corona crisis, the phenomenon of switching to hybrid work has intensified and in most markets, employees have returned to work in offices on some days of the week. In some cases, there is a shift from an office configuration where each employee is assigned his own dedicated desk to a configuration of shared desks ("Office Hoteling"). In the midst of the Corona pandemic, a forecast was published by the consulting company Green Street according to which hybrid work should reduce the rate of active demand for office space by approx. 15% and as a result increase the rate of vacant space while creating pressure to lower rental prices and increase incentive packages offered to tenants (a "Tenant Improvements" adjustment budget and a "Free Rent Period"). The effect of the above is felt in the United States and in Europe and is expected to continue in the coming years.

Flexible offices - Based on a study by the real estate consulting firm JLL, from the beginning of 2023, the penetration of this area is increasing in the United States, which includes, among other things, "Co-Working" space, external management of offices where company headquarters are located and furnished rental space for very short periods ("Spec Suites"). According to the aforementioned

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7 Sources of information in this section:

1. Bank of Israel - Research Division Macroeconomic Forecast, January 2024
2. Bank of Israel - Monetary Policy Report, H2/2023, January 2024.
3. Bank of Israel - Financial Stability Report - H2/2023, January 2024.

study, this area will constitute 30% of all office space in the United States in 2030, compared to 5% at present.

Flight to quality - In recent years, there is increasing demand for modern "Trophy" type buildings with access to transportation based on mass transit systems. The environmental conditions in these towers correspond to the companies' need to operate in places that meet the desires of employees in terms of living conditions. This need is combined with the growing understanding of the importance of the value of environmental sustainability, which has become a key measure in the set of considerations of a growing number of companies to move to office spaces located in buildings with modern environmental quality standards. Although the rent in these buildings is absolutely higher than in buildings built in past generations, the occupancy rate in the trophy buildings exceeds that in Class B and Class C type buildings. Over the coming years, significant parts of the generation of old buildings that cannot be renovated may be evacuated and removed from the office inventory and may be demolished for the construction of new office buildings (in some cases for other uses).

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

Technology segment - In recent years, the high-tech sector has the most important engine creating demand for office space. The increases in interest rates have led to a slowdown and have considerably reduced the active demand for office space on the part of the technology companies, whose ability to raise funds from the capital markets has been reduced, and who are required to make downsizing moves. The global economic slowdown has led most of these companies to rethink their internal plans, which were originally the catalyst for demand. Some of those companies decided to offer surplus space through subleasing which caused prices to drop.

2. Financing and asset value -

Credit crunch - In the United States and Europe there has been a significant reduction in the activity of providing new credit to the income-generating property sector in general and to the office sector in particular due to the central banks' directive regarding the creation of safety cushions in preparation for a recession. The combination of this phenomenon with the series of interest rate increases that took place during 2022-2023 led to a credit crunch, which resulted in increased difficulty finding sources of credit for the purpose of paying off existing debts or for making investments in the acquisition of buildings and entrepreneurial activity. This phenomenon led, among other things, to substantial decreases in investment volumes.

Financial covenants for borrowers - Towards the end of 2022, a trend has developed in the United States and Europe involving an increase in the number of borrowers who have become in violation of financial covenants (either due to a deviation in the interest coverage ratio or as a result of an increase in leverage ratios), including delays in interest payment dates and principal repayment due to a lack of adequate financial capacity. In many cases the borrowers were required to provide additional equity, put assets up for sale at high discount rates (sometimes while providing "Seller Financing") or hand them over to the lenders. In some cases, the total amount of toxic loans exceeded the reserves kept by the banks to cover losses. At the same time, the financial systems' regulators increased the call to the commercial banks to reduce their exposure to income-generating property while instructing them to allocate defensive capital at appropriate rates for the creation of appropriate reserves. These guidelines intensified the credit crunch in Western markets.

CAP rate - Starting in the middle of 2022, there has been a decrease in the value of properties in the real markets in the United States and Europe. Appraisal companies increased the discount rates in view of the increase and the high volatility in long-term risk-free interest rates while lowering the NOI forecasts [Market Leasing Assumptions] in some cases. Since the outbreak of the Corona pandemic, the yield has decreased on shares in office investment funds by dozens of percents and they are traded at discount rates ranging on average from 30% in the UK to 20% in the United States.

The Company expects that all the above factors will lead to the continuation of the trend of decreases in the value of the income-generating properties in the United States and in the UK also during 2024.

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

1. **Israel** -

In October 2021, the Ministry of Energy published a roadmap for a low-carbon economy in which it set an overarching target of reducing greenhouse gases from the energy sector by a rate 80% by 2050, compared to 2015. According to Government Decision no. 65, by 2030, 30% of the electricity generation will be from renewable energy, and an interim target of 20% of total electricity consumption was set for 2025. The total capacity required to meet the interim target is 9.6 GW, while as of the end of 2023, the total installed capacity in renewable energies in Israel is 5.9 GW. In 2022, 10.1% of the total energy consumed in Israel came from renewable sources.

In accordance with the government's decision, a series of decisions were adopted which include, among others, the following decisions: In accordance with the Electricity Authority's decision regarding a market model for generation and storage facilities in the distribution network, starting in 2024 it will be possible to associate generation facilities with a private supplier; in November 2023, the chapter on energy storage facilities in the National Outline Plan was approved, which regulates the planning and approval procedures for the facilities. In June 2023, the National Council decided to increase the quota for ground facilities in order to meet the 30% target of renewable energies by 2030. In December 2023, the management of the Israel Land Authority determined uniform prices to be paid to the Israel Land Authority for solar projects; in November 2023, following the outbreak of the Iron Swords War, the Israel Land Administration approved a temporary order allowing the expansion of employment quotas and the allocation of land to agricultural settlements in the conflict line areas.

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

The Iron Swords War - The War may have macroeconomic consequences, including an effect on an increase in the CPI resulting from a shortage of workers, the weakening of the NIS against foreign currencies, an increase in interest rates (or the avoidance of lowering interest rates) as part of a restrictive monetary policy or consequences resulting from the downgrading of Israel's credit rating. Meanwhile, as of the date of approval of the report, it appears that these measures are stable or have moderated, and therefore do not materially affect Energix. In addition, the War is expected to have an effect on the extension of construction schedules for Energix's wind and photovoltaic energy projects in Israel, and accordingly on the timing of the start of the sale of electricity from these facilities.

2. **United States** -

The United States is one of the world leaders in the generation of electricity from renewable energies, and is ranked as the second country in the world after China, with the highest installed capacity of renewable energy facilities.. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. It is estimated that in 2023, approx. 32 GW of solar facilities were added and the total number of new wind facilities in 2023 was more than 10 GW.

The increase in renewable energies may gain further momentum in view of the desire to develop and integrate new technologies for storage and network balancing. Energy storage is considered a developing field in the United States. As of the end of 2022, there are approx. 8.7 GWh of large (utility scale) storage facilities operating in the US and it benefits from supportive regulation. According to forecasts, the storage sector is expected to gain significant momentum in the coming years, and by 2025 the storage capacity in the US will more than triple, and reach up to approx. 30 GW.

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

Continuation of the growth trend in the demand for green electricity in the United States - During the reporting period and up to the date of approval of the report, the growth trend in the demand for green electricity continued, with an emphasis on the United States. Energix estimates that this trend may generate opportunities for Energix in significant business collaborations with leading entities, to promote Energix's activities in the United States, which are being examined by the Company.

3. **Poland** -

The electricity market in Poland is a developed market and includes four main local electricity grid administrators (owners of the distribution network in the areas of electricity-generation) that are controlled by the Polish government, and an electricity exchange, in which many other players operate. In February 2021, the Energy Policy Plan for 2040 was approved in Poland, which determined that the rate of electricity generation in coal-based facilities will decrease from 78% in 2017 to less than only 56% by 2030. During 2023, the renewable energies market in Poland continued to grow at a fast rate, and at the end of 2023, the installed capacity of photovoltaic facilities in Poland was approx. 17 GW and of wind facilities approx.10 GW.

In addition, 2022 was a turning point in the development of the electricity storage market in Poland when, for the first time, electricity storage projects won availability agreements in tenders, following a regulatory change that limits polluting technologies from participating in the availability tender. This trend continued even more intensely in 2023 when, in the availability tender, the rate of storage was approx. 24% of the total winning capacity (compared to approx. 3% in 2022).

Elections in Poland - During the reporting period, elections were held in Poland and a new liberal government was established with a policy supporting renewable energies. According to publications on behalf of the new government, it intends to act to amend existing laws to strengthen and incentivize the renewable energy market in Poland. Together with significant geopolitical changes that have taken place in Europe and stabilization in macro data, these lead to the expectation of continued rapid growth in the renewable energy market in Poland during 2024.

Moderation of the increase in electricity prices: During the reporting period, and concurrently with the temporary legislation that set an electricity price ceiling that was in effect in Poland during the reporting period, there is a noticeable decrease in electricity prices in Poland. At the same time, in view of the high electricity prices that prevailed in Poland during 2022 and the fact that Energix knew how to take advantage of the high electricity prices and entered into electricity price-fixing transactions for 2024 in relation to 72% of the expected electricity generation, Energix's revenues from the sale of electricity in Poland during 2024 are expected to be significantly higher than electricity prices in the market.

The Group's assessments:

For information regarding the list of risk factors that affect the Group's business results and asset value, see Section 4 of the Board of Directors' Report.

According to the assessment of the Company's management, its financial strength and that of all the Group companies (Amot, Energix, Carr, and Brockton Everlast) as well as the quality of their properties, with emphasis on "Flight to Quality", the mix of tenants and their rating, the average duration of the lease agreements, the fixing of electricity prices and interest-hedging transactions will enable them to face the above challenges.

According to the assessment of the Company's management, the status of the Group's liquidity, cash balance and credit facilities, the average duration of its debts, the high rate of fixed interest, including through hedging transactions) leverage level, current cash flows and access to bank credit and to the capital market will enable it to continue its operations and meet its obligations. Regarding the Group's liquidity, its unencumbered assets and its financial debt, see Section 2.4 to the Board of Directors' Report.

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

B. Investments in Israel - Amot Investments Ltd.

1. General Information regarding Amot

As of December 31, 2023, the Company holds 51.1% of Amot's capital.

In 2023, the Company sold approx. 12 million Amot shares in an off-exchange transaction for a consideration of approx. NIS 220 million.

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

Amot's income-generating properties in Israel, owned or leased, as of December 31, 2023, include 114 income-generating properties[8] with a total area of 1.85 million sq.m. (Amot's share), of which 1.15 million sq.m. are above-ground rental areas and 0.7 million sq.m. are open storage and parking. In addition, Amot has 6 projects in advanced planning and construction stages amounting to 218 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiating stages amounting to 56 sq.m. above-ground (Amot's share).

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

The total fair value of Amot's assets as of December 31, 2023 is approx. NIS 19.7 billion, of which the fair value of income-generating property as of December 31, 2023 (not including assets in development) is NIS 16.9 billion and the occupancy rate as of that date was 93.4%[9]. In addition, Amot holds investment property in development and rights in land designated for development at a fair value of NIS 2.8 billion.

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

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

Regarding dividends received by the Company from Amot in the reporting period and dividend receipts projected for 2024 - see Section 2.3.9 of the Board of Directors' Report.

8 As of this financial statement, Amot's assets are presented by complex rather than by individual asset.
9 The occupancy rate, not including properties occupied for the first time, is 96.1%.

2. General Environment and Impact of External Factors - Israel[10]

All references appearing in this section below regarding the Company's estimates related to future developments in the general environment in which Amot operates and in external factors that affect its activities are considered forward-looking information as defined in Section 32A of the Securities Law, 1986, which are not under the Company's control and which are uncertain and based on information sources noted by the Company.

2023 was one of the most complex and challenging years for the Israeli economy. It began with political struggles surrounding the government's attempt to promote a plan to make fundamental changes in the Israeli legal system (the "**legal reform**"), moves that led to a deep rift in Israeli society and contributed to a significant increase in uncertainty in the Israeli economy, and continued with the events of the terrible brutal massacre by the terrorist organization Hamas, which occurred on October 7, 2023, and in the difficult war that followed and continues to this day (the "**Iron Swords War**" or the "**War**"). The realization of the extreme scenario of a geopolitical shock did not result in damage to the financial stability of the Israeli economy. This is, among other things, against the backdrop of the high standards of regulation until the outbreak of the War, and owing to the preventive measures taken by the Bank of Israel at the beginning of the event and the government's aid outlines.

Until the outbreak of the Iron Swords War, the Bank of Israel's monetary policy operated in an environment of a devaluation trend in the NIS due to the increasing uncertainty regarding the effects of the legislative proposals surrounding the legal reform on the economy, alongside higher than target inflation. From May 2023 until the end of 2023, the Bank of Israel left the interest rate unchanged at a restrictive level of 4.75%. Against the backdrop of the War, the monetary policy first focused on stabilizing the financial markets, in particular the foreign exchange market and reducing this uncertainty, alongside the maintaining of price stability and support for economic activity. With the outbreak of the War, Israel's risk premium rose sharply, and the NIS depreciated against the USD and the EUR. To moderate the fluctuations in the NIS exchange rate and provide the liquidity required for the continuation of regular market activity, the Bank of Israel announced a plan to sell foreign currency in the amount of up to USD 30 billion. As part of this plan, the Bank of Israel sold USD 8.5 billion until the end of 2023. At the beginning of November 2023, the trend reversed, and the NIS began a significant appreciation trend. This trend continues, so that as of the date of this report, the NIS is at its level before the outbreak of the War.

The War hit the economy, and this was reflected in the drop in the GDP at a rate of 19.4% in the fourth quarter of 2023. The data in the last quarter, which was one of the most difficult in the Israeli economy ever, had a negative effect on the performance of the entire Israeli economy in 2023. While the early forecast was for a growth of 3.4% (compared to 2022), the actual growth in 2023 only reached 2%.

With the outbreak of the Iron Swords War, its effects were evident in both supply and demand: a decrease in current consumption; the absence of workers from the workplace due to recruitment into the reserves and the closing of educational institutions; significant damage to the construction and agricultural sectors, as well as to the tourism, entertainment and leisure sectors. The supply limitations, along with the significant drop in demand at the beginning of the War, were reflected in the decrease in private consumption and a significant drop in revenue in the business sector. Later, there was a recovery in activity. Credit card spending has returned to its normal level, and the level of mobility in the economy has greatly improved. The Central Bureau of Statistics flash surveys also indicated a significant improvement in employment in all the sectors examined, especially with the reopening of the education system. In addition, there was a recovery in the rate of job vacancies in some branches of the economy, which dropped significantly with the outbreak of the War.

Against the backdrop of the War, the deficit in the government budget increased in 2023 and amounted to 4.2% of GDP, compared to a surplus of 0.6% of GDP in 2022. The deficit in the updated budget for 2024 is expected to be 6.6% of GDP and the debt-to-GDP ratio is expected to increase to 66% at the end of 2024, compared to a rate of approx. 60% on the eve of the War. The costs of the War, alongside the defense and civilian expenses and the loss of income, are estimated by the Bank of Israel at more than NIS 200 billion. At the beginning of 2024, the government approved the updated state budget for 2024, which includes budgetary adjustments in the amount of NIS 17 billion for 2024 and 2025. However, the significant expected increase in expenses, even after the adjustments, may create inflationary pressures in the short-medium term.

On January 1, 2024, the Monetary Committee of the Bank of Israel decided to reduce the interest rate by 0.25 percentage points, to 4.5%. After the decision, the December 2023 CPI was published, which showed that the inflation rate was 3.3% in 2023. This means that the inflation rate falls within the price stability target determined in the Bank of Israel Law.

The international credit rating agencies responded to the increase in Israel's economic risk and Moody's announced, for the first time ever, the downgrading of Israel's credit rating and placing it under "Negative Rating Watch" which means that in the event of a worsening

10 Sources of information in this section:
Bank of Israel - Research Division Macroeconomic Forecast, January 2024.
Bank of Israel - Monetary Policy Report, H2/2023, January 2024.
Central Bureau of Statistics - Data from the Labor Force Survey for December, Q4 and 2023.
Office Market Review H2-2023 Inter Israel.

of the situation, there may be another downgrade.

The uncertainty is still very great and any development, such as the opening of additional combat arenas or the continuation of the War, could affect and change the existing forecasts as of the date of this report. In addition, it should be taken into consideration that the Bank of Israel's estimates are based on the assumption that the direct impact of the War on the economy will continue into 2024 with decreasing intensity, and that the majority of the fighting will be at the front against the terrorist organizations in Gaza. The development of the War into additional arenas currently has a lower probability, but the probability exists and if it materializes, it will have effects on all macroeconomic variables.

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

		Israel		
For the year ended	**Units**	**31.12.2023**	**31.12.2022**	**31.12.2021**
Macroeconomic parameters				
GDP (PPP)	USD Billions	537	502	441
Per capita GDP (PPP)	USD	54,771	51,990	46,643
GDP growth rate (PPP)	%	6.93%	13.93%	14.26%
Per capita GDP growth rate (PPP)	%	5.35%	11.46%	12.28%
Inflation rate	%	2.96%	5.26%	2.8%
Yield on long-term domestic government debt	%	3.95%	2.62%	1.12%
Rating of long-term government debt	-	AA-/A1	AA-/A1	AA-/A1
Unemployment rate	%	3.1%	4.1%	4.0%

The real estate sector

According to the office market review carried out by Inter Israel, the Israeli partner of Cushman & Wakefield, there were price decreases in rental fees in Tel Aviv in the second half of 2023. A moderate decrease in rental fees was recorded on Sderot Rothschild and Shaul Hamelech. Menachem Begin Street had a more pronounced decrease, mainly due to the sharp increases there in the two years preceding the outbreak of the War. Yigal Alon Street and the Diamond Exchange area in Ramat Gan and Ramat HaHayal also showed decreases, but not as sharp, indicating a more stable market. Overall, these decreases were affected by macroeconomic changes and weakness in domestic demand, in addition to the War.

As in other parts of the country, the office market in the employment cities surrounding Tel Aviv also experienced a decrease in rental fees due to the economic consequences, which continued to cool the demand in the Gush Dan employment areas.

The light rail, which is a revolution in intercity transportation, commenced operation in August 2023. The light rail is expected to become a catalyst for growth, motivating economic activity and creating new job opportunities, as well as capital investments in Tel Aviv and the surrounding sub-markets. The future light rail system is expected to connect all the cities surrounding Tel Aviv, with Tel Aviv serving as the project's central anchor and making the dense work areas accessible. Following the future joining of the light rail purple and green lines, a wider transportation network will be created that will make the "Tel Aviv suburbs" accessible to a greater population, which is expected to increase demand and strengthen the economy.

Approx. 80% of the industrial and logistics centers in Israel are strategically located near major transportation access roads - Routes 6, 4, 2 and 40. In 2026, a huge national project for the construction of the eastern Israel Railways track, which includes the construction of a section with a length of approx. 65 km., will be completed. New stations will also be built on that route. The track will connect the north of the country to the center near Route 6. The approval of plans to increase building rights for industry, including logistics, together with the lack of vacant land, has caused the price of land for logistics and industry to continue to rise, and it amounts to approx. NIS 12 million per dunam in the areas adjacent to the route.

11 In this table, unless otherwise stated, the source of the data is the IMF - World Economic Outlook Database from October 2023. Data for 2023 are estimated data; inflation data in Israel as of the last day of each year from the Central Bureau of Statistics website CBS.GOV.IL; data on the nominal rate of return on long-term government debt in Israel refers to 10-year bonds. The source of the data on the stats.oecd.org website is based on data transmitted from the Bank of Israel; long-term Israeli government debt rating data is based on Moody's and Standard & Poor's publications; Unemployment rate data are based on the Central Bureau of Statistics website (the unemployment rate from the total population aged 15 and over, adjusted for seasonality).

3. Financial information regarding Amot's activity

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

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

	Unit of Measurement	2023	2022	2021
Number of properties	Unit	114	114	112
Value of investment property (not including property in self-construction)	NIS thousands	16,730,765	16,521,806	14,678,447
Weighted discount rate derived from investment property	%	6.30	6.20	6.08
Occupancy rate at end of period	%	93.4	94.4	98.0
Value of investment property in development	NIS thousands	2,757,003	2,340,645	2,447,443
Equity	NIS thousands	8,837,612	8,775,538	7,600,588
Ratio of net financial debt to total balance sheet	%	44.0	41.9	42.9
Revenues from rent and management fees	NIS thousands	1,150,579	1,063,905	873,827
Fair value adjustments of investment property	NIS thousands	251,337	1,000,840	748,014
NOI	NIS thousands	1,004,406	930,996	779,818
From identical properties - NOI (*)	NIS thousands	891,552	844,374	764,618
FFO (**)	NIS thousands	802,513	743,211	582,965
Net profit	NIS thousands	682,607	1,171,146	932,189
FFO per share	NIS	1,707	1,604	1,389
Ordinary dividend per share	NIS	1.08	1.06	1.00
NAV per share	NIS	18.78	18.68	17.17
NNAV per share	NIS	22.64	22.35	20.63
Share price at end of period	NIS	20.00	20.65	25.28
Company's share in Amot's NOI				
NOI - Corporation's share	NIS thousands	537,855	502,098	440,718
From identical properties, Corporation's share - NOI	NIS thousands	477,283	444,670	393,012

(*) The results for 2023 include the effect of a one-time expense and the effect of the Iron Swords War reliefs, which resulted in a loss of income in the amount of approx. NIS 6 million.
The results for 2021 are presented after the Corona relief given by Amot.

(**) The FFO presented in this report above and below is in accordance with the management's approach. In this regard, see Section 2.5.1 of the Board of Directors' Report.

4. Information regarding Amot's assets

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

4.1 Information regarding Amot's assets, by use:

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

Uses	31.12.2023	% of total area	31.12.2022	% of total area
Offices	447,142	39%	447,142	39%
Logistics and industry	503,034	44%	503,034	44%
Commercial centers	130,012	11%	130,012	11%
Supermarkets	37,694	3%	37,694	3%
Others	23,553	2%	23,553	2%
Total above-ground area	**1,141,435**	**100%**	**1,141,435**	**100%**
Open storage area	96,870		96,870	
Parking area	606,360		606,360	
Total area (*)(**)(***)	**1,844,665**	**100%**	**1,844,665**	**100%**
Total Company share in above-ground area according to rate of holdings at end of period	**583,730**		**598,534**	

(*) The table includes data regarding assets held for sale.

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

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

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

Uses	31.12.2023	% of total area	31.12.2022	% of total area
Offices	8,333,620	49%	8,134,291	49%
Logistics and industry	4,718,648	28%	4,593,422	28%
Commercial centers	2,785,325	16%	2,765,192	17%
Supermarkets	805,650	5%	771,114	5%
Others	265,347	2%	257,862	2%
Total (*)(**)(***)	**16,908,590**	**100%**	**16,521,881**	**100%**
Total Company share of fair value according to rate of holdings for the period	**8,647,053**		**8,941,268**	

(*) The table includes data regarding assets held for sale.

(**) Of that amount in 2023 and 2022, properties valued at NIS 575 million and NIS 566 million, respectively, belong to jointly controlled companies presented according to the equity method in the financial statement.

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

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

Uses	2023	% of total NOI	2022	% of total NOI	2021	% of total NOI
Offices	493,863	49%	449,221	48%	389,666	50%
Logistics and industry	270,235	27%	248,044	27%	185,244	24%
Commercial centers	181,566	18%	174,749	19%	149,174	19%
Supermarkets	49,271	5%	47,070	5%	45,189	6%
Others	18,055	2%	16,499	2%	13,440	2%
Total (*)(**)(***)	**1,012,990**	**100%**	**935,583**	**100%**	**782,713**	**100%**
Total Company share in NOI according to rate of holdings in the period	**537,948**		**504,572**		**442,354**	

(*) The table includes data regarding assets held for sale.

(**) The data does not include non-attributable expenses in the amount of NIS 9 million in 2023 and approx. NIS 5 million in 2022 and 2021.

(***) Of the above, NOI in the amount of approx. NIS 37 million in 2023 and NIS 32 million in 2023 and 2022 belong to jointly controlled companies presented according to the equity method in the financial statement.

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

Uses	2023	2022	2021
Offices	119,908	468,569	245,573
Logistics and industry	100,431	279,935	364,373
Commercial centers	9,261	72,827	72,894
Supermarkets	19,219	42,417	21,019
Others	7,454	19,615	2,477
Transaction costs in respect of the purchase of new properties	(3,000)	-	(97,463)
Total (*)(**)(***)	**253,273**	**883,363**	**608,873**
Adjustment of the value of properties in development and others	(1,936)	117,477	139,141
Total	**251,337**	**1,000,840**	**748,014**
Total Company share of revaluation profits/losses (not including property in development) according to rate of holdings for the period	**134,115**	**476,070**	**340,933**

(*) The table includes data regarding assets held for sale.

(**) Of the above, a revaluation profit of NIS 7 million in 2023, NIS 20 million in 2022 and NIS 5 million in 2021 belong to jointly controlled companies presented according to the equity method in the financial statement.

(***) Revaluation profits in 2023 in the amount of NIS 251 million compared to NIS 1,001 million (including amortization of transaction costs) in 2022. The change is due to lower linkage differences in 2023 compared to 2022 (3.3% in 2023 compared to 5.3% in 2022) and an increase in the Company's weighted discount rate.

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

Uses	2023	2022
Offices	100	94
Logistics and industry	44	41
Commercial centers	120	114
Supermarkets	109	104
Others	64	58

* The table includes assets held for sale.
Calculated based on revenues only from rental fees, not including parking and management fees.
Calculated based on the full area of the properties less average vacant areas.
Calculated based on the standardization of average rental fees from properties acquired during the year.
The results for 2023 include the effect of the Iron Swords War reliefs, which resulted in a loss of income in the amount of approx. NIS 6 million.

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

Uses	2023	2022
Offices	85.3%	86.7%
Logistics and industry	99.0%	100.0%
Commercial centers	96.3%	97.8%
Supermarkets	100.0%	100.0%
Others	100.0%	100.0%
Total (*)	**93.4%**	**94.4%**

(*) The table includes data regarding assets held for sale.

In 2023, the occupancy rate, not including properties occupied for the first time, is 96.1%. The office occupancy rate, not including properties occupied for the first time, is 91.8%. In 2022, the occupancy rate, not including properties occupied for the first time, is 97.2%. The office occupancy rate, not including properties occupied for the first time, is 93.5%.

There is no significant change in the average occupancy rate as of the date of the report and the reporting year.

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

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

Uses	2023	2022
Offices	43	43
Logistics and industry	19	19
Commercial centers	14	14
Supermarkets	35	35
Others	3	3
Total (*)	**114**	**114**

(*) The table includes data regarding assets held for sale.

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

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

Uses	2023	2022
Offices	6.3%	5.9%
Logistics and industry	5.6%	5.3%
Commercial centers	6.5%	6.2%
Supermarkets	6.1%	6.0%
Others	6.8%	6.4%
Total (*)(**)	**6.1%**	**5.8%**

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

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

The specific CAP rate for each property in each sector depends on several factors:

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

4.1.9 Segmentation of information regarding office properties by geographic area:

Geographic area	Above-ground area as of December 31, 2023	2023 NOI	Fair value of income-generating property as of December 31, 2023	Percent of total properties	Average monthly rental fees 2023
	In sq.m.	NIS thousands	NIS thousands	%	NIS per sq.m.
Greater Tel Aviv (*)	200,595	319,103	5,182,741	62%	124
Gush Dan cities	198,275	139,131	2,567,035	31%	78
Other areas	48,272	35,629	583,844	7%	65
Total	**447,142**	**493,863**	**8,333,620**	**100%**	

Geographic area	Above-ground area as of December 31, 2022	2022 NOI	Fair value of income-generating property as of December 31, 2022	Percent of total properties	Average monthly rental fees 2022
	In sq.m.	NIS thousands	NIS thousands	%	NIS per sq.m.
Greater Tel Aviv (*)	200,595	279,138	5,038,843	62%	118
Gush Dan cities	198,275	135,939	2,532,287	31%	71
Other areas	48,272	34,144	563,085	7%	63
Total	**447,142**	**449,221**	**8,134,215**	**100%**	

(*) Tel Aviv, Ramat Gan and Givataim.

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

The following is data regarding expected rental revenues in respect of rental agreements signed in Israel for Amot properties as of December 31, 2023, by date of completion:

Period	Assuming non-exercise of tenant option periods		
	Revenues from fixed components	Number of contracts ending	Area subject to agreements ending
	NIS millions	Unit	Thousands of sq.m.
Q1	237	147	44
Q2	228	119	42
Q3	217	137	59
Q4	211	85	26
Total 2024	**893**	**488**	**171**
2025	714	457	202
2026	542	307	174
2027	368	199	169
2028 onward	943	310	407
Total	**3,460**	**1,761**	**1,123**

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

- The amounts include Amot's share in properties consolidated relatively.

- The table does not include expected revenues in respect of signed contracts in projects in development.

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

4.3 Main tenants

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

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

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

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

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
ToHa 1 **(Totzeret Ha'aretz Complex)** **(Amot's share - 50%)**	Intersection of Totzeret Ha'aretz St., Yigal Alon St. and Hashalom Rd., Tel Aviv	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Amot Atrium Tower	Ramat Gan City Complex, Jabotinsky St.	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status.
Holon Campus Tower Amot's share - 77.8%	Jerusalem, corner of Melacha St., Holon Industrial Area	A unique, prestigious tower built according to Israel's highest standards, meeting the LEED Platinum status. The tower is built on an 11 dunam area. As of the date of publication of the report, the property is leased at a rate of approx. 33%.
Amot Investments Tower, Europe House	Shaul Hamelech St., central Tel Aviv In the center of the city's court complex adjacent to the Tel Aviv Museum and the Tel Aviv Performing Arts Center	Due to their proximity to the court complex, the buildings constitute prime properties due to surplus demand from professionals and government ministries for rental space in the area of the complex. The tower is LEED OEM certified.
Amot Mishpat Complex (Beit Amot Mishpat, Amot Hakiryah and 10 Dubnov)		There is potential for betterment in the Amot Mishpat complex under the TA/5000 program. In this complex and in some of the Company's properties located in the plan area, the Company is promoting a local city building plan compatible with TA/5000.
Amot Insurance Complex (Buildings A, B and C)	Menachem Begin Rd., Tel Aviv	A complex consists of 3 office buildings, one of which is rented in full to the Fattal Hotel chain. The complex enjoys a high level of transportation access, on Menachem Begin Rd. in Tel Aviv.

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

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

PROPERTY NAME	PROPERTY LOCATION	PROPERTY ATTRIBUTION
Amot Tzrifin Park	On Road 44 (Ramla-Beit Dagan) adjacent to Moshav Nir Zvi and near Assaf Harofeh Hospital and the Tzrifin Junction	The complex includes approx. 274 dunams, on which 18 logistics buildings are built with a total built-up area of approx. 113 thousand sq.m. The complex has substantial unutilized building rights.
Si'im Park Netanya	Poleg Industrial Zone, Netanya South	The properties provide a solution in an area where there is a growing demand for a combination of uses for both the needs of the high-tech industry and for logistics and storage needs.
Poleg Park Netanya		A complex with an area of approx. 80 dunams.
Logistic center - Shoham	Hevel Modi'in Industrial Zone - Shoham	The property is rented in full to SLE - Salomon, Levin and Elstein Ltd. (a Teva subsidiary) and serves as a sophisticated logistic center for automatic storage of raw materials for the pharmaceutical industry, and for the storage and distribution of pharmaceuticals.
Cargal Park	Lod North Industrial Zone	A complex with an area of approx. 100 dunams and a built-up area of approx. 47 thousand sq.m., rented to 35 tenants. The complex has substantial unutilized building rights. A complex with a total area of approx. 97 dunams.
Rehovot Park	Rehovot Industrial Zone	Industrial park that includes a 3-wing building spread over an area of 33 thousand sq.m., used for laboratories, development and storage.
A Group of Logistics Buildings, Modi'in	Ligad, Modi'in	Several logistics centers rented to high-quality tenants, such as Shufersal, Fox and Novolog.
Shufersal On-line distribution center **Amot's share - 75%**	Ligad, Modi'in	A property that is fully leased to Shufersal Ltd. for its on-line activity. A complex with an area of approx. 34 dunams.

Amot has rights in several malls and commercial centers.

The malls and commercial centers are managed by management companies owned by Amot or jointly owned by Amot and its partners. Its prominent properties in this area include:

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

Amot owns 35 properties serving as supermarkets, spread nationally, rented to the Shufersal Ltd. group, Mega Retail Ltd., Co-Op Jerusalem and others. The supermarkets' occupancy rate as of December 31, 2023 is 100%.

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

4.5 Investment property in construction and development [12]

Amot has several properties in construction and development.

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

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

12 The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2023, December 31, 2022 and December 31, 2021, the Company's share in the data presented is 51.1%, 53.8% and 55.5%, respectively.

4.5.1 Projects in development as of December 31, 2023

Amot has 6 projects under construction, in which Amot's share is 218 thousand sq.m. above ground. The total expected investment in the projects is approx. NIS 3.5 billion (Amot's share). The cost of construction includes the land component, parking garages, tenant improvements and capitalizations.

Amot Modi'in

The project includes a logistic center with an area of approx. 42.7 thousand sq.m. and an office building with an area of approx. 9 thousand sq.m. The logistic center is fully leased to Shufersal for a period of 15 years with an option to extend the period, at annual rental fees calculated according to an 8% return on the total investment cost. The logistics center began generating income starting in mid-July 2020. The expected investment amount for Amot and for Shufersal, its partner in the construction of the project, was estimated at NIS 434 million (Amot's share of the investment, 75%, is estimated at NIS 325 million, Shufersal's share is 25%). Amot's expected revenue is estimated at approx. NIS 25 million per year. As of the date of the report, the construction work on the logistic center was completed and the property was delivered to the tenant and the office building is in the final stages of finishing work.

Halehi Complex - Bnei Brak

The lot is located in the Bnei Brak's Northern business complex, adjacent to Hayarkon Park and the Ramat Hahayal complex and near the Ayalon Mall. Amot and its partner in the project, "Allied", are working together to plan, develop and build an office and commercial project, which will include 96 thousand sq.m. of above-ground space, including 45 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the parties at approx. NIS 1,530 million (of which, Amot's share - 50%). As of the date of the report, the project in the stages of building the superstructure and carrying out the finishing work and systems in the parking lot and the commercial floors.

K Complex - Jerusalem

In June 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project has an above ground area amounting to approx. 79 thousand sq.m. according to the City Building Plan in effect and approx. 93 thousand sq.m. above ground area according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share - 50%). The total investment in the project, including the land component, is estimated by the parties at approx. NIS 1,440 million (of which, Amot's share - 50%). At this stage, the quarrying work has finished and the foundation work has begun.

Beit Shemesh Logistic Center

In June 2021, Amot purchased 60% of a 40-dunam plot of land in Beit Shemesh from Y.D.E. Menivim Ltd. for the establishment of a logistics center, for a consideration of NIS 53 million. Amot led a city building plan to increase the built-up areas on the lot to approx. 50 thousand sq.m. As part of the agreement between the parties, the companies are jointly establishing an advanced logistics center on two high floors of approx. 15 m. per floor at a total cost of approx. NIS 360 million, with Amot's share at NIS 216 million. As of the date of the report, the project is in the midst of finishing work, and the upper logistic center has been delivered to the client for adjustment work. Receipt of Form 4 is expected in the first quarter of 2024.

Amot Denisra - Park Afek

A joint project for Amot and Denisra International Ltd. (each party has a 50% share) for the construction of a fourth office building above an existing commercial floor in the Amot Park Afek complex in Rosh HaAyin. The entire complex is jointly owned by the parties. The building will include 6 floors above the ground floor with a total area of 9,400 sq.m. The building rights for the construction of the building were obtained under a city building plan promoted by the parties and which took effect in 2020. The investment amount for the project's construction is estimated at NIS 80 million (of which, Amot's share - 50%). The building permit was received during January 2023 and the project is in the finishing and aluminum stage. Receipt of Form 4 is expected in the third quarter of 2024.

ToHa2 (Totzeret Ha'aretz Complex)

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

In October 2021, the Amot Board of Directors decided on the construction and marketing of the ToHa2 project in Tel Aviv (the "**Project**"). The project will be built by the partnership, on the real estate located at the intersection of Totzeret Ha'aretz St., Yigal Alon St. and Hashalom Rd. in Tel Aviv, adjacent to the ToHa1 project, which is also owned by the partnership. The ToHa2 project includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI work) will amount to approx. NIS 3.3 billion (Amot's share - NIS 1.65 billion), of which a total of approx. NIS 1,024 million has been paid so far (Amot's share - NIS 512 million).

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

On November 9, 2022, as part of the joint transaction between Amot and Gav-Yam Lands Corp. Ltd., the joint holders of the rights in the ToHa2 project, the partners engaged in a detailed letter of intent with an unrelated third party according to which the parties will act jointly during the coming months and in good faith in order to enter into a long-term and binding lease agreement, according to the principles established in the letter of intent, and subject to the approval of the authorized bodies / boards of directors of all parties. The lease agreement, insofar as it is signed, will be for the lease of an area of approx. 55 thousand sq.m. with the addition of several hundred parking spaces (with an option to increase the leased area by an additional 20 thousand sq.m.), for a period of 10 years, which will begin in January 2027, after completion of the project's construction, for rental fees, at an envelope level, in the amount of approx. NIS 105 million per year (of which, Amot's share - 50%).

Land in Tel Aviv - ToHa

During the last two years, Amot and Gav Yam Lands Corp. Ltd. (a partner in the ToHa project) completed the purchase of properties bordering the ToHa complex, with the aim of developing and enhancing building rights in the complex in accordance with the municipal and national master plans. According to the approved City Building Plan, a project with an area of approx. 5,000 sq.m. for employment and approx. 90 residential units can be constructed on the land. The acquisitions so far amount to a total of approx. NIS 500 million (including lot 300), with Amot's share at 50%.

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

4.5.2 Projects in initiation stages as of December 31, 2023

Amot has 3 projects in planning and development stages. Amot's share in them is an above-ground area of 57 thousand sq.m. and the total investment expected for these projects in the coming years is NIS 630-690 million (Amot's share). For additional information, see Section 2.3.4 of the Board of Directors' Report.

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

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

		For the year ended		
Location	**Parameters**	**31.12.2023**	**31.12.2022**	**31.12.2021**
Use - Offices (Toha2 Tel Aviv / Lehi Complex Bnei Brak / Amot Shufersal Modi'in / Amot Givatayim / K Complex Jerusalem / Park Afek / Holon Campus until December 31, 2021)	Number of properties in development at end of period	5	5	7
	Total above-ground areas in development (planned) at end of period, in sq.m.	187,450	187,450	248,930
	Total underground parking areas, in sq.m.	62,198	62,198	101,282
	Total costs invested in the current period (including transaction costs) in NIS thousands	331,943	214,510	418,131
	The amount at which the properties are presented in the financial statements (including parts considered income-generating) in NIS thousands	1,440,204	1,122,079	1,522,910
	Construction budget in the consecutive period (estimate) in NIS thousands	419,075	222,010	362,719
	Expected construction budget (estimate) in NIS thousands	3,303,892	3,077,000	3,652,000
	Portion of the built up area for which leases have been signed as of December 31	8.00%	-	11.0%
	Portion of the built up area for which leases have been signed close to the signing of the report	8.00%	-	-
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area, in NIS millions	7 (*)	(*)	26
Use - Logistics, Beit Shemesh (*)	Number of properties in development at end of period	1	1	1
	Total above-ground areas in development (planned) at end of period, in sq.m.	30,300	30,300	27,000
	Total costs invested in the current period, in NIS thousands	96,674	21,822	56,898
	The amount at which the properties are presented in the financial statements (including parts considered income-generating) in NIS thousands	173,187	75,512	53,690
	Construction budget in the consecutive period (estimate) in NIS thousands	43,872	93,221	58,991
	Expected construction budget (estimate) in NIS thousands	217,059	207,000	180,000
	Portion of the built up area for which leases have been signed and/or are in final signing stages as of December 31	50%	50%	-
	Expected annual revenue from projects completed in the consecutive period and for which contracts have been signed for 50% or more of the area, in NIS millions	8.5	8.5	-

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

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

4.6 Additional land and building rights that were classified as investment property and investment property in development [13], [14]

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

		2023	2022	2021
		Amount presented in the financial statements (in NIS thousands)	Amount presented in the financial statements (in NIS thousands)	Amount presented in the financial statements (in NIS thousands)
Additional building rights	Offices	324,872	317,943	263,443
	Logistics and industry	266,051	266,200	266,000
	Commerce	9,570	9,470	9,539
	Other	2,740	2,403	2,624
Land (without building rights)	Offices	107,396	107,372	107,211
	Logistics and industry	19,539	26,100	80,970
	Commerce	10,100	10,100	10,000
	Other (*)	387,458	120,500	115,500
Total		**1,127,726**	**860,088**	**855,287**

(*) Land including residential building rights

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

Use	Parameters	Unit of measurement	For the year ended 31.12.2023	31.12.2022	31.12.2021
Acquisition - Offices	Number of properties acquired in the period	Unit	-	-	-
	Cost of properties acquired in the period	NIS millions	-	-	-
	Projected NOI of properties acquired in the period	NIS millions	-	-	-
	Area of properties acquired in the period	Thousands of sq.m.	-	-	-
Acquisition - Logistics	Number of properties acquired in the period	Unit	-	-	2
	Cost of properties acquired in the period (*)	NIS millions	-	-	1,589
	Projected NOI of properties acquired in the period	NIS millions	-	-	58
	Area of properties acquired in the period	Thousands of sq.m.	-	-	122
Acquisition - Commerce	Number of properties acquired in the period	Unit	-	-	-
	Cost of properties acquired in the period (*)	NIS millions	-	-	-
	Projected NOI of properties acquired in the period	NIS millions	-	-	-
	Area of properties acquired in the period	Thousands of sq.m.	-	-	-

(*) Not including transaction costs.

13 The figures in the table do not include land in Tel Aviv that was purchased subsequent to the balance sheet date. For information regarding land on HaSolelim Street in Tel Aviv, see Note 4b to the financial statement.

14 The data is presented according to Amot's share in the properties (and not according to the Company's share in Amot). As of December 31, 2023, December 31, 2022 and December 31, 2021, the Company's share in the data presented is 51.5%, 53.5% and 53.8%, respectively.

4.8 Reconciliation with the Consolidated Statement - Items in respect of Amot [15]

		As of December 31	
		2023	2022
		NIS thousands	NIS thousands
Fair value adjustment of investment property to values in the financial statements (4.1.2 above)			
Presentation in the Description of the Corporation's Business	Total value of investment property from income-generating properties in Israel	**16,908,590**	**16,623,086**
Adjustments -	Classification of income-generating properties belonging to jointly-controlled companies for investment on an equity basis.	(575,116)	(577,435)
	Classification of assets held for sale	(177,825)	
Presentation in the Statement of Financial Position	**"Investment property" item in the Statement of Financial Position - in respect of Amot**	**16,155,649**	**16,045,651**
Adjustment of NOI profits from income-generating properties to Statement of Income values (4.1.3 above)			
Presentation in the Description of the Corporation's Business	Total NOI profits from income-generating properties	**1,012,989**	**935,583**
Adjustments -	Operating expenses that cannot be attributed directly to a specific property	(13,468)	(8,897)
	NOI in respect of properties classified to "Property in development" that still generate income	4,885	4,256
	Classification of NOI in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(37,064)	(32,403)
Presentation in the Statement of Income	**The "Profit from the rental and operation of properties" item in the Statement of Income - in respect of Amot**	**967,342**	**898,539**
Adjustment of revaluation profits from income-generating properties to Statement of Income values (4.5 above)			
Presentation in the Description of the Corporation's Business	Total revaluation profits from income-generating properties	**251,337**	**1,000,840**
Adjustments -			
	Classification of revaluation profits in respect of income-generating properties belonging to jointly-controlled companies presented according to the equity method (prior to equity profits)	(6,615)	(27,632)
Presentation in the Statement of Income	**The "Fair value adjustment of investment property and profit from its sale" item in the Statement of Comprehensive Income - in respect of Amot**	**244,722**	**973,208**

15 The reconciliation presented is an adjustment to Amot's financial statements, prepared in accordance with IFRS. In this section, no adjustment was made to the Company's statements for intercompany balances in respect of the office lease transaction between Amot and the Company and Energix, for which the balance in the statement of financial position as of December 31, 2023 and December 31, 2022 amounts to NIS 63 million and NIS 61 million, respectively; its impact on the NOI for the years 2023, 2022 and 2021 amounts to NIS 4.0 million, NIS 4.0 million and NIS 3.8 million per year, respectively, and its impact on the revaluation amount in 2023, 2022 and 2021 amounts to approx. NIS 2.0 million, NIS 2.8 million and NIS 2.6 million, respectively.

5. Property Management and Operation

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

6. Properties with Development Potential

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

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

7. Marketing

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

8. Competition

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

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

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

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

1. Amot has an asset portfolio in a variety of uses: offices (49%), logistics and industry (28%), commerce (17%), 35 supermarkets (5%). The variety of uses reduces Amot's exposure to volatility in the various markets.
2. Most of Amot's main properties are located in the country's center.
3. Most of Amot's properties are relatively large, enabling it to provide a response to the needs of large tenants, with the option of adapting the rental property to their needs.
4. Amot has a positive market reputation as a reliable company in terms of providing service both in meeting timetables for handing over rental properties to tenants and in adapting the units and/or buildings according to needs and specifications, at any level required by the tenant.
5. Amot's large tenants have a positive reputation and financial strength and tend to rent properties on a long-term basis.
6. Amot's office buildings have a high level of maintenance and management and provides a broad and holistic response for the needs of the tenant and his employees for their well being, that include, among other things, repairs, renovations and interior cleaning, laundry and mailing services, gyms, conference centers and more, which create overall enjoyment from a positive customer experience.
7. Positive reputation, financial strength and the ability to secure bank financing.
8. Its abilities in initiation and development give Amot an advantage in locating land for development and construction and in locating properties requiring betterment that have rental potential and enable it to meet market demand.

9. The properties in development are located in developing and high-demand areas that include other office and commercial buildings.

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

9. Human capital

As of the reporting date, Amot has 150 employees, as follows:

Department	Number of employees
Management and Company headquarters	52
Project management and finishing work	26
Property management and operation	72
Total	150

In addition, Amot receives management services from Alony-Hetz according to a management agreement. For information, see Note 6(4) to the financial statements.

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

According to the terms of the agreement, some of the above executives are entitled to bonuses in accordance with Amot policy as will be determined by the Amot Board of Directors from time to time. It should be noted that Amot has a remuneration policy for the years 2023-2025, which was approved by Amot's General Assembly in February 2023.

Amot has no material dependence on any specific employee.

10. Improvements in Rental Properties and Suppliers

From time to time, Amot carries out maintenance work, renovations and tenant improvements, beyond the regular operation of the properties. The amount of the capital expenditure (CAPEX) to preserve the existing condition, amounted to NIS 57 million in 2023 (including the upgrading of the facing of public areas, tenant improvements in populated properties), NIS 58 million in 2022 and NIS 46 million in 2021.

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

11. External Appraiser

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

The Appraisal Office Eng. Yosef Zarnitzky is one of the leading and long-established appraisal offices in Israel and it benefits from accumulated experience of over 60 years in appraisals and valuations. The office currently has a team of approx. 15 appraisers headed by Eng. Yosef Zarnitzky and Ron Zarnitzky.

The percentage of properties appraised by Mr. Zarnitzky constitutes, as of December 31, 2023, 60% of the value of investment property in Amot's statement of financial position (constituting approx. 31% of the total assets in the Group's consolidated statements), and therefore he meets the definition of an extremely essential appraiser according to Legal Staff Position 105-30 of the Securities Authority as of July 22, 2015.

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

Amot chose to engage with Mr. Zarnitzky's office due to his extensive experience and professionalism regarding income-generating property in Israel, which provide him with the skills he needs to determine the fair value of Amot's properties.

Eng. Yosef Zarnitzky, holder of a master's degree in Construction Engineering from the Haifa Technion (1960), an Engineer's degree in Building Engineering (1963), a certified Real Estate Appraiser (1970), a certified Mediator (2002), Chairman of the Appraisal Academy of Real Estate Research - Israel. He served as a member of the Council of Appraisers and Chairman of the Real Estate Appraisers Association in Israel (1983-1990). One of the founders of the Real Estate Appraiser Diploma Program at Tel Aviv University. Served as a lecturer and member of the steering team. Since 2003, he has served as Chairman of the Appraisal Academy of Real Estate Research - Israel, Certificate no. 001.

Ron Zarnitzky, holder of a bachelor's degree and a master's degree in law, UK. Law license no. 17882, member of the Bar Association.

Since 1998, Certified Real Estate Appraiser no. 696, a member of the Real Estate Appraisers Association in Israel. Starting in 1999, he actually manages the office of Real Estate Appraiser Eng. Yosef Zarnitzky Ltd.

12. Amot's forecast for 2024:

The following is Amot's forecast for its main operational results for 2024 as published in its 2023 Board of Directors' Report. The forecast is based on the following working assumptions:

- An expected increase of 2.5% in the CPI.
- Signed leases and Amot management's expectations regarding current lease renewals in 2024.
- According to Amot's strategy, the forecast for 2024 includes expected asset realizations in the annual amount of approx. 2%-3% of the value of Amot's income-generating real estate assets, as part of the property portfolio improvement process.
- No material changes will occur in the business environment in which Amot operates in Israel.

	Forecast	**Actual**	**Updated forecast**
Item	**2024**	**2023**	**2023**
NOI (in NIS millions)	1,000-1,040	**1,004**	980-1,000
Real FFO (in NIS millions)	775-805	**803**	780-800
FFO per share (in NIS)	165-171	**170.7**	166-170

The information regarding Amot's forecast for 2024 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Amot management's work plan, which was approved by the Amot Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information referring to a future event or matter, the materialization of which is uncertain and not under Amot's control since there is no certainty that all of the many variables comprising the work plan will be realized as planned.

13. Amot's Business Strategy

Amot's management believes that income-generating property is a long-term business and it acts and makes decisions accordingly.

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

As of the date of the report, the value of Amot's income-generating property designated for offices and employment is approx. NIS 8.3 billion. Amot operates in the initiation and improvement of offices and it owns 8 additional properties in development and initiation for office use, with an area of 244 thousand sq.m. (Amot's share) and a total construction cost of approx. NIS 3.9 billion (Amot's share).

As of the date of the report, the value of Amot's income-generating property designated for industry and logistics purposes is approx. NIS 4.7 billion, consistent with Amot's business strategy to increase and develop the area of logistics. Over the past few years, Amot has acquired 8 logistics properties that include land on which logistics buildings have been and/or will be constructed, with a total investment of NIS 2.9 billion.

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

- Management of a property portfolio with a variety of uses - offices, logistics and industry, commerce and supermarkets.
- Acquisition, development and construction of initiation assets.
- Locations in main business centers and major transportation axes.
- A strong and diverse tenant mix.
- Ability of management to improve the existing asset portfolio.
- Quality management of its assets while expanding the basket of services it provides to its thousands of customers and their employees.
- Concentration on green construction at a high standard, which contributes to the tenants' quality of life in the work environment.

Amot works to improve its property portfolio by investing in the initiation and development of new projects characterized by excellent locations close to main transportation arteries, optimal planning and quality construction. At the same time, Amot plans to realize income-generating properties in an annual amount of 2%-3% of the value of its income-generating property assets, also as part of the property portfolio improvement process through the sale of assets that are not core assets or that have become less suitable for Amot's business focus. Further to this decision, at the beginning of 2024, properties with a value of approx. NIS 178 million were realized (in the financial statements of Amot, they were classified as held for sale).

14. Projected Developments in the Coming Year

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

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

15. Financing

Regarding Amot's financing arrangements, see Section 5 of Chapter F, Note 11(a), (h-m), and Note 12(b) to the financial statements.

C. Investment in the United States

General

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

Carr - Holdings of 47.7% in the capital and 50% in the control of Carr Properties, a private income-generating property company, all of whose properties are located in the United States, in the Washington D.C. metropolitan area, the Boston metropolitan area and in Austin, Texas - see details in Chapter c1 below.

AH Boston - Holdings of 55% in the capital and 50% in the control rights in three property companies in the Boston metropolitan area, with two of them located in the Boston CBD and one in East Cambridge - see details in Chapter c2 below.

1. General Environment and Impact of External Factors - United States[16]

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

During 2023, the American economy demonstrated an amazing recovery, exceeding all early predictions. In the first half of 2023, the Fed raised the interest rate to the current level of 5.25%-5.5%.

Based on forecasts, the GDP in the United States increased by 3.3% during 2023 compared to 1.9% in 2022 (despite the expected moderation in private consumption and the labor market), and it is expected to increase by 1% in 2024 which means a soft landing for the US economy instead of an entry into a recession.

Throughout 2023, the inflation rate increased by 3.4% (compared to 6.5% in 2022) and it is expected to amount to 2% in 2024. According to the estimates announced by the FED, towards the end of 2024 the interest rate is expected to decrease to 4.25%-4.5%.

The high interest rate environment, as well as the calls from the FED for commercial banks to create adequate capital reserves for "toxic debt" from credit provided to income-generating property, created a credit crunch. The proportion of problematic debt in the CMBS markets rose to 6.2% in the office sector, and may rise even more in 2024.

The decrease in occupancy and operating cash flows, the high interest rate environment upon debt recycling, the 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 exacerbated the crisis in the income-generating property sector in the United States.

The total turnover of investments in transactions for the purchase of offices in the United States in 2023 amounted to USD 43 billion, a decrease of 60% compared to 2022.

The elections expected in 2024 contribute to the uncertainty regarding the activities of the next administration. The aforementioned instability was also increased by Fitch's downgrade of the US government's long-term bonds from AAA to AA+.

Nevertheless, at the beginning of 2024, an improvement is evident in the return to work plans in the offices, an increase in the demands of tenants in relation to rental space, a decrease in the volume of sub-leases and in the supply of vacant Trophy spaces.

16 Sources of Information in this section:
CBRE real estate Market Outlook 2024
JP Morgan Market Outlood for 2024
Jone Lang LaSalle – U.S office outlook Q4-2023

The following is macro data regarding the United States17:

For the year ended	Units	United States 31.12.23	31.12.22	31.12.21
Macroeconomic parameters				
GDP (PPP)	USD Billions	26,950	25,463	23,315
Per capita GDP (PPP)	USD	80,412	76,343	70,160
GDP growth rate (PPP)	%	5.84%	9.21%	10.71%
Per capita GDP growth rate (PPP)	%	5.33%	8.81%	10.35%
Inflation rate	%	3.00%	6.40%	7.40%
Yield on long-term domestic government debt	%	4.02%	3.88%	1.52%
Rating of long-term government debt		Aaa/AA+	Aaa/AA+	Aaa/AA+
Unemployment rate	%	3.60%	3.60%	5.40%

2. General environment and impact of external factors - Washington D.C.[18]

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

The metropolitan Washington D.C. economy, which is mainly affected by federal government activity, grew in 2023 by 7.7% compared to 7.4% in 2022 and the gross regional product amounted to USD 695 billion compared to USD 645 billion in 2022.

Information on the Washington D.C. office market:

During 2023, the downward trend in the unemployment rate in the metropolis continued and at the end of the year, it was 2.7% compared to 4.6% at the end of 2022. The rate of return to work in offices increased to 52%, and is low compared to other places in the United States due to the relatively large share of the federal government in the total activity, where the rate of return to offices amounts to only 36%.

The Washington D.C. office market has a total of 135 million sq.ft. As of the end of 2023, the vacancy rate in Washington D.C. in "Trophy" type offices was 12.8% compared to a rate of 18.1% in "Class A" type offices.

The trend towards high-quality properties, "Flight to Quality", that were built after 2015 continued to strengthen during 2022. Since the beginning of 2020, in the segment of this type of building, offices with a total area of 3.5 million sq.ft. have been leased, while in buildings that were built until the end of 2015, offices with a total area of 9.2 million sq.ft. became vacant.

During 2023, the rental prices for high-quality offices built after 2015 increased by approx. 3.3%. In addition, there was a stabilization in the amount of the benefit packages given to tenants (free rental period and improvement budgets given to tenants). The total leased areas in 2023 amounted to approx. 6 million sq.ft., the same as in 2022.

The cumulative amount of the total office space under construction in Washington D.C. is approx. 1 million sq.ft., of which 65% are pre-leased, and is the lowest in the last 30 years.

Information on the Washington D.C. residential rental [multi-housing] market:

The Washington D.C. metropolitan area is one of the leaders in the United States in terms of its low unemployment rate (2.7%) and concentration of workers with academic degrees (63% of the total population). During the past decade, the population in the metropolis has increased by 16%.

17 Sources of information for the above table:
GDP data from the www.bea.gov website;
Per capita GDP data from the http://www.census.gov website;
Inflation and unemployment rate data as of the last day of each year from the www.bls.gov website.
The yield on long-term domestic government debt refers to 10-year bond yields, from the www.treasury.gov website;
The long-term government debt rating is based on Standard & Poor's and Moody's publications.
18 Sources of Information in this section and in the table:
J.P Morgan Market Outlook Q4 2023
CBRE U.S. Real Estate Market Outlook 2024
S&P Global – Market Attributes Report – December 2023.
Office market Observations Jones Lang LaSalle - Q4 2023 Washington DC

The establishment of the second largest center in the US by the Amazon corporation, together with the establishment of a new technological university, will accelerate the growth of economic activity in the region, which is not a federal activity.

The increase in demand for rental apartments in the past decade has led to an increase in rental fees at a cumulative rate of 33%. During 2023, the construction of approx. 15 thousand housing units was completed and by the end of the year, the occupancy rate was 95%. The rental fees increased in 2023 at a rate of approx. 3% compared to approx. 9% in 2022.

Between the years 2024-2025, the construction of a total of 30 thousand new housing units is expected to be completed and between the years 2026-2028, an additional 10 thousand housing units are expected to be built.

In 2023, transactions for the sale and purchase of buildings in the residential sector amounted to approx. USD 4 billion, compared to approx. USD 8 billion in 2022. As of the end of 2023, the rate of return in the residential rental market is 5.9%.

3. General environment and impact of external factors - Boston[19]

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

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

As of the end of 2023, the unemployment rate in the Boston metropolitan area increased to a level of approx. 3.2%, compared to 2.8% at the end of 2022.

The amount of office space in Boston's CBD totals 70 million sq.ft. The Boston office market's results continued to decline during 2023 as a result of macroeconomic developments. By the end of 2023, the rate of vacant space in the Boston CBD increased to 16.2% (compared to 11.2% at the end of 2022), while in Class A properties, the rate of vacant space was approx. 15.8% (compared to 9.6% at the end of 2022). The main change was due to the occupancy of Trophy-type office towers, as well as a reduction in the activity of the technology sector. The rate of vacant space is similar to what it was during the dot-com crisis.

As of December 2023, the total office space offered for sublease by tenants in the Boston CBD is 4.6 million sq.ft. (an increase of 35% in relation to the end of 2022).

During 2023, rental prices for Class A offices decreased by 3.5%.

As of the end of 2023, the backlog of projects under construction in the Boston CBD amounted to approx. 2.3 million sq.ft. and the pre-leasing rate was 83%.

4. General environment and impact of external factors - Austin [20]

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

The local business climate in Austin has gained momentum in the last two years. The rate of the return to offices in Austin is the highest in the United States (nearing approx. 70%) and the city enjoyed an increase in the number of jobs and a decrease in unemployment rates. The city continues to attract a skilled and quality workforce from Silicon Valley, mainly thanks to the low tax rate, low cost of living and comfortable business climate. Austin has also attracted the headquarters of leading companies in America, such as Tesla, Samsung and Oracle. Other technology companies, such as Apple, Google and Facebook have transferred thousands of employees to Austin.

The size of the office market in Austin amounts to 73 million sq.ft., of which 15 million sq.ft. are located in the CBD. Since 2019, the supply

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19 Source:
Office Observations & Office Insight Jones Lang LaSalle - Q4 2023, Boston
Washington DC Multi-housing Trends Q4-2023 Jones Lang LaSalle
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.gov
Standard & Poor's and Moody's
Electronic Municipal Market Access (Municipal Securities Rulemaking Board) - https://emma.msrb.org

20 Source:
Office Insight Jones Lang LaSalle - Q4 2024, Austin
Bureau of Economic Analysis- www.bea.gov
Bureau of Labor Statistics – www.bls.

of offices in Austin's CBD has increased by 25% as a result of new construction that concentrates most of the active demand of tenants who wish to move from buildings built in the 70s and 80s to modern, high-quality offices. As of the end of 2023, the rate of available space in the Austin CBD increased to 22.6%.

During 2023, the rental prices for "Class A" type offices in the Austin CBD maintained stability, and there was also a moderate increase in the amount of the benefit packages given to tenants (free rental period and improvement budgets given to tenants).

As of the end of 2023, the backlog of projects under construction in the Boston CBD amounted to approx. 1 million sq.ft. In addition, there was a significant delay in the promotion of a backlog of construction starts amounting to approx. 5.7 million sq.ft. due to the increase in construction costs and interest rates.

C1. Investment in Carr

1. General information regarding Carr

Carr Properties Holdings LP (hereinafter - "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter - "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Group at a rate of 52.33%, by JPM at a rate of 38.89% and by Clal Insurance at a rate of 8.76%[21].

Carr Holdings has full ownership and control in Carr Properties Corporation (hereinafter - "**CPC**") which has full control and ownership of 91.18% in Carr Properties Partnership (hereinafter - "**Carr**" or "**Carr Properties**").

As of December 31, 2023, the Group's weighted rate of holdings in Carr Properties is 47.72%, JPM's is 35.46% and Clal Insurance's is 13.91%[22].

Carr Properties engages in the investment, acquisition and development of income-generating property for rental purposes, including the management and maintenance of office buildings in urban areas in the Washington D.C. metropolis, in the Boston metropolis and in Austin, Texas. For information regarding Carr's business, see Section 5 below.

Upon the investment in Carr Holdings, the Group and JPM entered into a number of agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the limitation on the transfer of rights. Therefore, the Group's investment in Carr Holdings is considered a joint venture presented in the Company's Financial Statements according to the equity method starting from the third quarter of 2013.

2. Investment in Carr

The total cost of the Group's cumulative investment in Carr Holdings as of December 31, 2023 amounts to USD 872 million. The balance of the Group's investment in Carr Holdings as presented in the Group's financial statements based on the equity method, amounts to USD 432 million (NIS 1.57 billion).

3. Dividend receipts and capital reductions from Carr

Regarding dividends and capital reductions received by the Company from Carr and dividend receipts expected from Carr in 2024, see Section 2.3.9 of the Board of Directors' Report.

4. Financial information regarding Carr Holding's activity

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

The following are the main Carr Holdings financial data for the years 2021-2023. The data are prepared in accordance with IFRS principles, except for the presentation using the method of proportionate consolidation of assets, liabilities and activities of companies that are not consolidated in the financial statements of Carr Holdings (companies that are presented in the financial statements using the equity method).

[21] The balance is held by five individuals.

[22] The balance of 2.91% is held by others.

	Unit of Measurement	Actual 31.12.2023	Actual 31.12.2022	Actual 31.12.2021
Number of income-generating properties	Unit	14	17	16
Value of investment property (not including property in development) (1)	USD thousands	1,707,449	2,835,655	3,218,384
Occupancy rate at end of period (4)	%	86.70%	87.90%	87.90%
Number of properties in development and planning	Unit	2	2	2
Value of investment property in development (2)	USD thousands	739,887	697,253	654,476
Equity	USD thousands	885,870	1,659,154	2,037,867
Equity attributable to Carr Holdings shareholders	USD thousands	826,172	1,544,754	1,893,706
Ratio of net financial debt to total balance sheet	%	57.7% (6)(5)	49.1%	40.8%
		2023	**2022**	**2021**
Revenues from rent and management fees (3)	USD thousands	288,264	255,599	248,516
Fair value adjustments of investment property	USD thousands	(825,543)	(540,761)	(3,218)
NOI (3)	USD thousands	163,785	148,670	149,934
Same Property NOI -3 years	USD thousands	120,280	124,014	131,873
FFO (including share of non-controlling interests)	USD thousands	69,539	70,988	77,511
Net profit (loss) (including share of non-controlling interests)	USD thousands	(757,718)	(463,417)	35,266
Comprehensive income (loss) (including share of non-controlling interests)	USD thousands	(770,088)	(437,552)	60,888
Comprehensive income (loss) (attributed to Carr Holdings' shareholders)	USD thousands	(718,368)	(408,948)	55,204
Corporation's share (Alony-Hetz)				
NOI - Corporation's share (Alony-Hetz)	NIS thousands	285,554	229,021	205,928
FFO - Corporation's share (Alony-Hetz)	NIS thousands	120,792	109,082	110,546

(1) The value as of December 31, 2023, December 31, 2022 and December 31, 2021 includes a ground lease in the amount of USD 78 million, USD 120 million and USD 146 million, respectively. On December 31, 2023 it includes two properties (owned and leased) valued at USD 132 million for which Carr is negotiating new financing and lease agreements. The total liabilities (which are on a non-recourse basis) as of the end of 2023 for the two properties are USD 205 million.

(2) As of December 31, 2023, the properties One Congress and Clarendon Square are classified as a property in development and a property in planning, respectively.

(3) Including revenues/NOI of the property management company in the amount of USD 10.3 million, USD 5.9 million and USD 5.7 million in 2023, 2022 and 2021, respectively.

(4) The occupancy rates as of December 31, 2023 do not include One Congress, which is in advanced stages of occupancy and which is presented as a property in development. The occupancy rate including One Congress is 88.9%.

(5) Carr's financial debt ratio as of December 31, 2023 does not include excess liabilities over the asset value of an owned property and a leased property for which new financing and lease terms are being negotiated.

(6) Carr's financial debt rate as of December 31, 2023 does not include liabilities which have excess liabilities over the asset value (which are on a non-recourse basis).

5. Area of activity

5.1 General

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

Carr's properties are all located in urban areas and close to transportation centers and facilities. The total fair value of income-generating properties, as of December 31, 2023, amounted to USD 1.7 billion (Carr's share), of which USD 1.3 billion was in the Washington D.C. metropolitan area, USD 0.3 billion in Boston and USD 0.1 million in Austin, Texas.

Carr holds full or partial ownership of an asset portfolio as of December 31, 2023, which includes 10 office buildings in the Washington D.C. metropolitan area, three office buildings in Boston, Massachusetts and one building in Austin, Texas with a total rental area of 3.5 million sq.ft. (327 thousand sq.m.) (Carr's share). Carr's properties are leased to hundreds of tenants and their occupancy rate as of December 31, 2023 was 86.7%.[23]

For additional information regarding Carr's business development in the reporting period and subsequent to the balance sheet period, see Section 2.3.5 of the Board of Directors' Report.

Carr's tenants include private business firms, government agencies, banks, law firms, lobbying firms and associations, and various other users.

In addition, as of December 31, 2023, Carr owns a property in development in Boston, Massachusetts with a total area of 1 million sq.ft. (Carr's share - 0.8 million sq.ft.) whose value in the financial statements as of December 31, 2023 amounts to approx. USD 0.7 billion (Carr's share). In April 2023, the construction of the tower was completed (before tenant improvements) and it is fully leased to two main tenants, and as of the date of the report, it is in the advanced stages of occupancy and delivery that are expected to be completed during 2024. See Section 5.3.2 below.

Regarding transactions carried out by Carr in connection with the initiation, construction and rental of residential buildings during the reporting period and subsequently, see Section 5.3.2 below.

5.2 Geographic areas where Carr is active

Carr is active in the following three markets:

1. The Washington D.C. metropolitan area

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

2. Boston

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

2. Austin, Texas

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

5.3 Information regarding Carr's properties:

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

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

[23] The occupancy rates as of December 31, 2023 do not include One Congress, which is in advanced stages of occupancy and which is presented as a property in development. The occupancy rate including One Congress is 88.9%.

5.3.1 Information regarding Carr's income-generating properties:

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

As of December 31, 2023 and for the year 2023 (*):

	Offices									
	Area		Area		Fair value (2)		NOI (3)		Revaluations (4)	
Carr Properties' share in properties	**31.12.2023**		**31.12.2023**		**31.12.2023**		**2023**		**2023**	
	Sq.ft.		**Sq.m.**		**USD thousands**		**USD thousands**		**USD thousands**	
Office sector:										
Washington D.C. metropolitan area	2,574,968	73%	239,222	73%	1,265,493	74%	94,473	75%	(453,513)	72%
Boston	732,430	21%	68,045	21%	311,848	18%	22,382	18%	(137,897)	22%
Austin, Texas	211,537	6%	19,652	6%	130,108	8%	9,394	7%	(37,517)	6%
Total income-generating properties in the office sector	**3,518,935**	**100%**	**326,920**	**100%**	**1,707,449**	**100%**	**126,249**	**100%**	**(628,927)**	**100%**
Total income-generating property	**3,518,935**		**326,920**		**1,707,449**		**126,249**		**(628,927)**	
Property in development (5)					739,887		10,488		(130,783)	
Properties sold in 2023 (6)					-		16,744		(65,833)	
Total in USD thousands					**2,447,336**		**153,481**		**(825,543)**	
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**6,192,918**		**527,344**		**(2,562,205)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./USD	**1,679,140**		**155,997**		**814,748**		**67,762**		**(329,235)**	
Total in NIS thousands	**NA**		**NA**		**2,955,091**		**249,899**		**(1,226,422)**	

(1) The data in NIS are presented according to the representative exchange rate on December 31, 2023 - 3.627 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2023 (47.7%) or the average rate of holdings in the period, as the case may be.

(2) The fair value includes a ground lease in the amount of USD 78 million. On December 31, 2023 it includes two properties (owned and leased) valued at USD 132 million for which Carr is negotiating new financing and lease agreements. The total liabilities (which are on a non-recourse basis) as of the end of 2023 for the two properties are USD 205 million.

(3) The NOI does not include revenues of the property management company in the amount of USD 10.3 million.

(4) In the reporting period, Carr recorded a net negative revaluation in the amount of USD 825 million (Carr's share) in its financial statements. The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties (the Group's share in the negative revaluation is approx. USD 392 million (NIS 1.46 billion)). For information, see Section 2.3.3 of the Board of Directors' Report.

(5) The properties in development include One Congress, which is in advanced stages of occupancy, and an income-generating property that is planned for residential conversion and classified for development at the end of 2023.

(6) The sale of The Elm residential building and the exit from consolidation of Property 1615L, which is in the process of being returned to the financing entity. For information, see Section 2.3.5 of the Board of Directors' Report.

As of December 31, 2023 and for the year 2023 (continued):

Carr Properties' share in properties	Average rental fees (1) per sq.ft. per year	Average rental fees (1) per sq.m. per month	Average occupancy rates	Occupancy rates as of (2)	Number of properties as of	Average yield rates (3)	Gross yield rate (4)
	Offices						
	2023		2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
	In USD	In USD	In percentages	In percentages	Units	In percentages	In percentages
Office sector							
Washington D.C. metropolitan area	68.17	61.15	88.67%	87.76%	11	6.78%	
Boston	63.33	56.81	84.30%	82.89%	2	7.22%	
Austin, Texas	67.44	60.49	89.04%	87.34%	1	7.26%	
Average/total rate			87.79%	86.70%	14	6.88%	7.20%

1) Basic rental fees includes average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 1 million.
The minimum and maximum average rental fees in the Washington D.C. metropolitan area are USD 44.3 per sq.ft. per year and USD 86.4 per sq.ft. per year, respectively, and in the Boston area they are USD 58.4 and USD 64.0, respectively. The gaps in the minimum and maximum average rental fees in the Washington D.C. metropolitan area stem from the buildings' location and quality and the tenants' credit rating.
(2) The occupancy rates as of December 31, 2023 do not include One Congress, which is in advanced stages of occupancy and which is presented as a property in development. The occupancy rate including One Congress is 88.9%.
(3) The average yield rates were calculated according to the actual NOI for 2023 (net of non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2023. (4) The weighted gross yield rate is calculated according to the actual NOI for the fourth quarter of 2023 (net of areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2023.

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

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

(*) The data in NIS are presented according to the representative exchange rate on December 31, 2022 - 3.519 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2022 (47.11%) or the average rate of holdings in the period, as the case may be.

(**) The fair value includes a ground lease in the amount of USD 120 million.

(***) The NOI does not include revenues of the property management company in the amount of USD 5.9 million.

(****) In the reporting period, Carr recorded a net negative revaluation in the amount of USD 541 million (Carr's share) in its financial statements. The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties (the Group's share in the negative revaluation before tax is approx. USD 254 million (NIS 876 million)).

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

Carr Properties' share in properties	Offices						
	Average rental fees (1) per sq.ft. per year	Average rental fees (1) per sq.m. per month	Average occupancy rates	Occupancy rates as of	Number of properties as of	Average yield rates (2)	Gross yield rate (3)
	2022		2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
	In USD	In USD	In percentages	In percentages	Units	In percentages	In percentages
Office sector							
Washington D.C. metropolitan area (4)	65.17	58.46	87.65%	88.13%	13	5.42%	
Boston	61.12	54.82	86.04%	86.96%	2	5.03%	
Austin, Texas	69.46	62.31	89.02%	87.96%	1	5.52%	
Average/total rate			87.44%	87.9%	16	5.35%	6.00%
Residential rental sector							
Washington D.C. metropolitan area	39.23	35.19	74.82%	88.80%	1	2.28%	

1) Basic rental fees include average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 1 million.
The minimum and maximum average rental fees in the Washington D.C. metropolitan area are USD 43.8 per sq.ft. per year and USD 81.65 per sq.ft. per year, respectively, and in the Boston area they are USD 58.4 and USD 64.0, respectively. The gaps in the minimum and maximum average rental fees in the Washington D.C. metropolitan area stem from the buildings' location and quality and the tenants' credit rating.

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

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

	Area		Area		Fair value (*)		NOI		Revaluations
Carr Properties' share in properties	**31.12.2021**		**31.12.2021**		**31.12.2021**		**2021**		**2021**
	Sq.ft.		**Sq.m.**		**USD thousands**		**USD thousands**		**USD thousands**
Office sector:									
Washington D.C. metropolitan area	2,938,361	76%	272,983	76%	2,204,960	76%	106,562	78%	(105,862)
Boston	731,214	19%	67,932	19%	514,054	18%	23,057	17%	20,746
Austin, Texas	211,222	5%	19,623	5%	174,793	6%	6,150	5%	13,028
Total income-generating properties in the office sector	**3,880,797**	**100%**	**360,538**	**100%**	**2,893,807**	**100%**	**135,769**	**100%**	**(72,088)**
Residential rental sector:									
Washington D.C. metropolitan area	438,700		40,757		324,586		(762)		26,088
Total income-generating properties in the residential rental sector	**438,700**		**40,757**		**324,586**		**(762)**		**26,088**
Total income-generating property	**4,319,497**		**401,294**		**3,218,393**		**135,007**		**(46,000)**
Income-generating properties sold in 2021 (***)							10,467		(842)
Property in development							(1,200)		43,624
Total in USD thousands							**144,274 (****)**		**(3,218)**
Total in NIS thousands, not including the effect of property in development	**NA**		**NA**		**10,009,202**		**469,645**		**(147,110)**
Company's share, not including the effect of property in development:									
Total in thousands of sq.ft./sq.m./USD	**1,908,752**		**177,329**		**1,422,183**		**64,253**		**(20,699)**
Total in NIS thousands	**NA**		**NA**		**4,422,989**		**207,536**		**(65,007)**

(*) Fair value including a ground lease in the amount of USD 146 million.

(**) The data in NIS are presented according to the representative exchange rate on December 31, 2021 - 3.11 or the average exchange rate for the period, as the case may be. The Company's share is calculated according to the Company's rate of holdings in Carr on December 31, 2021 (44.19%) or the average rate of holdings in the period, as the case may be.

(***) The NOI and revaluations for the properties that were sold are for 49% of the Midtown Center complex from the beginning of 2021 until the date of sale in April 2021, as well as 49% of 100 Congress from the date of purchase of the property in May 2021 to the date of sale of 49% of the rights in September 2021.

(****) Not including revenues from management fees in the amount of USD 5.7 million.

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

Carr Properties' share in properties	Average rental fees per sq.ft. per year (1)	Average rental fees per sq.m. per month (1)	Average occupancy rates	Occupancy rates as of	Number of properties as of	Average yield rates (2)	Gross yield rate (3)
	2021		2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
	In USD	In USD	In percentages	In percentages	Units	In percentages	In percentages
Office sector							
Washington D.C. metropolitan area	65.27	58.54	85.75%	88.26%	12	4.88%	
Boston	58.13	52.14	87.93%	85.74%	2	4.50%	
Austin, Texas	68.39	61.35	91.32%	90.98%	1	3.52%	
Average/total rate			85.37%	87.94%	15	4.73%	5.30%
Residential rental sector							
Washington D.C. Metropolitan Area	41.48	37.21	29.42%	58.84%	1	-(4)	

(1) Basic rental fees include average revenues (straight line rent) and includes reimbursement of tenants' expenses (full service). Not including revenues of a non-recurring nature from the departure of tenants in the amount of USD 2 million.
The minimum and maximum average rental fees in the Washington D.C. metropolitan area are USD 43.07 per sq.ft. per year and USD 84.58 per sq.ft. per year, respectively, and in the Boston area they are USD 56.46 and USD 60.2, respectively. The gaps in the minimum and maximum average rental fees in the Washington D.C. metropolitan area stem from the buildings' location and quality and the tenants' credit rating.
(2) The average yield rates were calculated according to the actual NOI for 2021 (net of non-recurring compensation upon the departure of tenants) divided by the value of income-generating property as of December 31, 2021.
(3) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2022 (net of areas vacated in that quarter) standardized for a full year divided by the value of income-generating property as of December 31, 2021.
(4) Not relevant in 2021 in view of the fact that the property is in its first occupancy stage upon completion of its construction.

5.3.2 Investment property under construction, in planning and development

Carr has several properties in initiation and development.

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

One Congress project – Boston, Massachusetts:

Carr holds 75% of the rights in a joint venture through which an office tower was built in Boston under the name "One Congress" with 1 million sq.ft. of rental areas together with a partner (the "Joint Venture" and the "Tower", as the case may be). In April 2023, the construction of the tower was completed (before tenant improvements), it is fully leased (99%) to two main tenants and as of the date of the report, it is in the advanced stages of occupancy and delivery, which are expected to be completed during 2024. The projected NOI for a full representative year is expected to be USD 63 million (Carr's share - approx. USD 47 million).

Residential rental initiation:

In accordance with Carr's strategy to also engage in the initiation, development and leasing of residential buildings, Carr carried out the following: (1) It began the process of planning the conversion of a building located in Northern Virginia from offices to residences; (2) After the balance sheet date, it acquired a building located in Northern Virginia; Carr intends to initiate the construction of two new buildings intended for residential rentals, through the demolition of the existing buildings, change the existing building code, with the addition of investors to these projects.

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

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

Carr Properties' share in properties		**Under construction**			**Under construction**		
Parameters	**Unit of measurement**	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2023**	**31.12.2022**	**31.12.2021**
		Uses - Offices			**Uses - Offices**		
		Washington D.C. metropolitan area (*)			**Boston (**)**		
Number of properties in development at end of year	Units	-	-	1	1	1	1
Total land area	sq.ft.	-	-	27,776	36,026	36,026	36,026
Total land area	sq.m.	-	-	2,580	3,347	3,347	3,347
Total development area (planned) for rent at end of year	sq.ft.	-	-	226,880	756,040	754,906	755,422
Total development area (planned) for rent at end of year	sq.m.	-	-	21,078	70,238	70,133	70,181
Total costs invested in the period	USD millions	-	-	17	115	142	171
Total accumulated costs invested as of December 31	USD millions	-	-	108	683	568	426
Amount at which the properties are presented in Carr's financial statements	USD millions	-	-	108	715	698	546
Construction budget in the following year (estimate)	USD millions	-	-	25	73	160	177
Total construction budget, including land (estimate)	USD millions	-	-	151	755	746	733
Total estimated construction budget balance (estimate)	USD millions	-	-	43	73	178	307
Percentage of built up area with signed rental contracts	%	-	-	56	99	100	58
Expected annual revenue (NOI) from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	-	-	10	45	-	-

(*) As of December 31, 2021 - Signal House project.

(**) Since December 2022 - One Congress project (Carr's share).

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

Carr Properties' share in properties		In planning			In planning		
Parameters	**Unit of measurement**	**31.12.2023**	**31.12.2022**	**31.12.2021**	**31.12.2023**	**31.12.2022**	**31.12.2021**
		Use - Residential Rental			**Use - Offices**		
		Region - Washington D.C. metropolitan area			**Region - Austin, Texas (*)**		
Number of properties in development at end of year (**)	Units	1	-	-	-	1	-
Total land area	sq.ft.	62,983	-	-	-	35,300	-
Total land area	sq.m.	5,851	-	-	-	3,279	-
Total development area (planned) for rent at end of year (***)	sq.ft.	316,544	-	-	-	767,000	-
Total development area (planned) for rent at end of year	sq.m.	29,408	-	-	-	71,257	-
Total accumulated costs invested as of December 31	USD millions	28	-	-	-	9	-
Amount at which the properties are presented in Carr's financial statements	USD millions	28	-	-	-	9	-
Total construction budget (estimate)	USD millions	144	-	-	-	545	-
Total estimated construction budget balance (estimate)	USD millions	144	-	-	-	536	-
Percentage of built up area with signed rental contracts	%	-	-	-	-	-	-

(*) As of December 31, 2022 - the Second E. 300 project. During 2023, Carr decided to stop the project's planning.

(**) After the date of the report, in February 2024, Carr completed a transaction for the acquisition of land in Alexandria, Virginia for a consideration of USD 15.4 million. Carr intends to build a new residential rental building on the lot. For information, see Section 2.3.5 of the Board of Directors' Report.

5.3.3 Main real estate purchases in the period

Purchases of investment property (Carr's share):

Region and use	Parameters	Unit of measurement	2023	2022	2021
Austin, Texas	Number of properties acquired in the period (*)	Unit	-	-	1 (**)
	Cost of properties acquired in the period	USD millions	-	-	161
Use - Offices	Representative NOI of properties acquired in the period	USD millions	-	-	9
	Area of properties acquired in the period (**)	sq.ft.	-	-	209,883
	Area of properties acquired in the period (**)	sq.m.	-	-	19,499
Boston	Number of properties acquired in the period	Unit	-	-	-
	Cost of properties acquired in the period	USD millions	-	-	-
	Representative NOI of properties acquired in the period	USD millions	-	-	-
Use - Offices	Area of properties acquired in the period	sq.ft.	-	-	-
	Area of properties acquired in the period	sq.m.	-	-	-

(*) In 2022, the table does not include the lease agreement in connection with 300 E. Second St.
(**) Acquisition of 51% of the 100 Congress building.

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

Region and use	Parameters	Unit of measurement	2023	2022	2021
Washington D.C. metropolitan area	Number of properties sold during the period	Unit	1(***)	-	2 (*)
	Proceeds from the sale of properties sold during the period	USD millions	250	-	496
Use - Residential rental	Representative NOI of properties sold during the period	USD millions	8.0	-	24.0
	Area of properties sold during the period	sq.ft.	439,827	-	425,729
	Area of properties acquired in the period	sq.m.	40,861	-	39,551
	Profit (loss) recorded as a result of the realization	USD millions	(3.7)	-	(23)(**)
Washington D.C. metropolitan area	Number of properties sold during the period	Unit	1(****)	-	2 (*)
	Proceeds from the sale of properties sold during the period	USD millions	-	-	496
Use - Offices	Representative NOI of properties sold during the period	USD millions	9.0	-	24.0
	Area of properties sold during the period	sq.ft.	428,573	-	425,729
	Area of properties acquired in the period	sq.m.	39,816	-	39,551
	Profit (loss) recorded as a result of the realization	USD millions	6.0	-	(23)(**)

(*) Sale of 49% of the rights in Midtown Center and sale of land owned with a partner for initiation purposes.

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

(***) Sale of The Elm residential building.

(****) The exit from consolidation of Property 1615L, which is in the process of being returned to the financing entity. For information, see Section 2.3.5 of the Board of Directors' Report.

6. Managing initiation and development activity

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

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

7. Property Management and Operation

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

8. Business strategy and expected development in the coming year

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

During the coming year, Carr intends to continue improving its property portfolio while adapting it to the structural changes occurring in the office market in the United States. For additional information, see Section 2.3.5 of the Board of Directors' Report.

Carr's management expects that in the coming years, its property portfolio is expected to grow through a shift to a greater mix of projects and properties in the residential sector, among other things through the addition of other investors to the aforementioned projects. Carr intends to sell office properties that have reached full potential and stabilization and will use the proceeds to invest in properties and projects in the residential sector.

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

9. Taxation

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

10. Tenants (Customers)

9% of Carr's revenues stem from an agreement to rent most of the space in the Midtown Center building to the Federal National Mortgage Association - Fannie Mae. For information regarding the shortening of Fannie Mae's contract period, see Note 6g.3 to the financial statement.

11. Marketing

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

In 2023, Carr paid leasing commissions in the amount of USD 6 million (Carr's share) (in 2022 – USD 20 million (Carr's share)).

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

The following is data regarding expected rental revenues in respect of Carr's signed rental agreements in Washington DC as of December 31, 2023, by their date of completion[24]:

[24] The data presented in the table includes Carr's share in the properties in investees and does not include expected revenues from renewals of existing rental agreements, including the exercise of options granted tenants.

Period	Assuming non-exercise of tenant option periods		
	Revenues from fixed components	Number of contracts ending	Area subject to agreements ending
	USD thousands	Unit	In sq.m.
Q1/2024	55,864	13	24,016
Q2/2024	53,240	7	21,300
Q3/2024	53,758	5	3,966
Q4/2024	55,038	6	6,358
Total 2024	**217,900**	**31**	**55,640**
2025	214,584	39	44,965
2026	211,344	27	22,315
2027	205,137	24	25,715
2028	1,280,842	85	257,096
Total	**2,129,807**	**206**	**405,731**
Total in NIS thousands	**7,724,810**		

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

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

13. Competition

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

14. Human capital

Carr employs 57 HQ staff as of the reporting date, 6 of whom constitute its senior management as detailed below: CEO, President, VP Finance, VP Operations, VP Investments and VP Initiation. The remaining 51 employees have various subordinate positions.

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

15. Renovations and tenant improvements

From time to time, Carr carries out maintenance work, renovations and improvements for tenants in their properties beyond the regular operation of the properties, which is performed by the management companies themselves from their own budgets. The amount of the capital cost (base building CAPEX) to maintain the existing properties amounted to a total of USD 14 million in 2023 (in 2022 – a total of USD 19 million). As a rule, Carr does not purchase raw materials itself, and these materials are purchased by subcontractors who perform the maintenance, renovation and construction work. The amount of investments in tenant improvements, finishing work on new buildings including payments to tenants for tenant improvements upon lease renewals amounted to USD 77 million in 2023 (in 2022 – USD 73 million).

The Carr management does not regularly review expected revenue data under an assumed exercise of options granted to tenants to extend the rental period, and therefore the above data assumes non-exercise of tenant option periods.

16. Carr's forecast for 2024:

The following is Carr's forecast for its main operating results in 2024, according to its 2024 business plan. The forecast is based on the assumption that no significant changes will occur in the business environment in which Carr operates in the United States. The forecast does not take into account the realization of existing properties and the acquisition of new properties, including the realization of projects in initiation. In addition, the FFO forecast does not take into account the effect of possible real estate revaluations in relation to the recording of expenses in respect of long-term incentive plans (LTIP).

	Forecast	Actual
Item	**2024**	**2023**
NOI (in USD millions)	160	164
Real FFO (in USD millions)	65	70

The information regarding Carr's forecast for 2024 is forward-looking information, as defined in Section 32A of the Securities Law, 1968, and is based on the Carr management's work plan, which was approved by Carr's Board of Directors. Forward-looking information is a forecast, assessment, reasonable estimates or other information relating to a future event or matter, the realization of which is uncertain and not under Carr's control since there is no certainty that all the many variables that make up the work plan will materialize as planned, including macroeconomic factors that are not under Carr's control.

17. The Company's significant agreements regarding its holdings in Carr

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

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

In this regard, see Note 6g(7) to the financial statements.

18. Financing

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

C2. Investment in the United States - Boston through a partnership with Oxford

1. General information

As of December 31, 2023, the Company, together with the [25]Oxford Properties Group (hereinafter - "**Oxford**"), holds rights in three companies that own three office buildings in the Boston metropolitan area, two of them in the Boston CBD ("**125 Summer**" and "**745 Atlantic**") and one in East Cambridge ("**Davenport**"). The company has 55% of the capital rights and 50% of the control rights in each of the companies, while Oxford holds 45% of the capital rights and 50% of the control rights in each of the companies.

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

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

The Company's investments in the three companies in Boston are considered joint ventures presented in the Company's financial statements according to the equity method. The balance of the Group's investment in the three Boston companies as of December 31, 2023 amounts to USD 145 million (NIS 526 million).

The following is the main financial data for the years 2021-2023 (not including the Company's activity in Boston through Carr – see Chapter c1 above)[26].

Parameters	Unit of measurement	31.12.2023	The Company's share (55%)	31.12.2022	The Company's share (55%)	31.12.2021	The Company's share (55%)
Number of properties	Units	2		2		2	
Area in sq.ft.	sq.ft.	696,172	382,895	696,172	382,895	696,172	382,895
Area in sq.m.	sq.m.	64,676	35,572	64,676	35,572	64,676	35,572
Fair value of the properties	USD thousands	466,500	256,575	588,700	323,785	666,400	366,520
Actual NOI	USD thousands	32,011	17,606	30,219	16,620	28,988	15,943
Real estate revaluations	USD thousands	(117,834)	(64,809)	(85,105)	(46,808)	1,557	856
Occupancy rate on last day of the year	%	86.37%		89.00%		90.62%	
Average occupancy rate	%	87.35%		88.23%		90.43%	
Average rental fees per sq.ft. per year (**)	USD	66.09		63.71		66.73	
Average rental fees per sq.m. per month	USD	59.28		57.15		59.85	
Average yield rate (***)		6.86%		5.13%		4.35%	

(*) Basic rental fees include straight line rent and include reimbursement of tenant expenses (full service);

(**) Average yield rates were calculated according to the actual NOI over the course of the year divided by the value of income-generating property as of the end of the year.

(***) The real estate revaluations in 2022 in the above table do not include a third revaluation of the 745 Atlantic building, which is being converted into laboratories. In total, in 2023, negative property revaluations were recorded for the three properties (including 745 Atlantic) in the cumulative amount of USD 152 million (before tax) (the Group's share – USD 84 million, approx. NIS 310 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.

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

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

2. Investment property in development

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

745 Atlantic, Boston

The Company and Oxford have decided to promote an entrepreneurial project to transform the 745 Atlantic building from an office building to a laboratory building for the Life Sciences. During the second quarter of 2022, approvals were received and work began on the conversion of the building, which will be completed during the second quarter of 2024. The project's cost is estimated at approx. USD 166 million (the Company's share - USD 91 million), of which a total of USD 109 million have been invested until December 31, 2023 (the Company's share - USD 60 million).

In order to pay off an existing loan on the property and finance the construction costs, during 2022, one of the Boston partnerships, (through a company that owns the building (hereinafter, in this subsection – the "Property Company")), entered into an agreement for the receipt of a loan in a total amount of up to approx. USD 180 million from an international investment fund (the "**Loan**"), of which, until December 31, 2023, the property company has withdrawn a total of approx. USD 150 million. The loan is non-recourse (except for cases specified in the loan agreement, for which the Company and its partner Oxford are guarantors) and secured by a lien on the property. The loan bears interest at an annual rate of SOFR interest plus an annual margin of 3.4% which will be paid on a monthly basis. The loan repayment date is July 9, 2025, and the property company has the right to extend the loan repayment date (subject to certain conditions) by another two years. The property company purchased a CAP hedging transaction in case the SOFR interest rate rises above 3%.

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

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

		Under construction		
Parameters	**Unit of measurement**	**31-Dec-23**	**31-Dec-22**	**31-Dec-21**
			Use - Laboratories	
Number of properties in development at end of year	Units	1	1	1
Total land area	sq.ft.	19,733	19,733	19,733
Total land area	sq.m.	1,833	1,833	1,833
Total development area (planned) for rent at end of year	sq.ft.	177,640	174,455	174,455
Total development area (planned) for rent at end of year	sq.m.	16,503	16,207	16,207
Total costs invested in the period	USD millions	57,204	49,384	2,640
Total accumulated costs invested as of December 31	USD millions	109,228	52,024	2,640
Amount at which the properties are presented in Carr's financial statements	USD millions	180,700	160,400	144,700
Construction budget in the following year (estimate)	USD millions	28,666	67,289	49,384
Total construction budget (estimate)	USD millions	166,487	153,619	153,619
Total estimated construction budget balance (estimate)	USD millions	57,260	101,595	150,979
Percentage of built up area with signed rental contracts (*)	%	3%	0%	0%
Expected annual revenue from projects to be completed in the following period and for which contracts have been signed for 50% or more of the area	USD millions	-	-	-

(*) Until the date of the report, 10% of the building's area had been leased.

3. Main tenants

43% of total revenues in 2022 in the 125 Summer office building stemmed from Klaviyo (an Ecommerce marketing automation platform company).

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

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

The following is data regarding expected rental revenues in respect of signed rental agreements in the two Boston properties as of December 31, 2023, by their date of completion[27]:

Period	Assuming non-exercise of tenant option periods		
	Revenues from fixed components	Number of contracts ending	Area subject to contracts ending
	USD thousands	Unit	In thousands of sq.ft.
Q1/2023	9,999	1	-
Q2/2023	10,078	-	-
Q3/2023	10,242	1	1
Q4/2023	10,261	-	-
Total 2023	**40,580**	**2**	**1**
2024	41,166	4	41
2025	40,231	12	53
2026	38,219	23	224
2027 onward	49,131	35	474
Total	**209,327**	**76**	**793**
Total in NIS thousands	**759,229**		

(*) The data in the table are in 100% terms (as noted, the Company's share in the capital is 55%) and does not include expected revenues from renewals of existing rental agreements, including, as noted above, the exercise of options given tenants.

(**) The management does not regularly review expected revenue data under an assumed exercise of options granted to tenants to extend the rental period, and therefore the above data assumes non-exercise of tenant option periods.

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

5. Financing

For information regarding the financing arrangements of the Group's partnerships and Oxford, see Chapter c2, Section 2 above and Section 2.3.7 of the Board of Directors' Report.

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

D. Investment in London - Brockton

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

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter: "**Brockton**") (hereinafter: "**Brockton Managers**" or "**Brockton Partners**") in a series of agreements according to which the Company, together with Brockton Managers, established Brockton Everlast Inc., a private company engaged in the purchase, development, betterment, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK [28].

As of December 31, 2023, the Company indirectly holds approx. 83.4% of the rights in BE and the balance is held by Menora Mivtachim (13.6%) and the Brockton Partners. As of close to the date of publication of the report, the Company indirectly holds approx. 83.7%.

From BE's establishment until the date of publication of the report, the Company has invested GBP 693 million in BE's capital, of which a total of GBP 59 million (NIS 275 million) was invested during 2023.

On February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations from the Menora Mivtachim Group (hereinafter - "**Menora**"), under which Menora invested the amount of GBP 112 million in BE's capital, and until the end of 2023, Menora invested a total of GBP 141 million, which gives Menora a holding of 13.6% in BE's capital. Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Note 6(d)(4) and 6(d)(5) to the financial statements, respectively.

The total fair value of BE's properties as of December 31, 2023 is GBP 1.1 billion (NIS 4.9 billion) and the occupancy rate on that date was 98.3%. The properties are leased to 85 different tenants through long-term leases.

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

2. General environment and impact of external factors - London, UK[29]

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

During 2023, the inflation rate in the UK rose by 4% compared to 10.5% in 2022. The Bank of England ("BoE") continued to take measures to curb inflation through a series of 14 interest rate increases so that as of the date of publication of this report it is 5.25%. The BoE's inflation forecast for 2024 is approx. 3% and for 2025, it indicates a further decrease to a target level of approx. 2%.

The predicted GDP growth rate for the full year of 2023 is expected to be approx. 0.5%. The BoE's forecast change in the GDP for the years 2024 and 2025 indicates stability in 2024 and a predicted decrease of 0.25% in 2025.

As of the end of 2023, unemployment rates in the UK rose to 4.3% compared with 3.7% at the end of 2022.

Towards the end of February 2023, an agreement was reached (the application of which is subject to the approval of the British Parliament) between the British government and the European Union on the subject of the trade agreements on the border between Ireland and Northern Ireland, which may lead to the resolution of disputes for the implementation of a series of issues including regulation related to the financial sector's activities. In addition, the UK joined the pan-European Horizon program, the purpose of which is to invest approx. 100 billion EUR in research and development, with an emphasis on the life sciences and environmental quality. The UK also signed free trade agreements with Canada and Japan.

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

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

The GDP exchange rate remained stable compared to most currencies. At the end of 2023, the 10-year government bond interest rate was 4%.

Due to fears of an economic recession, the commercial banks reduced the amount of loans to the income-generating property sector. In some cases where there are violations of financial covenants (mainly due to interest coverage ratios), in situations regarding requests to postpone the repayment date of loans and in cases of the receipt of new loans for the purpose of repaying the existing loans, the lenders require the injection of additional equity (some also as compensation for the increase in the leverage rate due to the impairment of assets) while raising the price of debt. In most of the new loans, the banks demand an acceleration of the repayment of the principal, when there is a positive excess of cash flows generated by the assets.

The following are the UK's macroeconomic parameters:

			The UK	
For the year ended	Units	31.12.23	31.12.22	31.12.21
Macroeconomic parameters				
GDP (PPP)	USD Billions	3,872	3,717	3,336
Per capita GDP (PPP)	USD	56,836	54,824	49,591
GDP growth rate (PPP)	%	4.17%	11.42%	12.40%
Per capita GDP growth rate (PPP)	%	3.67%	10.55%	12.10%
Inflation rate	%	5.20%	10.50%	5.40%
Yield on long-term domestic government debt	%	3.86%	3.66%	0.98%
Rating of long-term government debt		AA/Aa3	AA-/Aa3	AA-/Aa3
Unemployment rate	%	4.20%	3.70%	4.50%

Sources of information:

1. World Economic Outlook Database, October 2023 מאתר ה- IMF- International Monetary Fund. The data are in International Current Dollars.
2. Office Of National Statistics (Consumer Price Index Harmonized)
3. Bloomberg, GUKG10 Index, UK Government Bonds Note Generic for ten years, average yield as of the end of each year.
4. Moody's/Fitch rating.

3. General Information regarding the Office and Research Laboratory Sector - London, Oxford and Cambridge[30]

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

London - The total area of offices in central London is 250 million sq.ft. During 2023, the demand continued along with the price increases for high-quality (Prime) offices in central London. The rental prices for this type of office set new records - Office space was rented at prices of over GBP 140 per sq.ft. per year in the West End (representing an annual increase of approx. 8%) and GBP 80 per sq.ft. per year in the City (represents an annual increase of approx. 10%).

The total investment in transactions for the acquisition of offices in central London in 2023, reached approx. GBP 6.5 billion, which is below the average for the decade at a level of approx. GBP 14 billion. Discount rates increased by approx. 0.25% in 2023 in the West End and by 1% in the City, reaching 4% and 5.25%, respectively. The main decrease in the volume of transactions is due to the significant increase in interest rates and the decrease in the availability of new credit for the acquisition of buildings.

The rate of empty office space in central London at the end of 2023 was approx. 9.2%, compared to approx. 8.5% at the end of 2022 and compared to an average of approx. 5.8% in the last decade. The increase in the rate of empty space resulted from the completion of new buildings that were built speculatively without pre-leasing, from an increase in the amount of sub-leasing and from a decrease in

30 Sources of Information:

- JLL Q4 2023 London office research
- CBRE Q4 2023 London office research
- Bidwells Arc Market Databook Oxford & Cambridge – January 2024
- Savills Market in Minutes – December 2023

active demand from high-tech companies.

The total office space in central London for which new lease agreements were signed (Take Up) was approx. 9.7 million sq.ft., close to the average of the last decade. As of December 2023, the total office space offered for sublease by tenants is 5.8 million sq.ft.

As of the end of 2023, the total number of construction projects for offices is expected to add approx. 17.1 million sq.ft. of new office space by the end of 2026, of which approx. 39% are pre-leased.

Cambridge - As of the end of 2023, the total office and laboratory space in Cambridge is approx. 10 million sq.ft. The space for which new lease agreements were signed (Take Up) for the year amounted to approx. 700 thousand sq.ft. in 2023 and represents an increase of approx. 38% compared to 2022. The rate of vacant office space was approx. 12%, while the rate of vacant laboratory space was only approx. 2.8%. In 2023, rental prices increased by approx. 22% for laboratories and 7% for offices. Investments in transactions for the acquisition of offices and laboratories in 2023 was approx. GBP 120 million, compared to GBP 900 million in 2022.

Oxford - As of the end of 2023, the total office and laboratory space in Oxford was approx. 8 million sq.ft. The space for which new lease agreements were signed (Take Up) for the year amounted to approx. 414 thousand sq.ft., approx. 18% less than in 2022. The rate of empty office space was approx. 10%, while regarding laboratories, this rate was only approx. 1.9%. In 2022, rental prices increased by approx. 3% for offices and approx. 9% for laboratories. Investments in transactions for the acquisition of offices and laboratories in 2023 was approx. GBP 37 million, compared to GBP 550 million in 2022.

The combination of an educated workforce from two of the top universities in the world, continued growth in the Life Science and Artificial Intelligence sectors and a limited supply of new space have created an imbalance between demand and supply, which is expected to continue and to support an increase in rental prices.

4. Financial information regarding BE's activity:

	Unit of measurement	31.12.2023	31.12.2022	31.12.2021
Number of income-generating properties	Unit	10(**)(***)	13	10
Fair value of real estate investments	GBP thousands	699,800	1,081,515	938,125
Occupancy rate	%	98.3	96.6	97.3
Fair value of land for development	GBP thousands	361,750	208,000	232,750
Equity	GBP thousands	688,881	895,843	693,024
Ratio of net financial debt to total balance sheet	%	36.4	30.7	39.7

	Unit of measurement	2023	2022 (*)	2021
Rental revenues	GBP thousands	46,841	46,455	34,230
Fair value adjustments of investment property	GBP thousands	(251,569)	(72,446)	224,639
Net profit (loss)	GBP thousands	(256,311)	(45,412)	228,955
Comprehensive income (loss)	GBP thousands	(261,513)	(36,998)	231,138
NOI	GBP thousands	41,315	42,311	31,156
FFO	GBP thousands	15,229	19,521	15,577
Same Propery NOI	GBP thousands	32,182	33,774	25,904
Company share in results - BE				
Company share in NOI	NIS thousands	157,896	149,197	134,120
Company share in FFO	NIS thousands	58,041	68,391	67,010

(*) Including net revenue in respect of the end of an arbitration procedure for updating rental fees (in accordance with the Rent Review mechanism), mainly in respect of one of BE's properties in central London (Waterside house) in the amount of GBP 5 million. For information, see Note 4b to the financial statements.

(**) The Devonshire Quarter property was classified as land from 2023 due to the process of eviction of tenants in preparation for initiation.

(***) From 2023, two buildings in Cambridge were classified as land.

5. Information regarding BE properties:

As of December 31, 2023 and for the year 2023:

	Area		Area		Fair value		NOI(**)		Revaluations	
	31.12.2023		31.12.2023		31.12.2023		2023		2023	
	Sq.ft.		Sq.m.		In GDP thousands		In GDP thousands		In GDP thousands	
Central London	**488,310**	46%	**45,365**	46%	**353,200**	50%	**20,273**	55%	**(147,360)**	87%
Oxford and Cambridge(*)	563,255	54%	52,328	54%	346,600	50%	16,754	45%	**(21,779)**	13%
Total in thousands	**1,051,565**	**100%**	**97,694**	**100%**	**699,800**	**100%**	**37,027**	**100%**	**(169,139)**	**100%**
Total in NIS thousands	**NA**		**NA**		**3,233,706**		**169,935**		**(785,853)**	
Company's share, not including the effect of property in development:										
Total in thousands of sq.ft./sq.m./GBP	**877,130**		**81,488**		**583,716**		**30,833**		**(140,930)**	
Total in NIS thousands	**NA**		**NA**		**2,697,294**		**141,508**		**(654,818)**	

(*) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.

(**) Not including NOI attributed to land in development in the amount of approx. GBP 4 million.

As of December 31, 2022 and for the year 2023:

	Average rental fees (*) per sq.ft. per year	Average rental fees per sq.m. per month	Average occupancy rates	Occupancy rates as of	Number of properties as of	Average yield rates (**)	Gross yield rate (***)
	2023		2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023
	In GBP	In GBP	In percentages	In percentages	Units	In percentages	In percentages
Central London	47.51	42.62	96.99%	97.69%	3	4.69%	6.60%
Oxford and Cambridge	33.11	29.70	98.24%	98.77%	7	4.67%	5.14%
Average/total rate	39.75	35.66	97.66%	98.26%	10	4.67%	5.83%

(*) The minimum and maximum average rental fees in the Central London area are GBP 21.7 per sq.ft. per year and GBP 64.8 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 33.6 per sq.ft. per year and GBP 48.0 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).

(**) Average yield rates for 2023 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2023.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2023 standardized for a full year divided by the value of income-generating property as of December 31, 2023.

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

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

(*) The vast majority of the areas are for offices.

(**) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.

(***) Not including NOI attributed to land in development in the amount of approx. GBP 1 million.

	Average rental fees (*) per sq.ft. per year	Average rental fees per sq.m. per month	Average occupancy rates	Occupancy rates as of	Number of properties as of	Average yield rates (**)	Gross yield rate (***)
	2022		2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
	In GBP	In GBP	In percentages	In percentages	Units	In percentages	In percentages
Central London	44.05	39.51	98.42%	95.30%	4	3.36%	4.69%
Oxford and Cambridge	29.86	26.78	95.12%	97.83%	9	4.00%	4.19%
Average/total rate	37.48	33.62	97.30%	96.59%	13	3.56%	4.48%

(*) The minimum and maximum average rental fees in the Central London area are GBP 22.5 per sq.ft. per year and GBP 64.8 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 19.6 per sq.ft. per year and GBP 39.00 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).

(**) Average yield rates for 2022 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2022.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2022 standardized for a full year divided by the value of income-generating property as of December 31, 2022.

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

	Area		Area		Fair value		NOI (***)		Revaluations
	31.12.2021		31.12.2021		31.12.2021		2021		2021
	Sq.ft.		Sq.m.		In GDP thousands		In GDP thousands		In GDP thousands
Central London (*)	615,453	63%	57,177	63%	700,975	75%	21,974	72%	99,344
Oxford and Cambridge (**)	358,914	37%	33,344	37%	237,150	25%	8,670	28%	21,475
Total in thousands	**974,367**	**100%**	**90,522**	**100%**	**938,125**	**100%**	**30,644**	**100%**	**120,819**
Total in NIS thousands	NA		NA		3,943,033		136,164		524,635
<u>Company's share</u>:									
Total in thousands	947,702		88,044		912,452		29,687		117,045
Total in NIS thousands	NA		NA		3,835,126		131,911		508,248

(*) The vast majority of the areas are for offices.

(**) Includes properties in the Cambridge Science Park used for offices/laboratories, and one property in the Oxford area, about half of which is used for offices and about half for commercial areas.

(***) Not including NOI attributed to land in development in the amount of approx. GBP 0.5 million.

	Average rental fees (*) per sq.ft. per year	Average rental fees per sq.m. per month	Average occupancy rates	Occupancy rates as of	Number of properties as of	Average yield rates (**)	Gross yield rate (***)
	2021		2021	31.12.2021	31.12.2021	31.12.2021	31.12.2021
	In GBP	In GBP	In percentages	In percentages	Units	In percentages	In percentages
Central London	40.08	35.95	97.04%	99.08%	4	3.13%	3.01%
Oxford and Cambridge	32.78	29.40	95.29%	94.21%	6	3.66%	4.66%
Average/total rate	**37.48**	**33.62**	**96.39%**	**97.29%**	**10**	**3.32%**	**3.56%**

(*) Basic rental fees include average revenues (straight line rent).

The minimum and maximum average rental fees in the Central London area are GBP 18 per sq.ft. per year and GBP 76.48 per sq.ft. per year, respectively. The minimum and maximum average rental fees in the Central Oxford area and in Cambridge are GBP 19.04 per sq.ft. per year and GBP 51.4 per sq.ft. per year, respectively. The gaps in the average minimum and maximum rental fees in central London and in the Oxford and Cambridge areas are due to the location and quality of the buildings and BE's rental strategy (retaining BE's legal right to evict customers from the leased areas during the lease period for the construction project).

(**) Average yield rates for 2022 were calculated according to the actual NOI divided by the value of cash-generating property as of December 31, 2021.

(***) The weighted gross yield was calculated according to the actual NOI for the fourth quarter of 2021 standardized for a full year divided by the value of income-generating property as of December 31, 2021.

6. Properties acquired during the period

Region and use	Parameters	Unit of measurement	2023	2022	2021
Central London Use - Offices	Number of properties acquired in the period	Unit	-	-	-
	Cost of properties acquired in the period	GBP millions	-	-	-
	Representative NOI of properties acquired in the period	GBP millions	-	-	-
	Area of properties acquired in the period (**)	sq.ft.	-	-	-
	Area of properties acquired in the period (**)	sq.m.	-	-	-
Oxford and Cambridge Use - Offices	Number of properties acquired in the period	Unit	-	3	5
	Cost of properties acquired in the period	GBP millions	-	175.1	123.8
	Representative NOI of properties acquired in the period	GBP millions	-	9.42	5
	Area of properties acquired in the period	sq.ft.	-	278,011	182,472
	Area of properties acquired in the period	sq.m.	-	25,828	16,952
Cambridge Use - Land for development	Number of properties acquired in the period	Unit	-	-	4
	Cost of properties acquired in the period	GBP millions	-	-	113.8
	Area of properties acquired in the period	Acres	-	-	14

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

7. Land for development

Region and use	Parameters	Unit of measurement	2023	2022	2021
Oxford and Cambridge	Fair value of land for development	GBP thousands	258,150	208,000	232,750
	Land area	Acre	14.3	14.3	14.3
Central London	Fair value of land for development	GBP thousands	103,600	-	-
	Land area	Acre	0.7	-	-

During the period of the report, negative revaluations were recorded for land in development in the amount of GBP 82.4 million (NIS 376 million).

8. Order backlog:

Period	Assuming non-exercise of tenant option periods		
	Revenues from fixed components	Number of contracts ending	Area subject to contracts ending
	In GDP thousands	Unit	Thousands of sq.m.
Q1/2024	11,470	12	25
Q2/2024	11,286	3	20
Q3/2024	11,170	4	23
Q4/2024	11,170	-	-
Total 2024	**45,096**	**19**	**68**
2025	42,968	9	56
2026	34,054	19	155
2027	14,838	11	147
2028 onward	112,623	33	840
Total	**249,579**	**91**	**1,266**
Total in NIS thousands	**1,153,280**		

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

9. Main Tenants:

28% of BE's revenue for 2023 stems from Marks & Spencer, which leases space in the Waterside House building. 11% of BE's revenue for 2023 stems from the London Fire Brigade which leases space in the Union Street building. In 2023, updates to the rental fees of these tenants were made in accordance with the Rent Review mechanism of the Upwards Only type.

10. Management and Operating of BE's Properties:

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

11. Properties with Development Potential:

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

In view of the BE management's expectation for a significant expansion of business activity, BE is working to promote plans for a significant increase in building rights for entrepreneurial projects in the coming decade, which will increase the existing portfolio by 2.1 million sq.ft. (to a total of 3.55 million sq.ft.). Until close to the date of publication of the report, city building plan approvals were received for approx. 0.7 million sq.ft. (an addition of approx. 0.4 million sq.ft. in relation to the currently existing building rights). As of the date of the report, BE has received a local city building plan approval for the Devonshire Quarter building. As of the date of the report, no such approval has yet been received for the rest of the properties in development.

For a summary of data regarding BE's project in the advanced planning stages as of December 31, 2023, see Section 2.3.6 of the Board of Directors' Report.

12. Marketing:

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

13. Competition:

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

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

14. Human Capital:

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

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

The terms of employment of employees and members of management are as accepted in the market, and include, among other things, termination of employment subject to prior notice and a long-term remuneration plan, through B and C type shares of BE Midco Limited, which holds BE shares directly.

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

15. Improvements in Rental Properties and Suppliers:

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

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

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

16. BE's forecast for 2024:

The following is BE's forecast for its main business results for 2024. The forecast is based on the assets existing on the date of the report and on the assumption that no significant changes will occur in the business environment in which the BE Group operates.

	2024 forecast	2023 actual (*)
	GBP	GBP
NOI (GBP MILLIONS)	42	41
FFO (GBP MILLIONS)	11	15

The information relating to the BE forecast for 2024 is forward-looking information, as defined in section 32A of the Securities Law, 1968 and is based on the BE management's budget, as approved by the BE Board of Directors. Forward-looking information is any forecast, assessment, estimate or other information regarding a future event or matter whose realization is uncertain and not under the sole control of BE and the Company, as there is no certainty that the many variables that make up the budget will materialize as planned.

17. BE's business strategy

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

During the coming year, BE will continue to work towards the advancement of initiation projects, including the promotion of building plans on most of its properties.

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

18. Corporate governance in BE and in the BE Group

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

19. Financing

Regarding BE's financing arrangements, see Note 12(d) to the financial statements.

20. Information regarding the Brockton Funds

As of December 31, 2023, the Company holds UK real estate funds from the Brockton Group, the main one being Fund III, in which there is an investment in FORA/TOG, which engages in the rental and management of workspaces, as well as two other properties.

The funds are presented in the Company's financial statements as securities measured at fair value through profit or loss. The balance of the Company's investment in the funds as of December 31, 2023 amounts to approx. GBP 51 million (NIS 222 million). For additional information, see Note 5(1) to the financial statements.

E. Energix

1. General information regarding Energix

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

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

As of December 31, 2023 and close to the date of publication of the report, the Company's rate of holdings in Energix was 50.3%. For additional information, see Note 6e(2) to the financial statements.

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its systems amounts to approx. 1,279 MW in commercially operated projects, approx. 533 MW and 318 MWh (storage) in projects in development or pre-construction, approx. 473 MW and 136 MWh (storage) in projects in advanced initiation stages, approx. 6.3 GW in projects in the initiation stage[31] and approx. 7 GWh in storage projects in the initiation stage. As of the reporting date, Energix owns facilities connected to the electricity grid and systems under construction and development at a depreciated cost of NIS 7.6 billion.

The total representative yearly income expected in 2024 from the sale of electricity and Green Certificates[32] from all facilities connected to the power grid as of the date of the report in addition to the facilities that are expected to join the power grid over the course of 2024 is 920-1,020 million NIS[33] (Energix's share).

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

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

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

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

33 The Company's forecasts for 2024 are based on the electricity prices set in the agreements for the sale of electricity in the three territories, including hedging agreements, tariff tenders and forward prices in Poland. The forecasts for 2024 were updated following the decrease in the forward price in Poland and in view of the Company's assessment of an extension of several months in the connection dates of projects in development in 2024.

2. Area of activity

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

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

						Project results for the 12-month period ended December 31, 2023 (NIS millions)				Project results projected for 2024 (NIS millions)				
Country	Technology	Capacity (MW)	Source of revenues	Original construction cost	Project financing facility	Revenues	Gross profit	Project FFO	Net cash flow after debt service / payment of tax partner's share in the US	Revenues	Gross profit	Project FFO	Net cash flow after debt service / payment of tax partner's share in the US	Energix's share
Israel (1,2)	Photovoltaic	330 MWp	Sale to the electric company at a fixed CPI-linked rate, for a period of 20-23 years from the date of commercial operation.	1,200	1,195	148	113	90	24	150-160	115-123	92-98	35-39	199 MWp through an Israeli joint venture - the Company's share - 70% (91% in cash flow) and all other projects are fully owned
Poland (3,4,5,11)	Wind	301 MW	Electricity - Sale on the Electricity Exchange or in price-fixing agreements. Green Certificates - Sale on the Green Certificate Exchange or in price-fixing agreements.	1,579	784	480	416	398	375	555-575	480-500	443-459	413-421	100%
Poland (6)	Photovoltaic	12 MWp	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price.	34	-	4	4	4	4	4	4	4	4	100%
USA (Virginia 1 and 2 projects) (7,8,9)	Photovoltaic	224 MWp	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to an electric company at market prices with hedging transaction for 6 and 12 years. Green Certificates - Sale at a fixed price for a period of 12-15 years.	569	312	47	32	23	10	54-59	43-47	26-30	10-12	100%
USA (Virginia 3 and Pennsylvania projects) (10,12)	Photovoltaic	412 MWp	Electricity - Sale at a fixed price for a period of 12-15 years, or sale to an electric company at market prices with hedging transaction for 6 and 12 years. Green Certificates - Sale at a fixed price for a period of 12-15 years.	1,224	1,129	1	1	1	1	140-150	118-124	61-66	30-36	100%
Projects in commercial operation		1,279		4,606	3,420	681	567	516	414	903-948	760-798	626-657	492-512	

1) In the reporting period, the revenues from the winning projects in the third and fourth procedures totaled approx. NIS 37.5 million. The above information includes projects with a capacity of 23 MW from competitive procedure 4 whose construction has been completed, and they await connection to the electricity grid by the IEC.

2) The Banie 3 and Sepopol wind farms won tenders for a guaranteed index-linked tariff (as of the date of the report - PLN 250-268 per 1 MWh) for 15 years in relation to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. Regarding the entry of Energix into the tender regulation subsequent to the date of the report, see Note 7f to the annual financial statements.

3) The Banie stage 4 wind farm won a tender for a guaranteed index-linked tariff (as of the date of the report - PLN 280-285 per 1 MWh) for 15 years in relation to the electricity output at an average rate of approx. 80% of the expected electricity generation. The Company has the option of choosing not to enter into the tender arrangement and forgo the guaranteed rate until February 2025. A decision on the matter will be made close to this date, depending on the state of the electricity market and electricity prices as of that date, expectations for inflation, etc.

   In the reporting period, the revenues from the Banie 4 project, including revenues during the testing period, totaled approx. NIS 49 million. In June, the project completed all requirements and received a permanent electricity production license. Until receipt of the permanent license, the financing expenses in respect of the project loan during the testing period were included in the cost of the system, and therefore the FFO during the testing period does not include financing expenses for the project.

4) The projected revenue and results in Poland for 2023 include revenues from compensation for the unwinding of price-fixing transactions. For additional information, see Note 7f(b) to the consolidated financial statements.

5) During the reporting period, the revenues during the testing period from the Lubanowo project amounted to approx. NIS 4 million. As of the date of approval of the report, the project is awaiting receipt of a permanent production license. Project expenses during the testing period were capitalized to the cost of the system.

6) In the agreement with the US tax partner (for additional information, see Note 7(d) to the annual financial statements), among other things, the rate of cash distribution between Energix and the tax partner was determined for a period of approx. 5 years, after which 95% of the cash flow is expected to be used by Energix. In the table above, Energix's share of the net cash flow is presented net after payment of the tax partner's share.

7) In the Virginia 2 projects, the tax partner's obligation is for 5 of the 6 projects. In the sixth project, Energix uses the tax benefits in the amount of approx. USD 10 million for its own use.

8) The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).

9) In the Virginia and Pennsylvania projects in development with a capacity of 412 MWp, based on the assumption that the tax partner's investment is at a rate of 40%-50%, in accordance with the new IRA law. It should be noted that as of the date of publication of the report, the final regulations regarding the local production benefit (local content) have not yet been published. For information, see Section 3.1(vi) above.

10) As of the date of approval of the report, Energix is in negotiations for receipt of long-term project financing for the Banie 1+ 2 wind farm and Iława with a capacity of 119 MW, on a non-recourse basis, in an estimated amount of up to PLN 850 million.

11) Financial data is based on an exchange rate of NIS 3.71 per USD 1 and an exchange rate of NIS 0.93 to PLN 1.

12) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.

*** Includes forward-looking information, based, among other things, on the electricity prices known as of the date of approval of the report.**

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

Country	Project	Technology	Capacity (MW)	Source of revenues	Tariff for sale of electricity per 1 KWh generated (in NIS) (10)	Expected construction cost NIS millions	Project financing facility	Projected commercial operation date	Cost invested as of the reporting date in NIS millions	Projected project results for the first year of operations (5)				Energix's share in project
										Revenues	Gross profit	FFO	Net cash flow after debt service / payment of tax partner's share in the US	
Israel	ARAN (1)	Wind	104 MW	Sale to the electric company at a fixed CPI-linked rate, for 20 years from the date of commercial operation	0,303	650-750	Up to 650	H2/2025	518	93-101	77-83	58-62	30-34	80.5%. Share in results and in net cash flow 100%
	Photovoltaic projects with combined storage	Photovoltaic	104 MWp Including 318 MWh storage	According to electricity sales agreements with suppliers and sales to customers at a fixed index-linked rate, for 23 years from the date of commercial operation.		540-580	Up to 470	During 2024	275	57-62	46-50	24-28	12-14	100%
	First competitive tender for ultra-high voltage systems (6,7)	Photovoltaic	87 MWp	Fixed CPI-linked rate, for 23 years	0,162	240-280	Up to 255	H1/2024	217	22-26	16-20	9-13	2-4	70%. Share in results and in net cash flow 91%
Poland	PV project in Poland - 30 MW	Photovoltaic	30 MWp	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price		82-94	Not yet determined.	H2/2024	-	10-14	8-10	8-10	8-10	100%
USA (2,5,8,9)	Projects in development in Virginia	Photovoltaic	132 MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price		330-350	Not yet determined.	During 2024	170	48-54	42-46	42-46	42-46	100%
	Projects in development in Pennsylvania	Photovoltaic	76 MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price		160-180	Not yet determined.	During 2025	130	30-34	25-29	25-29	25-29	100%
Total in development and pre-construction			**533 MW** **Including 318 MWh storage**		**-**				**1,308**	**260 - 291**	**214 - 238**	**166 - 188**	**119 - 137**	

1) According to the set of agreements signed between Energix and ARAN and the revenue expectations, Energix's share of the cash flow is 100% until the full payment of the liabilities to the Company. After the full payment of the liabilities to the Company, the free cash flow will be distributed to the shareholders according to their share. For information regarding the ARAN project that Energix is developing in the northern Golan Heights with a capacity of 104 MW, through a dedicated subsidiary ("ARAN Project"), and the temporary suspension of the project's construction work, see Note 8(b) to the financial statements.
2) The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).
3) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.
4) Financial data is based on an exchange rate of NIS 3.71 per USD 1 and an exchange rate of NIS 0.93 to PLN 1.
5) In the Virginia projects in development with a capacity of 132 MWp, based on the assumption that the tax partner's investment is at a rate of 40%-50%, in accordance with the IRA law. In the Pennsylvania projects with a capacity of 76 MW, based on the assumption that the tax partner's investment is at a rate of 50% in accordance with the IRA law. It should be noted that as of the date of publication of the report, the final regulations regarding the local production benefit (local content) have not yet been published.
6) Energix provides financing for a project in Israel at an interest rate of 8%/10% per year. 70% of the free cash flow for distribution in the venture is paid to the Company for the purpose of repaying the financing and the remaining 30% is divided between the partners according to their shares until the full repayment of the aforementioned loans, after which, the free cash flow will be divided between the partners according to their shares.
7) Until the date of commercial operation, the winning rate is linked to the exchange rate and to the CPI. On the date of the win, the rate was NIS 0.156 per 1 KWp installed.
8) Energix's assessment regarding the predicted results from these projects is based on signed electricity sale agreements or on Energix's estimates regarding the range of expected electricity prices for projects within the framework of electricity sale agreements that will be signed in the future.
9) In addition to the projects in development / pre-construction in the United States in the table, Energix entered into agreements with a local entrepreneur for the acquisition of two photovoltaic projects in Pennsylvania with a total capacity of approx. 200 MWp for a total consideration of approx. USD 13 million. Both projects have existing agreements for the sale of electricity to one of the largest American companies in the world and the main permits required for the start of their construction. Completion of the project's acquisition is conditional on the signing of an amendment to the electricity sale agreement under conditions that are favorable for the Company.
10) For additional information, see Note 8 to the financial statements.

*** Includes forward-looking information, based, among other things, on the electricity prices known as of the date of approval of the report.**

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

Country	Project	Technology	Capacity (MW)	Source of revenues	Projected commercial operation date	Status	Expected construction cost NIS millions	Cost invested as of the reporting date NIS millions	Expected revenue for the first full year of operation NIS millions	Energix's share in project
Israel	Photovoltaic projects with combined storage - in advanced initiation	Photovoltaic	23 MWp Including 88 MWh storage	According to electricity sales agreements with suppliers and sales to customers at a fixed index-linked rate, for 23 years from the date of commercial operation.	During 2024	In licensing procedures	125-145	75	14-18	100%
Poland	Nowa Karczwa	Wind	68 MW	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price	During 2025	After building permit. In the approval process for connection to grid.	420-440	3	85-95	100%
	Prądy	Photovoltaic	65 MWp	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price	H1/2025	In planning and development	245-265	9	23-29	100%
	Nowe Czarnowo	Storage	48 MWh storage	Sale in the market (including price-fixing transactions) and/or CPI-linked tender price	H1/2025	In planning and development	35-55	-	11-15	100%
United States	Projects in advanced initiation in the United States (1,2)	Photovoltaic	317 MWp	Electricity - Long-term agreement for sale at a fixed price to an electric company or a private consumer, or sale to an electric company at market prices with long-term hedging transaction. Green Certificates - Long-term agreement for sale at a fixed price	During 2025-2026	In planning and development	1050-1150	171	123-133	100%
Total in advanced initiation:			**473 MW + 136 MWh**				**1,875 - 2,055**	**258**	**256 - 290**	

1) Energix's assessment regarding the predicted results from these projects is based on signed electricity sale agreements or on Energix's estimates regarding the range of expected electricity prices for projects within the framework of electricity sale agreements that will be signed in the future.
2) Based on the assumption that the tax partner's investment is at a rate of 40% in accordance with the new IRA law. It should be noted that as of the date of publication of the report, the final regulations regarding the local production benefit (local content) have not yet been published. The original construction cost is the cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits, less the investment of a tax partner in respect of the tax benefit (ITC).
3) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.
4) Financial data is based on an exchange rate of NIS 3.71 per USD 1 and an exchange rate of NIS 0.93 to PLN 1.

*** Includes forward-looking information, based, among other things, on the electricity prices known as of the date of approval of the report.**

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

Country	Technology	Capacity (MW) (1)
Israel	Photovoltaic (including combined storage)	565 MWp
	Storage	500 MWh
United States	Photovoltaic	4,800 MWp
	Storage	6,000 MWh
Poland	Wind	586 MW
	Photovoltaic	200 MWp
	Storage	100 MWh
Total photovoltaic and wind projects in initiation		6,151 MW
Total storage projects in initiation		6,600 MWh

1) Capacity data: Wind - in MW; Photovoltaic - in MWp; Storage - in MWh.

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

2.1 Environment and impact of external factors - Energix

General

As part of a global trend to reduce greenhouse gas emissions, many countries, including Israel, are encouraging investment in the construction of electricity-generation facilities from renewable energies and developing diverse arrangements for the sale of electricity from these sources. As of the reporting date, more than 150 countries around the world are promoting policies that support the production of electricity from renewable energies,[34] and according to forecasts, in 2050, renewable energies will provide 84% of electricity consumption in Europe and 65% of electricity consumption in the United States[35]. It is estimated that in order to meet the commitments and targets set by the world's countries in the transition from fossil fuels to renewable energies, a cumulative investment of approx. USD 195 trillion is required by 2050[36].

During the reporting period, dozens of other giant international corporations have joined corporations such as Apple, Meta, Microsoft, Google, and others who have set themselves 100% clean energy (Net Zero) consumption targets by 2030 under the RE100 initiation[37]. As of the date of the report, more than 400 corporations that have declared their intention to reach Net Zero have been included, with the total demand for electricity from renewable sources of all the corporations participating in the initiative amounting to over 500 TWh.

Accordingly, global investment in the transition to energy sources that emit low carbon dioxide is on the rise: in 2023, over USD 1.8 trillion was invested worldwide in sectors supporting the transition to low-carbon energy use such as electricity storage, electric vehicles, hydrogen and various renewable energies - an increase of approx. 40% compared to last year. The sector that benefited from the highest total investment was the renewable energy sector, which attracted over USD 600 billion in investments[38].

It should be noted that in view of the decrease in electricity production costs from renewable energy,[39] the economic viability of constructing such facilities has increased, even in market conditions without supportive regulation.

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

34 Renewables 2023 – Global Status Report (REN21).
35 New Energy Outlook 2022 - Power Supply Charts.
36 IRENA - Global Landscape Of Renewable Energy Finance (2020).
37 RE100 Annual Disclosure Report 2021 (January 2022).
38 Energy Transition Investment Trends, 2024 _ Full Report _ BloombergNEF.
39 Although price increases are expected in the short term.

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

Foreign exchange rates - During the reporting period, there was a strengthening of the PLN against the NIS and the EUR and a weakening of the NIS against the foreign currency basket, including the PLN and the USD. The strengthening of the PLN and the USD has a positive effect on Energix's results since more than half of Energix's revenue and net profit are in the PLN currency.

Interest and inflationary environment - Against the backdrop of the global trend of rising prices, among other things due to economic and geopolitical events such as the Corona pandemic, the war in Ukraine and the energy crisis, the beginning of 2023 was characterized by inflationary pressures and the adoption of a monetary restraint policy which increased interest rates in the countries where Energix operates. As a result, 2023 ended with a moderation and even a decrease in inflation levels, which at the end of the year amounted to an annual level of approx. 3.4% in the United States, approx. 3% in Israel and approx. 6.2% in Poland (compared to approx. 14% in 2022).

An increase in interest rates by its very nature could lead to an increase in Energix's financing expenses. Despite the above, in accordance with its strategy, Energix generally enters into a series of agreements and contracts that hedge future exposures to an increase in interest rates. This operating method results in the fact that an increase in interest rates is not expected to have a substantial negative impact on Energix's results.

Against the backdrop of the moderation in inflation, there is also a trend of the world's central banks lowering interest rates. Therefore, in Poland, the interest rates as of the date of approval of the report are at a level of approx. 5.75% per year, after most of 2023 the interest rate was at 6.75%. The lowering of interest rates is expected to have a positive effect on business activity in the territories where Energix operates, including in Energix's areas of activity.

In view of all this, Energix estimates that the effect of interest and/or inflation in the short and medium term is not expected to have a material negative effect on its activities. In this context, Energix expects to continue taking loans that may be affected by an increase in the interest rate or inflation.

The decrease in the price of lithium - During 2023, the price of the main raw material in the production of storage batteries, lithium, dropped by approx. 80%. The main factor for this trend is a decrease in demand for electric vehicles in main markets. The decrease in the price of lithium is expected to have a positive effect on future transactions for the purchase of storage equipment.

The geopolitical situation between Ukraine and Russia and macro changes in Europe - From the end of February 2022, attacks by the Russian army are being carried out in Ukraine, which is a neighboring country of Poland, where the Company has significant activity. This geopolitical situation, depending on changes in the intensity and expansion of the conflict, may have consequences for the Company's operations as a result of macro effects such as rising electricity prices, exchange rates and interest rates. However, the fighting in Ukraine emphasizes the importance of energy independence and renewable energies in Poland considering the sanctions by some countries on the purchase of electricity and oil from Russia.

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

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

The renewable energy market in Israel

In recent years, the State of Israel has joined a number of other countries around the world that are transitioning to electricity generation from renewable energy, and leaving traditional energy sources (fossil fuels) due to their destructive effects on the environment. This trend has had an obvious effect in the field and in the years 2021-2023, the rate of increase in installed capacity from renewable energies in Israel jumped by an average of 35% per year (compared to a growth rate of approx. 16% in the years 2015-2017)[40]. According to the Electricity Authority data[41], as of the end of 2023, the total installed capacity in renewable energies in Israel is 5.903 GW, with approx. 89%, with a capacity of 5.277 GW in photovoltaic facilities. During 2023 alone, renewable energy generation facilities with a capacity of 1,039 MW were synchronized to the electricity grid and at the end of 2023 the actual consumption from renewable energy in Israel was 12.5% (8,970 MWh, an increase of approx. 35.5% compared to 2022) and the consumption potential was 14.6%.

In accordance with Government Decision no. 465[42], by 2030, 30% of electricity generation will be from renewable energy, with an interim target of 20% of total electricity consumption in 2025. The total capacity required to meet the interim target is 9.6 GW43. Accordingly, a series of resolutions have been adopted in Israel, which are updated from time to time according to policy updates by the Ministry of Energy and the government. The following are the main points:

1. As part of the Electricity Authority's decision from August 2020, principles were published for opening the supply segment in the electricity sector and conditions were determined for operation within the regulation, including the obtaining of a supplier's license and quotas. The quotas established in this decision were canceled in another decision in September 2022

40 Status report - Renewable Energy Targets in the Electricity Sector, 2023.
41 From the Electricity Authority's new BI system.
42 https://www.gov.il/he/departments/policies/dec465_2020
43 Report on the State of the Electricity Sector for 2021, published by the Electricity Authority, July 2022.

on the full opening of the supply segment to competition. As of the date of approval of the report, there are several key players in the market who are interested in acting as electricity suppliers and to purchase electricity from private electricity producers.

2. In 2021, a roadmap was published for a low-carbon economy which defined a target for a reduction of greenhouse gases from the energy sector by a rate of 80% by 2050, compared to 2015. In May 2022, the road map "for achieving the 2030 energy targets" was published, which includes a multi-year plan for government ministries to achieve the energy targets. In addition, expected regulatory measures until 2025 were published.

3. In accordance with the decision of the Electricity Authority regarding a market model for generation and storage facilities in the distribution network, from 2024 it will be possible to associate generation facilities with a private supplier, the decision that is integrated with the update of the demand hour files that will accelerate the integration of storage technology. These decisions open the electricity sector to competition and allow any consumer with a smart meter to purchase green electricity.

4. As part of the Electricity Authority's decision from August 2020, principles were published for opening the supply segment in the electricity sector and conditions were determined for operation within the regulation, including the obtaining of a supplier's44 license and quotas. The quotas established in this decision were canceled in another decision in September 2022 on the full opening of the supply segment to competition. As of the date of approval of the report, there are several key players in the market who are interested in acting as electricity suppliers and to purchase electricity from private electricity producers.

5. The Planning Administration adopted several dedicated outline plans regarding renewable energies, including for the establishment of photovoltaic facilities and wind turbines, and approved additional national outline plans for the regulation of photovoltaic facilities.

6. In November 2023, the chapter on energy storage facilities in the National Outline Plan45 was approved, which regulates the planning and approval procedures for the facilities. In June 2023,46 the National Council decided to increase the quota for ground facilities in order to meet the 30% target of renewable energies by 2030. It was also decided to cancel a previous decision according to which the Planning Administration will not recommend the promotion of requests to establish a facility in an area with high environmental landscape sensitivity, which disqualified the promotion of national infrastructure plans in most areas of the country.

7. In December 2023, the management of the Israel Land Authority47 determined uniform prices to be paid to the Israel Land Authority for solar projects; in November 2023, following the outbreak of the Iron Swords War, the Israel Land Administration approved a temporary order allowing the expansion of employment quotas and the allocation of land to agricultural settlements in the conflict line areas.48

Against the trends that support the continued development of the renewable energy market in Israel, there are factors that have a negative impact, including infrastructure limitations of the electricity grid's absorption capacity, opposition from environmental entities and authorities to the integration of renewable energy projects, bureaucracy and regulatory difficulties.

The renewable energy market in Poland

The electricity market in Poland is a developed market and includes four main local electricity grid administrators (owners of the distribution network in the areas of electricity-generation) that are controlled by the Polish government, and an electricity exchange, in which many other players operate. In 2023, the renewable energy market in Poland continued to grow rapidly. At the end of 2023, the installed capacity of photovoltaic facilities in Poland was approx. 17 GW and of wind facilities was approx. 10 GW[49].

In addition, 2022 was a turning point in the development of the electricity storage market in Poland when, for the first time, electricity storage projects won availability agreements in tenders, following a regulatory change that limits polluting technologies from participating in the availability tender. This trend continued even more intensely in 2023 when, in the availability tender, the rate of storage was approx. 24% of the total winning capacity (compared to approx. 3% in 2022).

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

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

45 https://www.gov.il/he/departments/policies/dec1049-2023

46 https://mavat.iplan.gov.il/SV4/3/9900006498

47 https://www.gov.il/he/departments/policies/3721b-procedure

48 https://www.gov.il/BlobFolder/generalpage/hatzaot_lishivat_hamoatza/he/council_public_9.24-31.10.2023-a.pdf

49 Baringa Poland Wholesale Power Market Results 2022Q4.

The expectation for 2024 is that electricity generation using renewable energy sources will continue to grow at a rapid pace, especially against the backdrop of significant geopolitical changes that have taken place on the European continent, and especially in Poland, as a result of Russia's invasion of Ukraine.

Temporary legislation to limit electricity prices in Poland:

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

In the context of the European Union's decision, legislation was adopted in Poland regarding emergency measures to temporarily limit the prices of electricity generated, including from wind farms and photovoltaic facilities in the country. As part of the adopted legislation, it was determined that the sale of electricity directly to the buyer, in relation to the period between December 1, 2022 and December 31, 2023, will be subject to a price ceiling, as updated on December 16, 2022 in the amount of: (i) PLN 345 per 1 MWh of electricity produced from wind energy (ii) PLN 405 per 1 MWh of electricity produced from photovoltaic installations[50]. Also, the price ceiling for projects that have actually entered into the applicability of the tariff arrangement will be the rate they won. Amounts received that exceed the established ceiling will be transferred by the electricity producers to a dedicated fund that will be used by the Polish government to reduce electricity prices to end consumers.

According to the legal advice received by Energix regarding the applicability of the legislation, the legislation applies to the physical sale of electricity, and as of March 1, 2023, also an engagement in a financial transaction and/or sale of the GoO certificates for which the agreement is dependent on the sale and/or physical production of the electricity[51].

The legislation that determined the electricity price ceiling expired on December 31, 2023.

The United States Renewable Energy Market

The United States is one of the world leaders in the generation of electricity from renewable energies, and is ranked as the second country in the world after China, with the highest installed capacity of renewable energy facilities.[52]. The renewable energy market in the U.S. is growing rapidly in general, and the photovoltaic market in particular. It is estimated that in 2023, approx. 32 GW of solar facilities were added and the total number of new wind facilities in 2023 is expected to be more than 10 GW[53].

The increase in renewable energies may gain further momentum in view of the desire to develop and integrate new technologies for storage and network balancing, and also due to the decrease in the construction costs of electricity-generation facilities from renewable energies. Energy storage is considered a developing field in the United States. According to estimates, during 2023, approx. 8.3 GW (26 GWh) of large (Utility Scale) active storage facilities were added in the US. The storage sector in the US is expected to gain significant momentum in the coming years, against the backdrop of the increase in renewable energy facilities and supportive regulation. According to forecasts, by 2025 and 2030 the storage capacity in the United States is expected to reach approx. 43 GW and 110 GW, respectively[54].

Renewable energy production targets in the United States are set at the state level and therefore they vary from state to state. In recent years more and more U.S. states are leading the implementation of renewable energy support policies. Therefore, in April 2020, the state of Virginia (where most of Energix's U.S. operations are concentrated) determined that by 2050, the state's electricity producers will be required to meet the target of 100% renewable energy[55]. Such goals were also declared in California and New York.

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

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

The law significantly expands the offering of tax incentives provided for a wide range of renewable energy sources and allows solar energy producers to choose between a benefit path from the investment cost (Investment Tax Credit) and a benefit path from production revenues for 10 years (Production Tax Credit)[56]. Among the incentives offered by the law:

50 On December 16, 2022, the electricity price ceiling was increased by PLN 50 in relation to the original published ceiling.
51 According to the legislative amendment of February 2023
52 Sustainable Energy in America 2020 Factbook BloombergNEF·
53 US Clean Energy Market H2-2023
54 2H 2023 US Clean Energy Market Outlook - (Energy storage outlook)
55 Virgina's Legislative System website, HB 1526 Virginia Economy Act - https://lis.virginia.gov/cgi-bin/legp604.exe?201+sum+HB1526
56 Which was available only for wind energy producers prior to the IRA legislation.

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

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

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

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

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

In the reporting period, a trend can be seen of increasing demand for electricity from renewable energy and rising prices of the green certificates in the United States, which significantly improves the economic viability of projects in the renewable energy market and the anticipation of future projects.

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

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

2.2.1 Photovoltaics

2.2.2 General

2.2.2.1 Electricity generation using photovoltaic technology

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

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

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

2.2.2.2 Integration of storage technology in photovoltaic facilities

Storage combined with photovoltaic energy refers to the ability to store the electricity generated by the photovoltaic panels by converting it into energy of different types (chemical, thermal, mechanical, etc.) depending on the type of facility and converting it back to electricity when necessary. After examining several storage technologies Energix decided to focus on storage using LFP lithium-ion batteries. In these facilities, Energix intends to store the electricity produced by the photovoltaic panels in megawatt-hours (MWh) terms with the aim of releasing it to the grid in a controlled manner and according to the requirement of the system administrator or supplier as required by the electricity sector. In a storage facility combined with photovoltaic energy, it is possible to significantly increase the load ratio of the panels compared to the size of the connection, that is, to install significantly more photovoltaic panels on the same connection size, thereby making use of a relatively small connection size and optimally utilizing the resources of the electricity grid. Alternatively, and especially in facilities where there are restrictions on the flow to the electric company's network, the storage facilities enable electricity to be flowed during the hours when the facility is not generating. In such facilities, the ratio between the capacity of the panels and the connection size remains similar to that of a normal facility.

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

As part of the business model of Energix's operations, Energix is working on strategic collaborations with its main equipment suppliers. In this context, Energix has a strategic collaboration with First Solar, one of the world's leading manufacturers of photovoltaic panels. For additional information, see Note 8(c) to the financial statements.

2.2.3 Energix's photovoltaic activity in Israel

At the end of 2023, the installed capacity of photovoltaic facilities in Israel was 5.277 GW, a capacity that is expected to increase 3.5 times by 2030 to approx. 17.145 GW[57]. According to the Electricity Authority's estimates, approx. 38% of the installed capacity required to meet government targets for 2025 and approx. 42% of the potential installed capacity to meet 2030[58] targets are found in ground-mounted photovoltaic facilities and therefore, most of the renewable energy potential in Israel lies in photovoltaic facilities[59].

2.2.3.1 Photovoltaic regulations in Israel:

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

Until 2016, there was a regulation in Israel based on tariff quotas, according to which a fixed tariff (which changed from one quota to another) was determined for a period of 20 years from the date of commencement of commercial operation, linked to the CPI. Winning the guaranteed rate depended on meeting the milestones set in the regulation, on a first come first serve basis. Energix has commercial operating systems subject to this regulation (at various quota-dependent tariffs) with a total capacity of 41 MWp. For additional information regarding Energix's photovoltaic systems in commercial operation and the tariffs to which they are entitled under the tariff regulation, see Sections E(2)(a), (b) and (c) above.

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

Starting in 2017, photovoltaic facilities are being established as part of a series of competitive procedures on the electricity tariff, under which, from time to time, the Electricity Authority publishes tenders for quotas for the construction of extra-high, high and low voltage photovoltaic facilities (with minimum quotas and the right for their expansion ("**Tariff Tenders**"). For information regarding the Electricity Authority's decision to allow a transition to the open market model for the sale of electricity within the terms of the competitive procedure regulations, see Section 1 below. The following is an overview of the main conditions for the tariff tenders:

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

The tender tariffs for the high-voltage systems were determined using the "uniform second price" method, which gives the winners a uniform tariff at the level of the lowest bid that did not win the tender for 23 years, linked to a linkage formula. As a threshold condition for submitting a bid, each bidder is required to deposit a bid guarantee that will be replaced by a construction guarantee. The winner is required to reach commercial operation within 21 months from the date of the win.

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

Starting in 2020, competitive procedures for high-voltage photovoltaic installations include fixed-rate quotas for photovoltaic electricity-generation facilities combined with storage facilities that enable the storage of electrical energy and its release at a rate of at least the site's connection size, in terms of real capacity measured in megawatts (MW), for 4 hours (for information regarding the integration of storage technology in photovoltaic facilities, see Section 2.2.2.2 above). Accordingly, in 2020, the Electricity Authority published two tenders for determining a tariff for electricity-generation using photovoltaic technology with combined storage capacity ("**storage tender**"), in which the amounts of guarantees required to ensure eligibility for the tariff were increased. Moreover, in the last published storage tender there was a change in the tariff period that will be paid from the date of commercial operation until the end of 2045. The tender also allows the winners to extend the maximum mandatory deadline by 15 months.

The Electricity Authority made several decisions aimed at making it easier for various parties in the economy, including extensions to the construction deadlines within the framework of the competitive procedures and the Authority's regulations. In addition, the national energy efficiency plan for the years 2020-2030 provides a response to the challenges of the energy sector in Israel, while adapting to global trends and dealing with the climate crisis.

In November 2022, due to unusual delays in the provision of answers from some of the winners of Competitive Procedures 1 and 2, the Electricity Authority extended the mandatory deadlines and the maximum mandatory deadlines in Competitive Procedures 1 and 2 by 6 months, without a requirement for an additional guarantee (but subject to the extension of the construction guarantee).

During 2023, against the backdrop of the delayed development of the electricity network and the Iron Swords War, the Electricity Authority made several decisions to extend the deadlines for the construction of renewable energy generation facilities within the framework of the competitive procedures and the Authority's regulations.

In September 2023, the Electricity Authority published a decision regarding the extension of the mandatory deadlines and the maximum mandatory deadlines in several competitive procedures[60]. This includes the deadlines in the Extra-High Voltage 1 procedure and the deadlines in Procedure 2 - PV with combined storage. The extension of the deadlines does not involve an additional guarantee and will be possible subject to the extension of the construction guarantee. It was also determined in some of the procedures that

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

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

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

60 See the decision of the Electricity Authority dated September 6, 2023. Resolution 66408. Extension of deadlines and enabling the return of a guarantee in competitive procedures: https://www.gov.il/BlobFolder/policy/66408/he/Files_Hachlatot_66408.pdf

the winners could waive the winning quota, in whole or in part, in exchange for a forfeiture of part of the guarantee.
In November 2023, the Electricity Authority published another decision to extend competitive procedure deadlines due to the security situation,[61] including the Extra-High Voltage 1 procedure and the PV procedure with combined storage. The extension of the deadlines does not involve an additional guarantee and will be possible subject to the extension of the construction guarantee. The decision also states that the milestones in the conditional licenses, including the conditional license given to Clean Wind Energy Ltd., will be extended by 4 months.
The above deadline extensions were adopted in January 2024, with the required changes, in the Judea and Samaria region[62].

In January 2024, the Electricity Authority published a proposal for another deadline extension due to the Iron Swords War regarding generation facilities located in the Western Negev and at the northern border with Lebanon.[63]

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

In accordance with the Electricity Authority's decision in September 2017, bidders in a competitive procedure for extra-high-voltage systems competed for the lowest tariff per 1 KWh produced while giving priority to bids in relation to projects that have an approved statutory plan when performing the feasibility study for connecting the project. The tariff was determined for each winner according to the amount of his bid and the place on the network will be reserved for him from the date of the win. The tariff will be paid for a period of 23 years, linked to a linkage formula. As a threshold condition for submitting a bid, the bidder is required to deposit a participation guarantee that will be replaced, after the win, by a construction guarantee. The winner must reach commercial operation according to the mandatory deadline that will be determined in each procedure. Unlike tariff tenders for the construction of high-voltage systems, bids submitted as part of this procedure include bids for the construction of facilities at a specific site, rather than a quota for use. Following the decision, the Authority published the first competitive procedure for the construction of extra-high-voltage systems, which included, among other things, the criteria applicable to the participants in the procedure.

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

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

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

In September 2022, the Electricity Authority announced the regulation of the activity of the generation facilities in the distribution grid, with combined storage and separately, and their ability to sell electricity directly to private suppliers. The decision enables the sale of energy from a generation facility to a private supplier starting in January 2024. In addition, it will be possible to transfer facilities established under other regulations or competitive procedures to the open market model.

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

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

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

61 See the decision of the Electricity Authority dated November 29, 2023. Resolution 67703. Extension of deadlines for the establishment of electricity generation facilities due to the security situation: https://www.gov.il/BlobFolder/policy/67703/he/Files_Hachlatot_67703_n.pdf
62 See the decision of the Staff Officer for Energy Affairs in the Civil Administration dated January 17, 2024. General extension of the mandatory deadline and the maximum mandatory deadline in competitive procedures for the setting of a tariff for electricity generation using photovoltaic technology in the Judea and Samaria region: https://www.gov.il/BlobFolder/reports/pv_cost_extension/he/%D7%94%D7%90%D7%A8%D7%9B%D7%AA%20%D7%9E%D7%95%D7%A2%D7%93%D7%99%D7%9D%20%D7%A8%D7%95%D7%97%D7%91%D7%99%D7%AA.pdf
63 https://www.gov.il/BlobFolder/policy/68101/he/Files_Hachlatot_68101.pdf

2.2.3.2 Information regarding projects in Israel

	Connected projects	Projects in development / pre-construction		Projects in advanced development	Projects in initiation	
	Photovoltaic	First competitive procedure at extra-high voltage(1),(5)	Photovoltaic projects with combined storage	Photovoltaic projects with combined storage(5)	Photovoltaic with combined storage	Storage
Capacity (MW)	330(2)	87	104 (318 MWh)	23 (88 MWh)	565	500 MWh
Construction cost* (NIS millions)	1,200	240-280	540-580	125-145		
Revenue* (NIS millions per year)	155-160(3)	22-26(4)	57-62(4)	14-18(4)		
Gross profit* (NIS millions per year)	115-123(3)	16-20(4)	46-50(4)			

(1) Projects held through a joint venture in which Energix holds 70%. Energix's share in the results and cash flow of these projects is 91%, taking into account the preferred shareholder loans and the profit distribution waterfall.
(2) Of which 23 MWp whose construction has been completed and is awaiting commercial operation.
(3) According to results predicted for 2024.
(4) Predicted results for the first full year of operations, based on electricity prices under electricity sale agreements signed with a private supplier.

* Based on Energix estimates. This information is forward-looking information as defined in Section 32A of the Securities Law.

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

2.2.4 Energix's photovoltaic activity in the United States

During the reporting period, Energix continued to make consistent progress in advancing and continuing to grow in its U.S. operations as a major growth engine, as it was significantly positively impacted by the accelerated momentum in the renewable energy market. Most of Energix's U.S. operations are focused on the states of Virginia and Pennsylvania, while during the reporting period Energix established an infrastructure for the expansion of its activity to neighboring states, such as Kentucky and West Virginia, all of which are in the transmission network managed by PJM [64].

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

General

The market for electricity generation from photovoltaic energy is growing significantly, and as a result the total projected increase in the installed capacity of photovoltaic installations between the years 2023 and 2030 is expected to be 370 GW, more than triple the installed capacity amount as of the end of 2022. Also, according to estimates, the total increase in the installed capacity of large facilities (Utility Scale) in 2023 was 24 GW, an increase of over 50% in relation to 2022[65].

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

Sources of revenue from photovoltaic activity in the United States:

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

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

65 US Clean Energy Market H2 2023

agreement and accounting with the grid manager or the local electric company. Most engagements for the sale of electricity (whether to the electric company or directly to consumers) are for periods of 5-20 years:

(1) **Sale of electricity to local electric companies** - This is done by signing a designated agreement or through a competitive tender[66] published by the local electric company for the purpose of engagement for the purchase of electricity from the project at a fixed long-term price. The electric company that conducts the tender selects from the bidders according to the price and the project quality parameters (location, stage of development, etc.) and the quality of the bidder (experience, financial strength, etc.). This engagement is an actual sale of the electricity produced from the facility to the electric company.

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

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

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

Federal tax benefit – Renewable energy entrepreneurs who meet certain conditions defined in the law are entitled to an investment tax credit (ITC) of between 30% and 50% of recognized project costs (calculation of the costs from which the benefit is derived is according to the terms determined in legislation) ("**Tax Benefit**"). The tax benefit can be realized in one of three ways:

(i) Independently, against the profits of the corporation that owns the project.

(ii) Through an agreement with a local partner, who has a federal tax liability in the United States ("tax partner"). The tax partner usually provides, at the stage of connecting the facility to the grid, up to 50% of the investment cost for the construction of the facility in exchange for most of the tax benefits to which the project is entitled, mainly the ITC, as well as payment of 10%-30% of the project's cash flow over a period that is usually 5-7 years, which reflects the tax partner's return on his investment at the rates agreed between the parties estimated as of the date of approval of the report at 7-10%. The developers are responsible for injecting the balance of the investment cost for the construction of the facility (including by way of financing) and they are entitled to the balance of tax benefits and the balance of the project's cash flow. Upon the repayment of the tax partner's investment plus an agreed consideration (by way of the tax benefits, ITC, its share of losses for tax purposes and payment of its share of the cash flow), the tax partner's share in profits and cash flow decreases to 5%, and on that date the developers have the right to acquire the tax partner's rights in the project at market conditions.

(iii) By selling the right to the tax benefit, instead of the need for a tax partner (Tax Credit Transferability).

With the addition of the right to sell the ITC tax benefit, there is a trend of many players who previously engaged as tax partners to move to transactions to purchase the tax benefits. In view of the growing supply of projects eligible for tax benefits due to the accelerated growth in the field, transactions of this type are characterized by a higher rate of return for the purchasers of the benefit through the reduction of the consideration to which the entrepreneurs are entitled against the sale of the amount inherent in the ITC tax benefit. For additional information regarding the IRA legislation and the ITC tax benefit, see Section 2.1 above.

Approvals and permits for initiation and development of the project

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

Energy production, and the distribution and transmission of electricity are subject to federal and state regulation. During the reporting period and as of the date of approval of the report, the distribution grid in the state of Virginia, where the majority of Energix's development activity in the United States is concentrated in the reporting period, is largely controlled by a duopoly of two regional electric companies - Dominion Energy and Appalachian Power Company and the transmission grid in all states where Energix operates is managed by the grid operator, PJM. The electric companies manage the grid connection procedure for the project in their territory

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

and according to the size of the facility (distribution/transmission grid). The companies are obliged to allow each project to connect to the grid, but the project is required to pay for the work necessary for making the connection.

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

Approvals and permits required for construction work and operation

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

PJM's grid connection process reform – Due to the structure of the process for performing grid connection surveys in PJM, which is essentially a low entry threshold and a "first come, first served" method, a backlog of projects has been created that are in line to perform the connection surveys. As a result, PJM adopted a reform to change the survey process for the connection of the facilities to the electricity grid, and moved to the "first ready, first served" method. As part of the new method, it was not possible to submit additional applications during 2023 and it was decided that additional costs would be imposed on those requesting the connection of the facilities along with the presentation of proof of the project's feasibility. The new method includes "decision points", upon the arrival of which, the applicant must deposit guarantees (some of which will be forfeited if the project is not promoted) and show that the applicant has control over the land needed to build the project (lease or purchase option agreements). At the same time, PJM has created a "fast track" for projects already in the queue, for which PJM estimates that the cost of network upgrades associated with their connection is less than USD 5 million. The purpose of the changes is to speed up the approval of projects that are considered simple and to remove projects with low chances of completion from the connection survey queue in order to release the load described above.[67] On November 29, 2022, the Federal Energy Regulatory Commission (FERC) approved the reform proposal dated June 14, 2022, submitted by PJM and which entered into effect in early 2023, in accordance with the principles established in the reform.

Energix estimates that although in the short and medium term some projects may be postponed, in the long term the queue for future projects will be significantly shortened.

Activity in the extra-high voltage grid in PJM and management of exposure to price gaps (Day Ahead/Real-Time Basis)

In the PJM grid the price of electricity may be different at different points in the grid's territory depending on the generation, consumption and demand levels in these areas. In addition, PJM determines a cost for the electricity congestion and the energy loss on the power lines (transmission losses) at the various points, which in turn affect the final electricity price at each point. In many cases, electricity sales agreements are based on accounting for the price of electricity at a reference point agreed upon between the parties. As the electricity is actually fed into the grid to another connection point, there may be positive or negative differences between the price of electricity used as a reference point and the price of electricity at the actual connection point. In addition, an entrepreneur may be exposed to discrepancies in prices if it does not meet the electricity generation expectations that were conveyed to the electricity grid manager.

Energix is in advanced negotiations with several leading entities in the United States energy market to hedge both types of exposures.

Information regarding the projects in the United States

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

	Connected projects		Projects in development / pre-construction		Projects in advanced development	Projects in initiation
	Virginia 1 and 2 projects	Virginia 3 and Pennsylvania projects	Pennsylvania projects in development	Virginia backlog in development	Projects in advanced development in Virginia and Pennsylvania	Photovoltaic and storage
Capacity (MWp)	224	412	76	132	317	4,800 MWp 6,000 MWh
Construction cost* (NIS millions)	569(2)	1,224(2)	160-180(2)	330-350(2)	1,050-1,150(2)	
Revenue* (NIS millions per year)	54-59(1)	140-150(1)	30-34(3)	48-54(3)	123-133(3)	
Gross profit* (NIS millions per year)	43-47(1)	118-124(1)	25-29(3)	42-46(3)		

67 https://www.pjm.com/planning/service-requests/interconnection-process-reform

*** Based on Energix estimates. This information is forward-looking information as defined in Section 32A of the Securities Law.**

(1) According to results predicted for 2024.

(2) The cost to third parties including financing expenses during the construction period, tax payments in respect of initiation and development profits and less the investment of a tax partner in respect of the tax benefit (ITC).

(3) Projected results for the first full year of operations. The project results are presented fully consolidated (100%).

2.2.5 Energix's photovoltaic activity in Poland

In the context of the potential inherent in the photovoltaic market in Poland, combined with the knowledge, professionalism, infrastructure and operations established by Energix in Poland, during the reporting period, Energix worked and is working to develop and promote photovoltaic projects in Poland. After it completed the construction of the first photovoltaic facility in Poland during the reporting period, with a capacity of approx. 12 MWp, during 2024 Energix will work to establish another facility with a capacity of approx. 30 MWp. In addition, during the reporting period, Energix completed the acquisition of a photovoltaic facility with a capacity of at least 50 MWp in advanced stages of initiation with the aim of preparing for construction by the end of 2024.

General

In recent years, there has been a significant acceleration in the development of the photovoltaic market in Poland (an increase from 4 GW installed at the end of 2020 to 12.4 GW at the end of 2022 and 16.53 GW as of November 2023[68]). According to forecasts, this significant growth is expected to continue in the coming years. In 2023, compared to 2016, the capacity of solar projects throughout Poland and the electricity they produced increased from 187 MW to 16,530 MW and from 123.9 GWh to 13,223.56 GWh, respectively. The growth trend in the PV market is expected to continue in the coming years.

Alternatives for building photovoltaic facilities in Poland

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

Additional legislation relevant to the photovoltaic sector in Poland

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

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

In the context of the potential inherent in the photovoltaic market in Poland, combined with the knowledge, professionalism, infrastructure and operations established by Energix in Poland, during the reporting period, Energix worked and is working to develop and promote photovoltaic projects in Poland. After it completed the construction of the first photovoltaic facility in Poland during the reporting period, with a capacity of approx. 12 MWp, during 2024 Energix will work to establish another facility with a capacity of approx. 30 MWp. In addition, during the reporting period, Energix completed the acquisition of a photovoltaic facility with a capacity of at least 50 MWp in advanced stages of initiation with the aim of preparing for construction by the end of 2024.

68 https://energy.instrat.pl/en/electrical-system/generation-capacity-are/

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

	Connected projects	Projects in development and pre-construction	Projects in advanced development	Projects in initiation
	Photovoltaic	PV project in Poland - 30 MW	Prądy	Photovoltaic
Capacity (MWp)	12	30	65	200
Construction cost* (NIS millions)	34	82-94	245-265	
Revenue* (NIS millions per year)	4(1)	10-14(2)	23-29(2)	
Gross profit* (NIS millions per year)	4(1)	8-10(2)		

*** Based on Energix estimates. This information is forward-looking information as defined in Section 32A of the Securities Law.**

(1) According to results predicted for 2024.

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

(3) Financial data based on an exchange rate of NIS 0.93 to PLN 1.

2.2.6 Wind energy

General

The field of wind energy is the world's leading field for the generation of electricity from renewable energies, with a global cumulative installed capacity of over 1,040 GW[69].

In recent years, the global wind market has grown at an average annual rate of over 50 GW, and it is estimated that during the reporting period the growth will be 100 GW and in 2024 - 115 GW[70], as a result of technological innovations that have made it possible to reduce electricity generation costs from wind energy, and growth in investments in wind energy around the world, along with extensive government support programs.

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

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

Operation of a large wind turbine and main components

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

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

Energix's wind activity in the United States

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

According to the Electricity Authority's Electricity Sector Report published in September 2023[71], as of the end of 2022 in Israel there were active wind farms with a capacity of 137 MW and by the end of 2023 there are expected to be active wind farms with a capacity of 343 MW.

69 H2 2023 Global Wind Market Outlook BloombergNEF.

70 Q2 2023 Global Wind Market Outlook.

71 https://www.gov.il/BlobFolder/generalpage/dochmeshek/he/Files_Netunei_hashmal_doch_s_2022_nnn.pdf

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

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

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

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

On March 19, 2023, the Electricity Authority published a decision to extend the validity of the tariff for wind farms with a capacity exceeding 50 KW until June 30, 2024, while determining variable reduction factors according to the date of receipt of tariff approval[72]. According to the decision, the manufacturer will be able to choose the tariff approval for a 15-year tariff period with reduction factors of 3% for 2023 and 7% for 2024 or for a 20-year tariff period with reduction factors of 5% for 2023 and 10% for 2024. The purpose of the decision is to facilitate the financing of wind farms by extending the tariff regulation for a fixed period of one and a half years in a temporary order, so that the connection applicants can choose whether to establish a wind farm under the market regulation (Electricity Authority Resolution 63704) or under the tariff regulation.

Against the backdrop of the Iron Swords War, on November 19, 2023, the Electricity Authority published a decision concerning the extension by 4 months of the mandatory deadlines and the maximum mandatory deadlines for the establishment of certain renewable energy projects, including wind energy projects[73].

In the regulation for electricity generation from wind energy for facilities with a capacity exceeding 50 KW (*** 190-193) the reduced tariff established in rate schedule 6.7-10 has been updated so that the rate reduction will begin after a period of 40 months (instead of the original 36 months).

Regulation of the technological solution

The establishment of wind farms in Israel is subject to financing for the development of a technological solution that will meet the needs of the security system as a result of the placement of wind turbines to be erected in the north of the country, where the payment due to the developer is paid to the electricity company / system administrator as a condition for obtaining financial closure approval. These agreements also determined timelines for the completion of the ground solution required in addition to the technological solution for the Ministry of Defense in connection with the establishment of the wind farm and which will be arranged in the agreement system between the Ministry of Defense and the developer, which will be completed no later than 24 months from the developer's letter of commitment.

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

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

A. Receipt of a conditional license, which requires proof of interest in the land, conducting of a feasibility study by the IEC, proof of equity (at a rate of 20% of the normative cost for the planned project), provision of a bank guarantee and proof of experience in the field.
B. Promotion of a statutory plan and obtaining a building permit for the wind farm.
C. Afterwards, a tariff approval is required, which also includes approval of the deposit of plans / building permit, as well as a binding

72 See the decision of the Electricity Authority dated March 19, 2023. Resolution 65107. Extension of the validity of the tariff for wind farms with a capacity exceeding 50 KW connected to the distribution and transmission grid. Temporary order:
https://www.gov.il/BlobFolder/policy/65107/he/Files_Hachlatot_65107nn.pdf

73 https://www.gov.il/BlobFolder/rfp/shimar/he/Files_Shimuah_shinar.pdf

connection survey from the IEC and the signing of a binding memorandum of understanding for the financing of the project's construction.

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

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

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

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

Wind farms promoted by Energix in Israel

For information regarding projects in development, and for the ARAN project owned by Energix in the northern Golan Heights with a capacity of 104 MW, through a dedicated subsidiary ("**ARAN Project**") and the temporary suspension of the project's construction work, see Note 8(b) to the financial statements.

2.2.2.2 Energix's wind energy activity in Poland

The installed capacity of the wind farm in Poland[74] is expected to reach 13.2 GW by 2030 and 21.4 GW by 2050. Starting in 2016, there was a relative slowdown in the development of the wind energy sector due to regulatory restrictions that did not allow the development and initiation of new wind farms, so that between the years 2016 and 2024 the total installed capacity of wind farms in Poland increased by 63%, from approx. 5.8 GW to approx. 9.4 GW.[75] However, the Company estimates that the adoption of the Distance Law reliefs during 2023 will lead to the renewal of initiation activity in the wind energy field in Poland even more strongly in the coming years.

Wind energy regulations and arrangements in Poland:

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

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

Regulation of green certificates:

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

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

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

Non-renewable energy producers are required to purchase green certificates or pay a fine as an alternative to their purchase (hereinafter - the "**fine**"), at an annual rate of all electricity produced by them and published by the regulator. During the reporting period, a decision was made by the Polish regulator according to which the amount of green certificates that such companies will be required to purchase during 2024 will be reduced to a rate of 5% compared to a rate of 11% that applied in 2023. As a result, during the reporting period there was a decrease in the prices of the green certificates traded on the dedicated exchange in Poland. It should be noted that such a decision can be changed by the regulator at any time, depending on the considerations and priorities of the Polish government with regard to the encouragement of the renewable energy sector.

According to the regulations in effect on the date of approval of the report, the amount of the fine is not fixed but will be calculated each year and will be equal to 125% of the weighted average price of the green certificates in the past year, but not more than PLN 300

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

75 https://energy.instrat.pl/en/electrical-system/generation-capacity-are/

per certificate. At the same time, it was clarified that it will not be possible to pay the fine as long as there is an inventory of green certificates in the market.
For further details regarding the price of the green certificates as of the date of approval of the report, see Note 7(e) to the financial statements.

Regulation of tariff tenders:

The relevant regulation that supports the construction of electricity-generation facilities from renewable energies, the construction of which was completed after June 30, 2016, is the **Tariff Tender Regulation**. The establishment of a wind farm that is subject to this regulation is conditional on meeting threshold conditions for the eligibility to participate in the arrangement, including a building permit and connection to the grid, and winning the tariff tender procedure (when in the tender, all the participants who applied with the lowest tariffs will win, until the quota is completed).
A project for the construction of a wind farm that has won such a tariff tender will be entitled to the guaranteed tariff, index-linked, for 15 years in relation to electricity output at an electricity-generation capacity to which the developer committed in the submission of his bid in the tender throughout the eligibility period. To the extent that he has a balance of electricity production, such a balance can be sold on the free market.
The eligibility period will begin no later than 33 months from the date of the tender win (with the possibility of extending the deadline up to 51 months from the date of the tender win). A project that will meet one of the following conditions: (1) Electricity flow into the grid; or (2) Submission of an application for the tender tariff; will enjoy the possibility of payment according to the market price, if it is higher than the tender rate, in the period between the first date that electricity is fed into the grid and the last date of 33 months from the date of the tender win. During this period, all the electricity generated by the project can be sold on the free market.
In addition, the developer whose project wins the establishment of a wind farm may update, on a one-time basis, the distribution of the farm's output throughout the period of eligibility for a guaranteed tariff, as well as the start date of the eligibility for a guaranteed tariff, provided that the establishment period of the wind farm does not exceed 33 months from the date of the tender win, or up to 51 months, depending on receipt of approval for the extension of the period.
Based on the amendment to the Polish Renewable Energy Act of June 2018, as amended, the Polish legislature began issuing tariff tenders for the establishment of facilities for electricity-generation from renewable energies, including new wind farms.

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

Additional relevant legislation for wind farms in Poland:

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

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

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

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

The following is information regarding Energix's wind projects in Poland:

	Connected projects	Projects in advanced development	Projects in initiation
	Wind	Wind - Nowa Karczwa	Wind
Capacity (MW)	301	68	586
Construction cost* (NIS millions)	1,579	420-440	
Revenue* (NIS millions per year)	555-575(1)	85-95(2)	
Gross profit* (NIS millions per year)	480-500(1)		

(1) According to results predicted for 2024*
(2) Predicted results for the first full year of operations.

***Forward-looking information as defined in Section 32b of the Securities Law, based on Energix estimates and the high electricity prices for the relevant period and an exchange rate of NIS 0.93 per PLN 1.**

2.2.7 Energy storage

General

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

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

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

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

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

Energix's storage activity

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

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

Israel:

As of the date of approval of the report, the potential revenues from electricity storage in projects combining photovoltaic energy are within the framework of regulation or a dedicated tender for the establishment of an electricity generation facility with a storage facility.

On November 2, 2023, the Electricity Authority published a proposed decision to invite the submission of proposals for Competitive Procedure 1 to determine an availability tariff for storage facilities that connect or are integrated into the extra-high voltage grid. According to the conditions of the competitive procedure, the bidders may make proposals for the construction of storage facilities with an installed capacity of at least 16 MW and up to 150 MW, with a storage capacity of at least 4 hours, which will be connected to the extra-high voltage grid. The storage facilities will be established in the north of the country, the western Negev and the Arava. The facilities will be entitled to an availability tariff that will be determined by the Pay as Bid method, where the eligibility period for the availability tariff will begin on the date of the facility's commercial operation and end on December 31, 2042.

The estimated determining date (the date of publication of the results of the competitive procedure) is set for October 13, 2024. The mandatory deadline and the maximum mandatory deadline for synchronization will apply 36 and 43 months after the determining date, respectively. The deadline for submitting bids in the competitive procedure is June 19, 2024.

Simultaneously with the publication of the competitive procedure, the Electricity Authority published another decision to determine the regulation that will apply to the storage facilities that will be established under the competitive procedure[76]. The regulation determines the conditions, rules and rates in relation to the availability payments to which producers who won the competitive procedure are entitled, as well as the manner of submitting production plans and loading plans to the system administrator. As of the date of the report, Energix is considering the possibility of entering this tender.

United States:

(i) Because the renewable energy market in the United States is an open market, there are a number of possible models for income from storage operations in the United States such as availability (Capacity), buying and selling in the electricity market (Arbitrage) and Frequency Regulation. The Company has a backlog of 5.8 GWh of projects in initiation, which Energix is developing, while examining several possible revenue models.

(ii) Based on the study of the regulation in the PJM grid where Energix operates, and an examination of the economic feasibility of a specific project carried out during 2023, it appears that as of today the economic conditions are not yet ripe for the establishment of storage projects in the states where Energix operates in the US. However, Energix believes that with the development of these markets, the revenue aspects of the storage projects will also develop, which will allow the projects to be carried out under optimal conditions. For this purpose, along with the continued studying of the market, Energix is working to continue developing the backlog of projects in storage and examining long-term engagements with relevant suppliers to ensure a supply chain for the backlog of projects in initiation.

Poland:

(i) The electricity market in Poland enables several possible models such as availability (Capacity) and buying and selling in the electricity market (Arbitrage).

(ii) Information regarding availability tenders in Poland: by virtue of the availability tender win, the developer signs an agreement for a period of up to 17 years beginning in the fifth year from the date of the win (there is also a quarterly availability tender for supply within one year of the win). The price determined is uniform for everyone in the "Dutch tender" method, meaning that they start with an initial price that is determined in advance and the price is closed when the requested quantity is equal to the offer. The closing price is in PLN per KW (index-linked) per year and is given for availability of electricity supply when called by the system administrator (notice will be given approx. 8 hours in advance). The fine for the inability to supply electricity when called is limited to twice the closing price of the availability tender in the year in which the electricity was not supplied. The upcoming availability tender is expected to be published in December 2024 and Energix intends to participate in relation to the project whose construction is expected to begin in the coming months.

Information regarding Energix's storage projects in Israel

	Projects in development / pre-construction	Projects in advanced development		Projects in initiation		
	Israel	Israel	Poland	Israel	United States	Poland
	Photovoltaic projects with combined storage	Photovoltaic projects with combined storage	Nowe Czarnowo	Storage	Storage	Storage
Capacity (MW)	104 (318 MWh)	23 (88 MWh)	48 MWh	500 MWh	6,000 MWh	100 MWh
Construction cost* (NIS millions)	40-580	125-145	35-55			
Revenue* (NIS millions per year) (2)	57-62	14-18	11-15			
Gross profit* (NIS millions per year)	46-50					

(1) All photovoltaic projects with combined storage are also included in the photovoltaic projects in Israel.
(2) Predicted results for the first full year of operations.

Forward-looking information as defined in Section 32b of the Securities Law.

[76] See the decision of the Electricity Authority dated November 2, 2023. Resolution 67306. Regulation for storage facilities that connect or are integrated into the extra-high voltage grid that will be established as part of the competitive procedure for determining the availability tariff.

It should be emphasized that Energix's assessments of projects that it promotes, as detailed in Section 2.27 below, and information regarding their financial data, constitute forward-looking information, as defined in Section 32a of the Securities Law, based on the information in Energix's possession regarding its estimates and characteristics, which may not materialize due to various factors beyond its control, such as: obtaining permits, meeting mandatory deadlines, changes in construction costs, unexpected expenses and more.

2.2.8 Supply of electricity to customers and other activities

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

Obtaining a license for the supply of electricity - A private electricity supplier is an entity that receives a license for electricity supply activity, after meeting the conditions set forth in the law and regulations, and that is authorized to offer household and other consumers to purchase electricity through it. In July 2021, Energix received a supplier license under the Authority's regulation, in effect for five years. After examining the market, and understanding the exposures inherent in the electricity supply market in relation to the yield inherent in it, as of the date of approval of the report, the Company has made a decision not to continue developing this area of activity.

3. Suppliers and raw materials for the area of activity

Energix usually engages in advance with suppliers of the main equipment for its projects (and in relation to the photovoltaic panels, even for a longer term than the rest of the equipment) and is therefore not exposed, for the most part, to disruptions in the supply chain. The equipment suppliers with which Energix engages in all three operating regions are leading companies with whom the Company has a strategic or long-standing relationship and therefore, Energix's exposure to supply chain delays is low.

Raw materials and suppliers - photovoltaic

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

Energix insists on calling and purchasing components for its photovoltaic systems from leading suppliers around the world, with extensive accumulated photovoltaic experience and reputation, with an emphasis on a strategic partnership it has established with the panel manufacturer, First Solar. However, Energix estimates that due to the large number of companies in the world that manufacture components for the photovoltaic systems that have similar technical capability to the suppliers from which Energix purchases the components, it has no dependence on one supplier or another. For information regarding Energix's engagement with First Solar for the purchase of solar panels, see Note 8(c) to the financial statements.

Product warranty in the field of photovoltaics:

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

Raw materials and suppliers - wind energy

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

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

Raw materials and suppliers - storage

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

Product warranty in the storage sector

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

4. Segmentation of Revenues and Product Profitability

	For the year ended December 31			
	2023		2022	
	NIS thousands	%	NIS thousands	%
Israel (*)	149,425	22%	31,4841	25%
Poland	484,351	71%	354,345	67%
United States	48,130	7%	41,496	8%
Total	**681,901**	**100%**	**527,325**	**100%**

5. Trade receivables

Revenue from third parties in Israel

1. Essential service provider - the Israel Electric Company (IEC):

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

The Company's revenues from the IEC and from Noga in the reporting period amounted to approx. NIS 147 million, which constitutes a rate of approx. 22% of Energix's total revenue and 99% of total revenues in Israel in the reporting period.

Private supplier - Electra Power Supergas:

In the context of Energix's decision to associate the projects under Competitive Procedure 2 for the establishment of photovoltaic facilities with combined storage capacity with the market model regulation, Energix, through its wholly owned corporations, entered into agreements for the sale of electricity to Electra Power Supergas, as a private supplier. As part of the agreements and subject to the approval of the association of the facilities with the market model regulation instead of the competitive procedure, Energix undertook to sell to Electra Power Supergas the electricity that is expected to be generated in 6 projects established within the framework of this competitive procedure (on the basis of actual production), and the full storage capacity of those projects, at electricity prices that are significantly higher than the tariff to which the projects are entitled within the competitive procedure. In addition, Energix is examining possibilities for cooperation with other private suppliers who will purchase the electricity generated in the renewable energy facilities under its ownership. 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). After the date of the report, Energix entered into an agreement with Electra Power Supergas for the sale of electricity from two additional facilities.

Green certificates:

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

The sale of electricity and green certificates in Poland

A. General:

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

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

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

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

Energix's revenues from Axpo in the reporting period amounted to approx. NIS 327 million, which constitutes a rate of approx. 48% of Energix's total revenues in its consolidated statements.

The sale of electricity and green certificates in the United States

a. General:

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

6. Marketing and distribution

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

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

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

7. Competition

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

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

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

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

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

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

The integration of storage technology in PV facilities increases the level of complexity of the project and entry barriers into the field, however, in view of Energix's extensive experience, as well as its specialization in complex projects of various types, the Company has a comparative advantage in initiating and establishing complex projects.

8. Seasonality

Naturally, solar radiation and wind speed in various seasons influences the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in the spring and summer months, when solar radiation levels are high, the photo-voltaic systems' output increases. In the autumn and winter months, when solar radiation levels are relatively low, the systems' output declines. In the field of wind energy, power generation is subject to changes in the wind regime in the different seasons, according to the specific region in which the turbines are located and to the variation in wind regimes from year to year. Based on wind measurements made in the 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, whether in the photo-voltaic sector and whether in the wind energy sector. In addition, the seasons may have an effect on electricity prices in countries where electricity prices are determined by supply and demand. To the extent that the Company has exposure to electricity prices in these countries, such as Poland and the United States, changes in electricity prices may affect the amount of Energix's revenues.

In view of Energix's sensitivity to seasonality and weather, the impact of climate change and extreme weather events may have consequences for Energix's operations and its electricity generation capacity (positive or negative) and for Energix's ability to estimate its actual electricity generation forecasts.

9. Human capital

As of the date of approval of the report, Energix employs, directly and indirectly, 209 employees (compared to 160 employees last year) and expects to employ 274 employees at the end of 2024. Of the total number of employees, 45 employees are employed in a Polish subsidiary wholly owned by Energix, 46 employees in an Israeli subsidiary wholly owned by Energix, 87 employees in Energix's American subsidiary and 31 employees at Energix's headquarters. The employment agreements include the employee's terms of employment, social benefits, vacation, per diem allowance, recouperation, prior notice to end the employment relationship, commitment to confidentiality, etc. For the most part, Energix's severance pay liabilities are covered by the contributions in executive insurance policies and by a reserve for severance pay. In addition, Energix (the parent company) has a remuneration policy in accordance with Amendment 20 to the Companies Law as approved by the Energix General Assembly in August 2022, and a capital remuneration plan for employees and annual bonuses (in cash or as capital remuneration) according to the employee's performance during the relevant year and Energix's business results.

The Energix headquarters in Israel also receives management and support services from Alony-Hetz, through its employees, in various areas, including strategic support, business policy, business development, assistance in raising capital and financing, accounting and legal aspects, and the service of Alony-Hetz employees as directors in the company (hereinafter - "Management Services"). The management services and the remuneration for them are regulated in the management agreement with Alony-Hetz. For information regarding the management agreement, see Note 6e(5) to the financial statements.

10. Financing

Regarding Energix's financing arrangements, see Note 11(n) and 11(o) and Note 12(c) to the financial statements.

F. Information regarding the Corporation as a whole

1. Competition

Due to the nature of the Group's activities in various countries, it has no specifically identified competitors, and is unable to estimate its market share. Regarding competition in Israel in the income-generating property sector, see Section 8 in Chapter B, regarding competition in the income-generating property market in Washington D.C., Boston, Massachusetts and Austin, Texas, see Section 13 in Chapter C1, regarding competition in the income-generating property market in the London metropolitan area, Oxford and Cambridge, see Section 13 in Chapter D and regarding competition in the renewable energies sector, see Section 7 in Chapter E.

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

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

Main entry and exit barriers in the areas of activity:

Entry barriers:

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

Exit barriers:

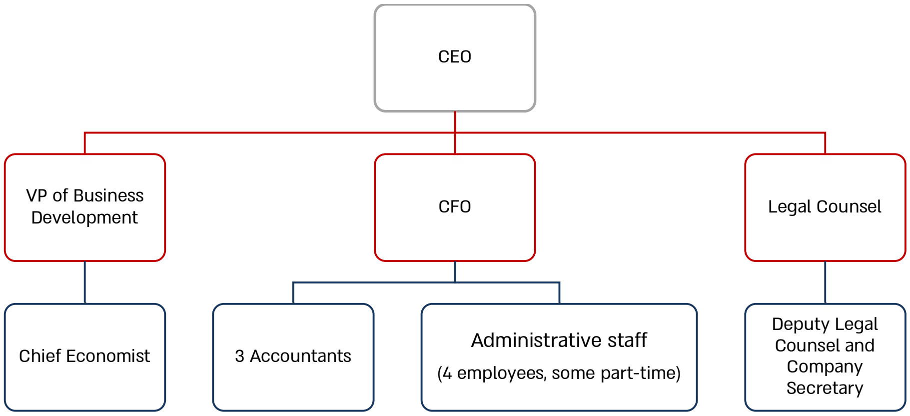
- The exit from the areas of activity is not flexible and the realization of the investments can take a long time.
- Early disposal of financing facilities for the purchase of assets may impose heavy withdrawal penalties.
- Financial covenants of subsidiaries in respect of loans and bonds regarding the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

2. Fixed assets

The Group's fixed assets consist mainly of the area of the Company's offices, the area of Amot's offices and Energix's offices. The depreciated cost of the fixed assets as of December 31, 2023 and 2022 NIS 118 million and NIS 114 million, respectively. For Energix's electricity-generating facilities, see Chapter E above.

3. Human capital

As of December 31, 2023, the Company has 13 employees and officers, as follows:



3.1 General

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

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

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

3.2 Remuneration plans for company officers and employees

For information regarding the Company's remuneration policy and the capital remuneration framework plan for the Company's officers and employees, see Note 16(e)(1) to the financial statements.

3.3 Officers and senior management

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

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

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

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

4. Working capital

For information regarding the Group's balance of cash and unutilized credit facilities, see Section 2.4.1 of the Board of Directors' Report.

5. Financing

5.1 General

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

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

The following are details of the Group's loans and bonds as of December 31, 2023 as presented in the Consolidated Financial Statements:

	Loan balance as of December 31, 2023	**Weighted nominal interest rate as of December 31, 2023**	**Weighted effective interest rate as of December 31, 2023**
	NIS millions	**%**	**%**
Banking sources			
NIS loans - CPI-linked with fixed interest	563	0.80	0.80
NIS loans - variable interest	192	6.87	6.87
GBP loans - fixed interest	2,089	3.39	4.24
USD loan - fixed interest (*)	1,836	5.94	5.94
PLN loans - variable interest (*)	208	7.96	5.27
PLN loans - fixed interest	513	4.10	4.10
	5,401	**2.09**	**2.31**
Non-banking sources			
CPI-linked fixed-interest NIS bonds (**)	10,049	1.61	1.88
NIS bonds - variable interest	1,399	6.74	6.50
NIS bonds - fixed interest	4,169	2.77	3.36
USD bonds - fixed interest (***)	430	4.23	2.98
PLN bonds - fixed interest	215	2.05	2.05
GBP loans - fixed interest(***)	56	6.12	6.52
NIS loans - CPI-linked	1,130	2.72	2.63
	17,448	**2.44**	**2.68**
Total	**22,849**	**2.35**	**2.59**
Adjustments (mainly premium and/or discounting of bonds)	(55)		
Financial debt	**22,793**		

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

Variable interest credit details:

Currency in which credit was granted	Credit balance	Interest	As of December 31, 2023
	NIS millions	%	%
NIS	1,591	Bank of Israel + 2.24%	6.74
PLN	208	Wibor 6M +2.27%	7.96
Total	**1,799**		

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

	31.12.2023	31.12.2022
	NIS thousands	NIS thousands
Consolidated Statement		
Financial debt (bank credit and bonds)	22,793,284	19,032,307
Net financial debt	20,595,607	17,337,606
Net financial debt to total balance sheet	56.4%	50.1%
Expanded Solo Statement		
Financial debt (bank credit and bonds)	6,774,485	5,513,779
Net financial debt	5,749,598	5,027,172
Net financial debt to total balance sheet	54.1%	39.2%

The following is information regarding the Group's liabilities payable after December 31, 2023:

	Consolidated Statement	%	Expanded Solo	%
Current maturities - 2024	3,123,200	14%	614,414	10.00%
Second year - 2025	1,785,695	8%	592,680	9.00%
Third year - 2026	2,620,133	11%	592,680	9.00%
Fourth year - 2027	2,437,753	11%	592,680	9.00%
Fifth year onward	12,870,302	56%	3,923,420	63.00%
Total with no discount due to bonds and others, net	**22,837,083**	100%	**6,315,874**	100.00%
Adjustments to financial debt (mainly the premium balance and financial derivatives)	(43,799)		458,611	
Total financial debt	**22,793,284**		**6,774,485**	

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

For the terms of material loans the Group has received from banking corporations and others, their repayment dates and their balances as of December 31, 2023, see Note 12 to the financial statements and Section 5.2 below.

For additional information regarding the Group's credit facilities and their terms as of December 31, 2023, see Note 12 to the financial statements.

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

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

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

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

5.2 Reportable substantial credit[77]

5.2.1 The Company's reportable credit

As of December 31, 2023, the Company's bonds (Series I, J, K, L, M and O) constitute reportable credit according to its meaning in Legal Position 104-15 dated October 30, 2011, as updated on March 19, 2017, on February 2, 2023 and on January 14, 2024, of the Securities Authority ("**Reportable Credit**"). For information regarding the Company's tradable bonds, see Appendix E to the Board of Directors' Report – Information regarding the Bonds Issued by the Company, and Note 11(b-g) to the Company's consolidated financial statements.

5.2.2 Financial covenants for the Company bonds - expanded solo[78]

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 December 31, 2023
Net financial debt to value of holdings[79]	%	Less than 80	49.4%
Net financial debt to FFO[80]	Unit	Less than 25	9.58
Minimum equity (Series H, I, J, K, L, M and O)[81]	NIS billions	More than 2.2	5

In addition, the bonds include other generally accepted conditions for their immediate repayment, among other things with regard to the following events: (1) Structural change and merger; (2) Liquidation, bankruptcy and asset realization, stay of proceedings and execution; (3) Change in control under certain conditions; (4) Trading halt and suspension of trading in bonds; (5) Cross default; (6) There has been a material deterioration in the Company's business and there is real concern that the Company will not be able to repay its liabilities; (7) Downgrading of the Company below the BBB minus rating as defined in the trust deed and/or a rating cessation due to circumstances that depend on the Company, etc.; (8) Cessation of payments; (9) Failure to publish financial statements; (10) delisting from trade or the Company ceases being a reporting corporation; (11) distribution of dividends when the equity is lower than a certain threshold, etc. For additional information, see Note 11(b-f) to the financial statements.

77 The aforesaid disclosure is in respect of credit taken by the Company, whose balance in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the Company's total credit. In addition, the aforesaid disclosure is in respect of credit taken by a subsidiary of the Company, whose balance in the consolidated financial statements constitutes 5% or more of the Corporation's total assets and also constitutes 10% or more of the total credit of the subsidiaries (Amot, Energix and BE) (hereinafter - "**Reportable Credit**") and credit that is not reportable credit per se, but due to the existence of a cross default condition in other credits, the lender in the other credits will have grounds for immediate repayment in other credits due to the non-reportable credit breach whose cumulative amount exceeds the threshold accumulated above. It should be noted that in the event of the activation of the cross default conditions that exist in the Company's bonds, the bonds may be immediately repayable in a total monetary amount of approx. NIS 6.3 billion as of December 31, 2022.

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

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

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

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

5.2.3 The subsidiaries' credit that constitutes reportable credit

As of December 31, 2023, Amot's tradable bond series (D, H, F, G and H) constitute reportable credit. The following is condensed information regarding Amot's tradable bonds:

Borrower corporation	Lender	Currency	Balance of bond principal as of December 31, 2023[82] (NIS millions)	Principal payment schedule	Final settlement date	Annual interest rate	Contractual terms	Note in the Financial statements
Amot	Bonds (Series D)	NIS	1,403	The principal is payable in two payments of 20% each in July of each of the years 2023 and 2024 and in four payments of 15% each in July of each of the years from 2025 to 2028 (inclusive).	7/2028	CPI-linked + 3.2%	See Section 5.2.3 below	See Note 11h to the financial statements
Amot	Bonds (Series E)	NIS	651	The principal is payable in two payments of 10% each in January of each of the years 2021 and 2022 and in four payments of 20% each in January of each of the years from 2023 to 2026 (inclusive).	1/2026	3.39%	See Section 5.2.3 below	See Note 11i
Amot	Bonds (Series F)	NIS	2,363	The principal is payable in two payments of 10% each in October 2025 and in October 2026, in two payment of 30% each in October 2027 and in October 2028 and in a payment of 20% in October 2029.	10/2029	CPI-linked + 1.14%	See Section 5.2.3 below	See Note 11j to the financial statements
Amot	Bonds (Series G)	NIS	1,215	The bond principal (Series G) is payable in four payments of 25% of the principal, each, in January of each of the years from 2029 to 2032 (inclusive).	1/2032	2.44%	See Section 5.2.3 below	See Note 11k to the Financial Statements
Amot	Bonds (Series H)	NIS	2,432(*)	The bond principal (Series G) is payable in four payments of 25% of the principal, each, in January of each of the years from 2029 to 2032 (inclusive).	1/2032	CPI-linked + 0.92%	See Section 5.2.3 below	See Note 11(l) to the Financial Statements.

For Amot's private issue of bonds (Series H) after the balance sheet date, see Note 11(l).

Amot also has a bank loan in the amount of NIS 544 million, which does not constitute reportable credit, but due to the cross default condition it may be a candidate for immediate repayment when Amot's bonds are called for immediate repayment.

82 The bond balances represent a liability value without premiums or discounts as of December 31, 2023 after expanding the bond series and redemptions, if relevant.

5.2.4 Financial covenants in connection with Amot's bonds

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

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

Criterion	Ratio as of the date of the report	Compliance status as of the date of the report
Amot's equity is higher than the amount equal to NIS 1 to 2.2 billion (depending on the bond series)	8.8	Meets the criterion
The ratio of net financial debt (less the value of investment property in development) to annual standardized NOI exceeds 14 for two consecutive quarters; (net financial debt: Amot's aggregate debt to banking corporations, other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Balance Sheet.	6.3	Meets the criterion
The bond rating is BBB- for two consecutive quarters	Aa2/stable	Meets the criterion
Equity plus net deferred tax liability may not be less than 22.5% of the total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters	54%	Meets the criterion
The value of Amot's unencumbered assets may not be less than NIS 1 billion for two consecutive quarters, or from an amount of 125% of the balance of the bonds, whichever is higher.	The value of the unencumbered assets is approx. NIS 19 billion and is higher than the criterion.	Meets the criterion
A demand for the immediate payment, that has not been withdrawn, of a material loan or of a bond traded on the Tel Aviv Securities Exchange	There is no such requirement	Meets the criterion
Directives regarding restrictions on the distribution of dividends under certain conditions	The conditions did not exist	Meets the criterion

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

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

- Regarding the extension of a credit facility agreement from the Bank of Israel in the amount of NIS 150 million, see Note 12b(1) to the financial statements.
- Regarding the expansion of existing bond series for a total gross consideration of approx. NIS 1.5 billion during 2023 and until the date of publication of the report, see Notes 11(e), 11(f) and 11(g) to the financial statements.

5.2.6 Credit rating

The total repayment capacity if the Company (issuer) and the Company's [83]bonds are rated by Midroog Ltd. (hereinafter - "**Midroog**") at an Aa3 credit rating with a stable outlook and by Maalot Israel Rating Company Ltd.[84] (hereinafter - "**Maalot**") at a rating of ILAA with a stable outlook.

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

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

Factors that may impair the rating

1. A continuous increase in the leverage ratio.
2. A significant decrease in the Company's liquidity level.
3. An adverse change in the stability of the Company's dividend receipts and an erosion of coverage ratios.
4. A significant decrease in the performance of the subsidiaries or a decrease in their rating, which will affect the credit quality of the Company's investment portfolio.

Bonds of investees

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

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

5.2.7 Derivative transactions in foreign currency

Managing exposure to foreign currency – the Company has a policy of hedging the currency exposure in respect of its investments, according to which the Company is exposed to various currencies, including the NIS, according to the investment ratio (a ratio measured according to market value on an expanded solo basis), however, the Company management will have the authority to increase or decrease exposure in each and every currency. The Company uses derivative instruments in order to comply with the stated policy.

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

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

6. Taxation

6.1 Summary of tax laws applying to the Corporation

The Company and its Israeli subsidiaries are subject to the provisions of the Income Tax Ordinance (New Version), 1961.

In the years 2020-2023, the corporate tax rate and the capital gains rate in Israel was 23%.

Regarding tax assessments of Group companies - see Note 20d to the financial statements.

6.2 Tax laws applying to the Group's overseas activities

6.2.1 Taxation of the investment in Carr -

Carr chose to be defined as an REIT for tax purposes in accordance with Sections 856 through 860 of the U.S. Income Tax Code of 1986, and its amendments ("the Law"). As a result, it is required to distribute at least 90% of its taxable income to its shareholders. Therefore, the federal tax liability in respect of the taxable income is transferred to its shareholders[85].

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83 Bond Series I, J, L, M and O.
84 Bond Series I, J, K, L, M and O.
85 With the exception of federal income tax in connection with the non-material taxable activities of Carr's consolidated subsidiaries ("TRS").

The Company records tax reserves in its books (according to its share in Carr) in respect of real estate revaluations carried out by Carr.

An American partnership, fully owned by the Company (directly and indirectly) (hereinafter, in this section: "AH Carr") holds 52.3% of the rights to profits in Carr Properties Holdings (in this section - "Carr").

AH Carr is a transparent partnership for tax purposes in the United States, and therefore AH Carr's revenues from Carr are attributed to the AH Carr partners according to the relative share of each partner (approx. 80% - the Company (hereinafter - the "Israeli Partner") and 20% - an American entity fully owned by the Company (hereinafter - the "Foreign Partner").

Since the Israeli partner is not classified as a U.S. resident, its share of AH Carr's dividend revenues that were distributed by Carr is liable for federal income tax according to the classification of the revenue distributed by Carr as follows:

- Regarding dividends deriving from Carr revenues from non-capital gains activity - withholding tax will be deducted in the U.S. at a rate of 30%;
- Regarding dividends deriving from capital gains - withholding tax will be deducted in the U.S. at a rate of 21% and branch tax at a rate of 12.5% in certain cases.
- As long as the corporate tax rate in Israel is lower than the withholding tax deduction in the United States, the Israeli partner will not have to complete the payment of taxes in Israel.

The Israeli partner's share in AH Carr's revenues from the sale of Carr's shares (directly and/or indirectly), which according to U.S. law are classified as capital gains, are not liable for capital gains tax in the U.S.[86] In accordance with Israeli internal law, the Company will be liable for tax in Israel in respect of the profits at the corporate tax rate.

The foreign partner is a legal entity incorporated in the United States that chose to be taxed in the United States. The foreign partner's share in dividends to be distributed by Carr to AH Carr and its share in AH Carr's revenues from the sale of Carr shares, less financing expenses (Subject to the U.S. Financing Thin Limit and other restrictions), will be considered taxable income in the United States and will be liable for tax at 21%.

The Company will be liable for tax in Israel at the corporate tax rate for the foreign partner's profits originating from dividends. Against the tax liability in Israel, a tax credit will be given for the tax paid by the foreign partner in the U.S.

According to the Company's position, receipts classified by U.S. tax laws as return on capital will be debited by the Company when selling Carr shares.

6.2.2 Taxation of the investment in BE

The Company holds approx. 83.2% of the share capital of Brockton Everlast (hereinafter - "**BE**") through fully owned Israeli companies.

Starting March 2020, BE chose to be defined as an REIT for tax purposes in the UK. As a result, BE is required to distribute at least 90% of its taxable income from current activity to its shareholders for tax purposes. Therefore, the tax liability for the distributed current taxable income is transferred to its shareholders[87]. The withholding tax deduction for this distribution is 15%.

In accordance with the REIT principles in the UK, BE is not required to distribute a dividend stemming from capital gains from the sale of real estate assets, and therefore, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds approx. 83.2% of the rights in BE and therefore controls the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends originating in capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

The Company's holdings in BE are through Israeli companies fully owned by the Company (hereinafter - "**BEI**"). The Israeli companies (BEI) will be liable for tax in Israel in respect of the dividends at the corporate tax rate, while receiving a credit for the tax deducted abroad for the dividend (15%).

Upon the realization of BE, the Israeli companies (BEI) will be liable for capital gains tax at corporate tax rates.

6.2.3 Taxation of the investment in Boston

The Company holds, through fully-owned Israeli companies (hereinafter - the "**Israeli Companies**"), three fully-owned partnerships incorporated in the United States (hereinafter - the "**American Partnerships**"), each of which holds a REIT with a real estate property in Boston (hereinafter - the "**REIT**"). The Company records tax reserves in its books (according to its share in the Boston properties) in respect of real estate revaluations of the properties recorded in the books.

Since the Israeli companies are not classified as U.S. residents, the dividend revenues paid to them by the American Partnerships (and which

86 As long as Carr is a "Domestically Controlled REIT" for five consecutive years close to the date of the sale.

87 With the exception of federal income tax in connection with the non-material taxable activities of BE's consolidated subsidiaries ("TRS").

originate in dividends distributed to the American Partnerships by the REIT from activity that is not capital gains) – a 30% withholding tax deduction will apply[88].

According to internal Israeli law, the Israeli companies will be liable for tax in Israel in respect of the dividends at the corporate tax rate, while receiving a credit for the tax they paid in the United States. As long as the Israeli corporate tax rate is lower than the withholding tax deduction in the United States, the Israeli companies will not have to complete the payment of taxes in Israel.

The Israeli companies' share in the revenues of the American Partnerships from the sale of the REIT's shares (directly and/or indirectly) will be liable for capital gains tax in the United States at a rate of 21%. According to Israeli internal law, the Israeli companies will be liable for tax in Israel in respect of the profits as stated at the corporate tax rate, while receiving a credit for the tax paid in the United States.

According to the Company's position, receipts classified by U.S. tax laws as return of capital will be debited by the Company when selling REIT shares. Undistributed retained earnings of consolidated companies overseas

6.3 Tax laws regarding renewable energy

Energix's activity in Israel

According to the Income Tax Regulations (Depreciation), 1941, a 7% depreciation rate was determined for electricity-generating facilities using solar energy, making use of photovoltaic technology. At the same time, Energix received approval from the Tax Authority according to which, subject to certain conditions, Energix and its subsidiary companies and partnerships in Israel are defined as an industrial plant, according to the Encouragement of Industry Law (Taxes), 1969. Accordingly, Energix and its subsidiaries and partnerships in Israel depreciate their photovoltaic systems according to accelerated depreciation rates applicable to industrial plants.

Energix's activity in Poland

A tax rate of 19% applies to Energix's activity in Poland. Interest that will be received by Energix from Poland will be subject to withholding tax in Poland at a rate of 5% (subject to certain conditions).

Energix's activity in the United States

The federal tax liability in the United States is 21% and the state tax rate is 5% (in the states in which Energix operates). Dividends received by Energix from the U.S. will be subject to withholding tax at a rate of 12.5%, subject to certain conditions and a rate of 17.5% on interest payments.

Energix is entitled, under provisions of the U.S. tax law, to a tax benefit in respect of photovoltaic projects it is building and operating in the United States in the form of an investment tax credit (ITC).

In August 2022, the Inflation Reduction Act of 2022 entered into effect, which regulates, among other things, the provision of long-term economic incentives for the promotion of climate and energy programs. These programs include, among other things:

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

(2) An increase of the ITC tax benefit rate to a permanent rate of 30% for the entire period, instead of the current 26%, with a significant reduction over the years;

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

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

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

In addition, regarding the rate of depreciation of electricity generation systems using photovoltaic technology, for U.S. tax purposes, Energix is entitled, according to its choice, to depreciation over 12 years or to accelerated depreciation over one year (Bonus Depreciation) or over 5 years, with respect to most of the system costs.

Real estate taxation

Real estate taxation - as a rule, Energix's activity dos not involve the purchase and sale of real estate properties, but instead it enters into engagements for the rental of real estate for periods of up to 24 years and 11 months in Israel, up to 30 years in Poland and up to 35 years in the U.S., for the purpose of operating electricity-generation facilities. Energix may be exposed to claims from tax authorities and/or local committees for the payment of various fees, surcharges and taxes. In addition, there is real estate taxation in Poland based on the cost of

88 Some of the American Partnerships are entitled to a deduction for interest expenses and general expenses accumulated in the American Partnerships (Subject to the U.S. Financing Thin Limit).

stationary parts in projects, mainly turbine and column bases.

6.4 Main reasons for the difference between tax rates applicable to the Group and the effective tax rates

See Note 20j to the Financial Statements.

6.5 Accumulated losses for tax purposes

See Note 20g to the financial statements.

7. Environmental risks and their management

7.1 Amot – Environmental risks and their management

7.1.1 Amot, as owner and/or lessee and/or entrepreneur and/or manager of real estate properties, may be found liable by law for breaches of law, including under the Planning and Building Law, Environmental Laws, Business Licensing Law, Work Safety Laws, Competition Law and Tort Law, in the event that a breach took place with regard to real estate in its possession and/or real estate it leases.

7.1.2 Amot is taking measures to mitigate greenhouse gas emissions and it implements environmental protection management standards, including the strict construction standards such as LEED and BREEAM for environmental protection management, and it is currently operating in all its initiation projects in accordance with this policy.

As a direct continuation of its activities in this field so far, and as part of the business sector in Israel that is dealing with the climate crisis and the growing need for the development of a sophisticated management interface for environmental and climate risk management, Amot decided to formulate an internal, general enforcement plan for environmental and climate risk management through its legal advisors with expertise in environmental law and accompanied by environmental consultants. The plan is designed to ensure that Amot activities are carried out in accordance with the requirements of environmental regulation and to reduce exposure to environmental risks. This plan will include, among other things, the identification of environmental risks and risks to which Amot is exposed due to climate change, which may have a material impact on Amot (if any), monitoring mechanisms for the plan's implementation, operative procedures to prevent these risks or to deal with a risk that has materialized.

7.1.3 Amot rents space to cellular companies for the installation and operation of cellular antennas and/or micro-transmitters. According to the agreements signed between Amot and the cellular companies, the cellular companies are responsible for obtaining the approvals required under any law for the construction and operation of the antennas and/or the micro-transmitters. In addition, the cellular companies undertake to comply with the safety provisions under any law and are responsible for bearing the liability imposed on them by law and to indemnify Amot for any damage caused as a result of their activity in the property, except for damage caused as a result of an act or omission by Amot. In addition the cellular companies are required to insure, among other things, their legal liability for harm and/or damage that may be caused to third parties due to their activity in the rental property, with the insurance expanded to compensate Amot and the management companies.

7.1.4 Amot leases space on its rooftops to several companies for the installation and operation of photovoltaic systems for electricity generation. According to the agreements signed with the companies, the companies are responsible for obtaining the approvals required under any law for the construction and operation of the systems. In addition, the companies undertake to bear the safety expenses under any law and are responsible for bearing the liability imposed on them by law and to indemnify Amot for any damage caused as a result of their activity in the property, except for damage caused as a result of an act or omission by Amot. In addition the companies are required to insure, among other things, their legal liability for harm and/or damage that may be caused to third parties due to their activity in the rental property, with the insurance expanded to compensate Amot and the management companies.

7.1.5 As of the date of this report, Amot is not a party to any significant legal or administrative proceeding related to the environment in which Amot or any of its officers is a party. Furthermore, according to Amot's assessment, as of the date of this report, no event or issue exists related to Amot's activity that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact or implications for Amot.

7.1.6 Amot's environmental risk management policy is conducted within the framework of its general risk management policy and focuses on actions to minimize possible negative effects on its activities. Risk management is carried out mainly by Amot's management through ongoing monitoring of regulatory developments related to the Amot Group's activities, including regarding environmental risks. In view of the fact that most of Amot's properties are rented to office and/or commercial businesses, (which are not in the food and/or industrial sectors), Amot's management does not expect substantial exposure for the Group in terms of environmental issues for these properties.

7.1.7 As of the date of the report, no amounts were ruled or material provisions recognized in the financial statements and there were no additional environmental costs applicable to Amot.

7.2 Carr - Environmental risks and their management

Carr's environmental risk management policy is managed in accordance with the manner in which its general risk management policy is managed, while focusing on actions minimizing any damage to Carr's activity. Risk management is carried out mainly by Carr's management through ongoing monitoring of regulatory developments related to Carr's activity, including regarding environmental risks. In view of the fact that most of Carr's properties are rented to commercial businesses and/or offices (which are not in the food and/or industrial sectors), Carr's management does not expect substantial exposure for the Group in terms of environmental issues to the extent that such matters relate to these properties. Carr is has an insurance policy that covers environmental issues. In addition, in all of its lease agreements, Carr obliges its tenants to correct environmental deficiencies that were created as a result of their actions/omissions.

7.3 BE - Environmental risks and their management

Most of BE's assets are rented to commercial businesses (meaning, not in the food and/or industrial sectors) and therefore, BE does not expect substantial exposure in terms of environmental issues with regard to its properties. BE performs environmental tests, as part of due diligence performed in preparation for purchasing a property. All findings are examined carefully so that appropriate measures can be taken to remove or reduce the identified risk, including, readiness to carry out land restoration operations as part of new development work. Taking into account the nature of the properties acquired by BE to date (and the type of properties that are likely to be acquired in the future), the risk of any exposure to environmental risks is estimated as being low. To the best of BE's knowledge, BE is not currently carrying out any actions that caused or may cause environmental damage.

BE or its senior executives are not party to any legal proceedings or claims in connection with environmental risks or risk management and it has not been required to bear any expenses in respect of environmental issues during the reporting period.

7.4 Energix - Environmental risks and their management

As of the reporting date and the date of approval of the report and subject to that stated below, Energix knows of no environmental risks that have or are expected to have a significant impact on Energix, or on legal provisions in the field of environmental risks that have significant implications for Energix and its activity. During the period of commercial operation, Energix is required to monitor and track environmental impacts in the vicinity of its projects, and to take corrective action in the event of any negative impact on the environment. In addition, in various countries, Energix is required to submit annual reports with an analysis of environmental impacts. Energix acts in accordance with all relevant laws to reduce environmental risk and to the best of is knowledge, it is in compliance with all environmental regulations required for the receipt of permits to operate Energix facilities.

Energix's environmental risk management policy is within the framework of its general risk management policy, and focuses on activities for the mitigation of any possible adverse effects of its activity. Risk management is mainly conducted by the Energix CEO through ongoing monitoring of regulatory developments related to Energix's operations, including with regard to environmental risks. As part of the Energix's general risk management, the Company Board of Directors has decided that the Company CEO will report regularly to the Chairman of the Board on extant exposure levels.

As of the date of the report, Energix is not a party to legal proceedings (including a significant legal or administrative proceeding) related to environmental quality, to which Energix or a senior officer is a party. Furthermore, Energix has not been a party to any such proceedings in the year preceding this report. As of the reporting date, no amounts were ruled or provisions recognized in the financial statements and there were no other material environmental costs applying to Energix.

Photovoltaics

Energix is subject to environmental laws at the local and state levels, depending on the territory where it operates, most of which are usually managed by the Department of Environment Quality in the relevant state. As a condition for obtaining the necessary permits for the construction of electricity-generating projects, the conducting of environmental surveys and various tests are required, including: archeological, biological, historical and environmental surveys, as well as testing for the effects of each project on the environment and complying with environmental directives that apply to each project site.

With regard to agreements for the interest in the land on which projects are built, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land. In the United States, Energix is required to deposit guarantees to fulfill this obligation.

In addition, environmental aspects related to Energix's photovoltaic activity may be related to the wear and tear of the photovoltaic system at the end of their operation and their recycling at the end of their operation.

In Israel, the Environmental Treatment of Electrical and Electronic Equipment and Batteries Law, 2012, imposed various obligations on the owners of electronic equipment and batteries, including the disposal and treatment of electronic waste and batteries. As of the date of approval of the report, the law does not have a significant effect on Energix's operations as it currently stands, and it is not aware of any proceedings taken against it under this law, however it may have an effect in the future as long as the systems and their parts are considered "electronic waste". Furthermore, as part of statutory promotion for the construction of facilities, environmental considerations and the impact of the facilities on the environment are considered, including in terms of land use and impact on the landscape, and the developer is required to submit an environmental landscape survey as a condition for receiving a permit.

Without derogating from the above, as part of Energix's system of agreements with First Solar for the purchase of the panels, First Solar will provide Energix with panel recycling services as part of the panel turnover system it operates. Moreover, Energix has engaged with several Israeli recycling companies, including "Ecology for a Protected Community", which operates a recycling plant where the majority of employees are workers with special needs. As part of this engagement, Energix collects all the damaged panels at the end of the construction of a project and transfers them to the recycling plant. At the end of the process, Energix receives a recycling approval certificate in accordance with the Ministry of the Environment guidelines.

Energix's project at Neot Hovav may have additional aspects as the system in Neot Hovav was built in areas of rehabilitated pools on land that was previously contaminated and underwent a restoration process that was approved and monitored by the Ministry of the Environment. In this regard it should be noted that as part of the agreements between Energix and the Neot Hovav Council, the Council confirmed that Energix would bear no liability regarding the system area rented from the Council, except as a result of Energix violating its commitments regarding the land.

In the United States, Energix performs several environmental surveys for each future project in accordance with the regulations and laws applicable to the project (federal, state or local). The surveys examine, among other things, the development restrictions imposed on the area; maintaining a distance from the boundary of the development to environmentally sensitive areas such as rivers or cultural or historical heritage sites, a ban on the felling of trees in certain months and more. In addition, field tests are carried out for the presence of protected animals in the project's vicinity, and the construction work is adapted to the results of the tests.

Wind energy

In all matters regarding wind energy, by the very nature and scale of the wind energy electricity-generation facilities, environmental aspects have an impact on this area of activity. As a result, the Ministry of Environmental Protection and/or environmental organizations in Israel and in Poland are actively and closely involved in the development and planning process of wind farms, and supervision of their construction and operation. In every project promoted by Energix, an in-depth examination is made to test the project's impact on aspects regarding the environment and sustainability. The land selection is made in advance on polygons tested and approved in advance as areas that optimally minimize and balance between the wind quality in the project and minimal environmental harm.

Energix examines and invests great resources in monitoring and conducting bird and bat surveys, noise measurements, examination of the project's impact on the landscape and the optimal design of the turbine deployment, minimizing flickering and compliance with Ministry of Health recommendations. In addition, Energix is required to perform various monitoring operations for its wind turbines, depending on varying requirements in relation to each country aimed at protecting birds, etc.

As part of the Company's land interest agreements for the projects, Energix undertakes to return the land to its condition prior to construction as much as possible, thereby enabling the original use made of the land.

It should be noted that there are opponents to the establishment of wind farms, including for environmental reasons, including environmental organizations that may constitute a barrier in the future to the field of wind energy. For details, see Note 7 to the financial statements.

7.5 General – Environmental risks and their management

7.5.1 As of the date of this report, the Group is not a party to a significant legal or administrative proceeding related to the environment to which the Company or any of its officers is a party, and as of the date of this report, no amounts were ruled or provisions recognized in the financial statements and no other environmental costs apply to the Group. Furthermore, according to the Group's assessments, as of the reporting date, no event or issue exists related to activity in the Group that caused or is expected to cause environmental harm for which it had or is expected to have a significant impact on the Group.

7.5.2 The environmental risk management of the investees is managed by each investee and focuses on actions to minimize possible negative effects on the activities of that company. Risk management is mainly conducted by each investee's management, while regularly monitoring regulatory developments related to its activity, including with regard to environmental risks.

For additional information regarding the management of environmental risks and environmental impacts on the Group's activities, see Section 3 of the Board of Directors' Report.

8. Restrictions and supervision of the Company's activity

8.1 Regarding restrictions and supervision of the Group's operations in environmental aspects, see Section 7 above.

8.2 The Company is subject to the Companies Law, 1999, and the regulations issued thereunder. Furthermore, as the Company is a public company (as are Amot and Energix), it is also subject to the Securities Law, 1968, and the regulations thereunder.

8.3. The Group's real estate activity in Israel and abroad is subject to real estate laws, real estate taxation, business licensing, planning and construction laws, accessibility laws for people with disabilities, environmental laws applicable at the location of the properties, labor laws and their enforcement in connection with employment service contractors for security and cleaning services, privacy protection laws, work safety laws, etc.

8.4. The Group's activity in the renewable energies field in Israel is subject to legislation relevant to the Electricity Sector through the Electricity Sector Law, 1996 (hereinafter in this subsection - the "Law"), the Electricity Law, 1954, the regulations and rules issued thereunder, as well as decisions of the Public Services Authority - Electricity, including the book of criteria and decisions of the Government of Israel and the Ministry of Energy and Infrastructures. The law has established the rule according to which activity in the field of electricity is not possible (i.e. production, system management, transmission, storage, distribution, supply or trade in electricity) without obtaining a license for that activity, except for several exceptions defined in the law. According to the law, the Electricity Authority issues the electricity production licenses. In addition, the development and construction of renewable energy projects, similar to other infrastructure projects, is carried out in accordance with the provisions of the Planning and Building Law, 1965 and regulations thereunder, in particular with regard to construction licensing, application for a permit, calculation of areas and percentages of construction in plans and permits. Therefore, the projects' establishment is subject to complex processes for the approval of a statutory plan (City Building Plan and/or National Infrastructure Plan) in the relevant planning and construction institutions (such as district committees, the National Planning and Building Council and/or the National Infrastructures Committee), in accordance with the steps and guidelines in the Planning and Building Law and its regulations. In addition, for its activity, Energix is required to arrange its rights in the land on which it builds its facilities. Accordingly, its activity is affected by the land laws applicable at the location of its facilities, including the Israel Land Law, the Ottoman Land Law, the defense regulations, etc.

In Energix's activity in the United States and in Poland, Energix is subject to the corresponding local regulation. In addition, in every country where Energix operates, this includes, but is not limited to, legislation regarding environmental quality, competition and construction laws, land laws and relevant renewable energy legislation.

Energix's photovoltaic operations in the United States are also subject to many environmental laws and regulations, including federal, state and local laws on air quality, waste management, protection of wildlife and historic resources, and which affect location, design, development, construction and ongoing operation of its projects.

The supervision of wholesale electricity prices in the United States at the federal level is carried out by the Federal Energy Regulatory Commission, which operates according to federal legislation (including the Federal Power Act, the Public Utility Holding Company Act of 2005, and the Public Utility Regulatory Policies Act of 1978) and as part of its powers it may authorize energy producers to sell electricity wholesale at rates according to market conditions and to regulate wholesale markets to ensure the fairness of their rates.

8.5. December 11, 2013, the Promotion of Competition and Reduction of Centralization Law, 2013 (in this section: "**the Centralization Law"** or "**the Law**") was published in Reshumot (the official gazette). On August 23, 2021, the Committee for the Reduction of Centralization published the list of centralized entities in which the name of the Company and its subsidiaries appeared on both the list of centralized entities and the list of significant real corporations. As the Company has no control core, the companies directly held by the Company (which are a reporting corporation) are considered "first tier" companies, as this term is defined in the law.

Since the Company and the real corporations it holds are significant real corporations, as the term is defined in the law, the Centralization Law imposes restrictions on the amount of investment therein by certain significant financial entities.

In addition, according to the law, when allocating a right, including a license for an area of activity defined as a vital infrastructure, the grantor of the right must take industry competition considerations into account, prior to allocating the rights / granting the license, while consulting with the Antitrust Commissioner. Furthermore, when allocating such a right to a centralized element, the grantor of the rights must consider centralization throughout the economy while consulting with the Committee for the Reduction of Centralization, in the manner detailed in the law.

This may affect Energix, which is defined as a centralized entity in the field of essential infrastructure because the Company, which is a controlling shareholder in Energix, is a centralized element, in the event that Energix requests a production license for the construction and operation of electric power plants with a capacity exceeding 175 MW connecting to the electricity grid. It should be noted that as of the date of publication of the report, Energix does not have and is not developing a project that exceeds this threshold.

9. Significant agreements

With the exception of agreements in the Group's normal course of business, any of the following agreements (which are in effect) as well as agreements signed by the Group and are binding or were binding for the Group during the reporting period or thereafter can be considered significant agreements, as follows:

Regarding the shareholders' agreement between the Company and JPM and Clal Insurance in connection with the investment in Carr, see Note 6g to the financial statements.

Regarding the Company's management agreement with Mr. Natan Hetz, the Company CEO, see Note 18a to the financial statements.

Regarding the shareholders' agreement between the Company and Menora and the BE Managers in connection with the investment in BE, see Note 6d to the financial statements.

For agreements regarding the indemnification of the Company's officers, in relation to their activities in the Company, in subsidiaries and in companies in which the Company has holdings, see Note 18c to the financial statements. (2) For indemnification arrangements for officers in Amot, Energix, BE and Carr, see Note 18c to the financial statements.

10. Legal proceedings

See Note 15a and 15b to the financial statements.

11. Goals and business strategies

The Company usually makes long-term investments in the areas of income-generating property and in renewable energy through investments in companies in which the Company has a significant influence. As a result of its business approach, the Group intends to continue focusing on developing its existing investments, locating new investments and realizing mature investments.

The Group companies invest cumulatively in hundreds of income-generating properties with an broad variety of tenants that creates a regular, steady and long-term cash flow. The Group also invests in energy projects that generate a long-term cash flow.

The Group has a conservative financial management policy reflected in financial flexibility resulting from maintaining a high level of unencumbered assets, long-term durations of financial liabilities, ensuring that credit facilities are maintained and that leverage is reasonable.

The following are the Company's main business development goals for the coming year:

- Continuing to accompany and monitor all the actions taken by Carr in response to the state of the office sector in the markets in which it operates, including making necessary adjustments due to the structural changes occurring in the office sector in the United States, including the realization of assets that do not correspond with Carr's strategy. In addition, the Company will monitor the expansion of Carr's activities into residential rentals in view of its experience with "The Elm".
- The focus of Amot's business in the office sector in central Israel and in investments in logistic centers.
- Expansion of Brockton Everest's activities through the promotion of all entrepreneurship plans, with emphasis on the Life Science and Innovation Technology activity in Cambridge.
- A focus on the implementation of Energix's strategic plan for further expansion of operations in all territories where it operates in photovoltaic projects.
- Continuous strategic dialogue between all the Group companies engaged in income-generating property in relation to trends affecting the demand for offices, with reference to the following key factors: the future of the labor and office markets, construction and operation of green buildings and examination of the issue of information systems technology for the management of income-generating properties (PropTech).
- Sustainability, society and the environment - Continue to form a uniform concept related to the issue of ESG (environment, social responsibility and corporate governance).

Naturally, there is no certainty that the Group companies will be able to achieve their goals in 2024, since the realization of the goals depends on many factors that are not under their control.

12. Projected Developments in the Coming Year

The Group will act in the coming year to achieve its business goals as stated in Section 11 above.

13. Financial information regarding geographic regions

For financial information regarding geographic regions in which the Group operates, see Note 21 to the financial statements.

14. Discussion of risk factors

See Section 4 of the Board of Directors Report.

March 12, 2024

Names and positions of signatories:
Aviram Wertheim, Chairman of the Board of Directors
Nathan Hetz, CEO

ALONY-HETZ PROPERTIES AND INVESTMENTS LTD.

BOARD OF DIRECTORS' REPORT ON THE STATE OF CORPORATE AFFAIRS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

SIGNAL HOUSE WASHINGTON DC

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Ramat Gan, March 12, 2024

Board of Directors' Report on the State of Corporate Affairs for the Year ended December 31, 2023

The Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter: "**the Company**") is pleased to submit the Company's Board of Directors' Report for the year ended December 31, 2023 (hereinafter - the "**Reporting Period**").

1. Concise description of the Group

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

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

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

Activity in Israel

Holdings at a rate of 51.1% 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, please see Section 2.3.4 below.

Activity in the United States

- Holdings at a rate of 47.7% in the capital of Carr Properties (hereinafter - "**Carr**") and 50% in the control. An income-generating property company, all of whose properties are located in the United States in the Washington D.C. area, Boston and Austin. For additional information, please see Section 2.3.5 below.
- Holdings at a rate of 55% of the equity rights and 50% of the control in three property companies in the Boston metropolitan area. Two of the properties are in the Boston CBD and one is in East Cambridge. For additional information, please see Section 2.3.7 below.

Activity in the UK

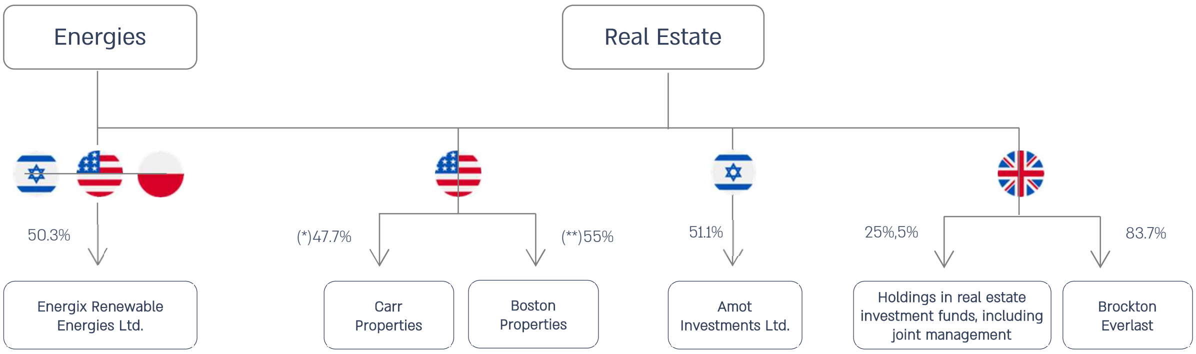
- Holdings at a rate of [1]83.4% in Brockton Everlast Inc. (hereinafter - "**BE**"), a private company engaged in the purchase, development, improvement, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK - for additional information, please see Section 2.3.6 below.
- Holdings in three UK real estate funds from the Brockton Group. For additional information, please see Note 5 to the financial statements.

1.2 The Group's investment in renewable energies as of December 31, 2023:

Holdings at a rate of 50.3% in Energix - Renewable Energies Ltd. (hereinafter: "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange Ltd. Energix engages in the planning, development, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity generated in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. For additional information, please see Section 2.3.8 below.

[1] As of the date of publication of the report - 83.7%

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-90, 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)	• Investment in investee companies in the amount of approx. NIS 585 million from the beginning of 2023 until the date of publication of the report (of which NIS 326 million was in 2023). • Sale of 2.6% of the Company's holdings in Amot for a consideration of NIS 220 million. • Reduction in the Company's foreign currency hedge transactions (increasing its exposure to foreign currency) at the beginning of the Iron Swords War, due to the sharp devaluation of the NIS against the USD and the GBP. For details, please see Section 2.7.3 below. • In the reporting period, the Company's share in investment property revaluation losses of investees amounted to NIS 2.6 billion (before the tax effect) compared to revaluation losses of NIS 0.8 billion (before the tax effect) in the corresponding period last year. The negative revaluation in the reporting period is mainly due to the increase in the discount rate of investment property in the UK and in the United States following the increase in the long-term interest rate. For information, please see Section 2.3.3 below.
Amot Investments	• After the date of the report, acquisition of the full municipal lease rights in the land designated for employment and commerce, with a total area of approx. 5.6 dunams, located at 4-8 HaSolelim Street and 8-10 HaOmanim Street in Tel Aviv, which form part of the main metropolitan business center in the row of towers in the Yigal Alon complex (hereinafter - the "**Complex**"), for a total of approx. NIS 210 million, plus VAT. Amot intends to promote a City Building Plan to strengthen the rights in the complex and the adjacent plots, in cooperation with the Tel Aviv Municipality. Amot estimates that the City Building Plan that will be approved for the complex within a few years will enable it to build an employment tower with an area of approx. 80,000 sq.m.
CARR PROPERTIES	• Sale of the residential rental building, The Elm, in Bethesda in the Washington D.C. metropolitan area for USD 250 million. Regarding the entry into entrepreneurship for 2 residential rental projects, please see Section 2.3.5 below. • 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 advanced occupancy stages. • Exercise of an option to reduce rental space and shorten the rental period by Fannie Mae in the Midtown Center building in Washington, DC. For more information, please see Section 2.3.5 below.
BROCKTON EVERLAST	• BE is working to promote plans for a significant increase in building rights for entrepreneurial projects in the coming decade, which will increase the existing portfolio by 2.1 million sq.ft. (to a total of 3.55 million sq.ft.). Until close to the date of publication of the report, city building plan approvals were received for approx. 0.7 million sq.ft. (an addition of approx. 0.4 million sq.ft. in relation to existing building rights. • After the date of the report, engagement in refinancing agreements in the amount of GBP 120 million.
ENERGIX RENEWABLE	• In the reporting period and until the date of publication of the report, there was an increase in Energix's total projects in commercial operation by approx. 50% so that as of the date of approval of the report the total capacity of projects in commercial operation is 1,279 MW. In addition, Energix has projects in development or expected to begin construction during 2024 with a capacity of 533 MW. • An investment of approx. NIS 2.3 billion in projects in development and initiation during the reporting period, mainly in the United States. • 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. • Engagement in project financing agreements in Israel, Poland and the United States in the total amount of approx. NIS 3 billion.

1.6 Summary of the main data - the Group

Main financial results - consolidated statement	Unit	2023	2022	2021	% change[2]
Revenues from rental fees and management of investment property	NIS thousands	1,324,063	1,219,178	989,381	8.6
Fair value adjustments of investment property	NIS thousands	(926,169)	685,918	1,715,469	
Group's share in the profits (losses) of associates, net	NIS thousands	(1,703,997)	(953,589)	126,719	
Revenues from sale of electricity and green certificates	NIS thousands	680,713	525,437	260,836	29.6
Net profit (loss) for the year	NIS thousands	(2,151,838)	338,572	2,033,492	
Net profit (loss) for the year attributed to Company shareholders	NIS thousands	(2,392,409)	(281,467)	1,557,947	
Comprehensive income (loss) for the year attributed to Company shareholders	NIS thousands	(2,425,233)	(53,496)	1,406,070	
FFO attributed to Company shareholders[3]	**NIS thousands**	**600,053**	**612,952**	**488,607**	**(2.1)**
Total balance sheet	NIS thousands	38,731,166	36,314,037	31,956,592	6.7
Equity (including non-controlling interests)	NIS thousands	11,064,123	13,591,420	11,829,564	(18.6)
Financial debt (bank credit and bonds)[4]	NIS thousands	22,793,284	19,032,307	15,895,765	19.8
Net financial debt[5]	NIS thousands	20,595,607	17,337,606	14,732,476	18.8
Ratio of net financial debt to total balance sheet[6]	%	56.4	50.1	47.8	
Main financial results - expanded solo[7]					
Total balance sheet	NIS thousands	11,647,376	13,311,610	12,323,090	(12.5)
Equity attributed to Company shareholders	NIS thousands	5,002,057	7,709,979	7,638,174	(35.1)
Financial debt (bank credit and bonds)[4]	NIS thousands	6,774,485	5,513,779	3,916,548	22.9
Net financial debt[5]	NIS thousands	5,749,598	5,027,172	3,649,557	14.4
Ratio of net financial debt to total balance sheet[6]	%	54.1	39.2	30.3	
Earnings per share data					
Earnings (loss) per share - basic	NIS	(13.31)	(1.60)	8.98	
Comprehensive income (loss) per share - basic	NIS	(13.49)	(0.30)	8.11	
FFO per share[3]	**NIS**	**3.34**	**3.48**	**2.82**	**(4.1)**
Current dividend per share[8]	NIS	1.28	1.26	1.22	1.6
NAV per share	NIS	27.83	42.90	43.89	(35.1)
NNAV per share[9]	NIS	32.78	48.53	50.88	(32.5)
Price per share at end of period	NIS	30.24	35.80	57.93	(15.5)

2. 2023 compared to 2022.
3. The FFO calculation did not include exchange rate differences and linkage differences for the bonds and the CPI-linked loans, since the Company's management is of the opinion that those expenses do not reflect cash flows from ongoing operating activities.
.4 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
5. Financial debt presented net of cash balances. The Company's financial debt (expanded solo) as of December 31, 2022 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 77 million. For information regarding the adjusted leverage rate, please see Section 2.4.3 below.
6. Net financial debt as a percent of total balance sheet, net of cash balances. The Company's net financial debt (expanded solo) as of December 31, 2022 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 77 million. For information regarding the adjusted leverage rate, please see Section 2.4.3 below.
7. In the expanded solo balance sheet, the investment in Amot, Energix and BE is presented on an equity basis instead of the consolidation of their statements with the Company's statements (the remaining investments are presented unchanged in the statement presented in accordance with IFRS principles).
8. The above dividend amount does not include an additional dividend that was paid for the years 2023, 2022 and 2021 (in respect of the years 2022, 2021 and 2020) in the amount of NIS 0.18 per share, NIS 0.44 per share and NIS 0.2 per share, respectively.
9. When calculating the NNAV per share, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

1.7 Summary of the main data - Investees

	Unit	2023	2022	2021	% change[10]
Investment in Israel - Amot Investments Ltd. (rate of holdings - 51.15%)[11]					
Number of income-generating properties	Unit	114	114	112	
Value of investment property (not including property in self-construction)	NIS thousands	16,730,765	16,521,806	14,587,312	1.3
Weighted discount rate derived from investment property	%	6.30	6.20	6.08	
Occupancy rate at end of period	%	93.4	94.4	98.0	
Value of investment property in development	NIS thousands	2,757,003	2,340,645	2,446,350	17.8
Ratio of net financial debt to total balance sheet	%	44.0	41.9	42.9	
NOI[12]	NIS thousands	1,004,406	930,996	779,818	7.9
FFO[13] per share	NIS	1,707	1,604	1,389	6.4
NAV per share	NIS	18.78	18.68	17.17	0.5
Price per share at end of period	NIS	20.0	20.65	25.28	(3.1)
Investment in the United States - Carr Properties (rate of holdings - 47.7%)[14]					
Number of income-generating properties	Unit	14	17	16	
Value of investment property (not including property in self-construction) [15]	USD thousands	1,707,449	2,835,655	3,218,384	(39.8)
Occupancy rate at end of period[16]	%	88.90	87.90	87.90	
Number of properties in development and planning	Unit	2	2	2	
Value of property in development	USD thousands	739,887	697,253	654,476	6.1
Ratio of net financial debt to total balance sheet[17]	%	57.7	49.1	40.8	
NOI [18, 12]	USD thousands	163,785	148,670	149,934	10.2
FFO [18, 13]	USD thousands	69,539	70,988	77,511	(2.0)
Investment in the UK - Brockton Everlast Inc. Limited (rate of holdings - 83.4%)					
Number of income-generating properties	Unit	10 [19]	13	10	
Value of investment property	GBP thousands	699,800	1,081,515	938,125	(35.3)
Occupancy rate at end of period	%	98.3%	96.6	97.3	
Value of land for initiation	GBP thousands	361,750	208,000	232,750	73.9
Ratio of financial debt to total balance sheet	%	36.4	30.7	39.7	
NOI[12]	GBP thousands	41,315	42,311[20]	31,156	(2.4)
FFO[13]	GBP thousands	15,229	19,521 [20]	15,577	(22.0)
Investment in renewable energy - Energix Renewable Energies Ltd. (rate of holdings - 50.3%)					
Installed capacity from connected photovoltaic systems (MWp) - Energix's share	Unit	978	554.0	395.2	76.5
Installed capacity from connected wind systems (MW) - Energix's share	Unit	301.2	245.2	134.2	22.8
Balance of connected electricity-generating facilities - according to book value	NIS thousands	5,216,739	2,910,128	1,914,928	79.3
Price per share at end of period	NIS	13.36	11.08	13.25	20.6

10. 2023 compared to 2022.
11. The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter - "**Amot's Pro Forma Reports**"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS 11 coming into effect.
.12 Net operating income
13. Funds from operations.
.14 The financial data presented above includes Carr's economic share in its assets and liabilities and those of all its investees, including of companies that are not consolidated in its financial statements prepared in accordance with IFRS principles.
15 Including two properties (owned and leased) valued at USD 132 million for which Carr is negotiating new financing and lease agreements. Total liabilities (on a non-recourse basis) as of the end of 2023 for the two properties are USD 205 million.
16 The occupancy rate presented above includes One Congress, which is in advanced stages of occupancy and is presented as a property under construction.
17 Carr's financial debt rate as of December 31, 2023 does not include liabilities that have excess liabilities over the asset value (which are on a non-recourse basis).
18. Including NOI from property management.
19 As of December 31, 2023, three properties that were classified as income-generating properties were classified as land.
20. The NOI and the FFO in 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

For information regarding the business environment in which the Group operates, please see Section A(6) of the chapter Description of the Corporation's Business.

2.2 Statement of Financial Position

Statement of Financial Position item	December 31, 2023 NIS millions	December 31, 2022 NIS millions	Notes and explanations
Cash and cash equivalents	2,199	1,695	For the Statement of Cash Flows - please see Section 2.6 below.
Investment property (including investment property designated for realization)	23,897	23,670	Most of the increase is due to investments in properties in development by Amot and BE in the amount of NIS 0.6 billion, and from an increase in BE's investment property in the amount of NIS 0.5 billion as a result of the devaluation of the NIS against the GBP by 9% in the reporting period. This increase was offset by a net loss from the fair value adjustment of investment property of BE (a decrease of NIS 1.17 billion) and Amot (an increase of NIS 0.25 billion) in the reporting period in the amount of NIS 0.9 billion. For information, please see Section 2.3.3 below. For additional information regarding the Group's investment property - please see Note 4 to the financial statements.
Investments in companies accounted for according to the equity method and securities measured at fair value through profit and loss	2,773	4,286	The following are the main changes in investments: • A decrease due to the Group's share in the losses of associates in the amount of NIS 1.7 billion mainly due to a loss from the fair value adjustment of investment property of the associates (Carr and AH Boston). For information in this regard, please see Section 2.3.3 below. • An increase due to the effects of exchange rates (mainly the USD) in the amount of NIS 0.2 billion. For additional information regarding changes in the balance of the investment in securities measured at fair value through profit and loss and investments in companies accounted for according to the equity method, please see Notes 5 and 6 to the financial statements, respectively. Please see also Section 2.3 below.
Electricity-generating facilities - connected and in development	8,108	5,206	The main increase in electricity-generating facilities is due to the Group's investments in projects in development in the United States and in Israel by Energix in the amount of NIS 2.5 billion and due to the devaluation of the NIS against the USD and the PLN in the reporting period at a rate of 3% and 15%, respectively. For information regarding electricity-generating facilities, please see Notes 7 and 8 to the financial statements.
Other assets	1,754	1,355	The increase is mainly due to the balance of short-term pledged and restricted deposits in Energix. The balance stems from cash received from the tax partner in Energix's projects in the United States, which will be released when Energix meets the milestones in the construction of the facilities for which the balances were received.
Total assets	38,731	36,212	
Loans and bonds	22,132	18,566	The main changes are as follows: • Raising of bonds and receipt of loans in the amount of NIS 5.4 billion. • Repayment of bonds and long-term loans in the amount of NIS 1.8 billion. For information regarding the main changes in the Group's financial debt, please see Section 2.4.3 below.
Other liabilities	5,535	4,055	• An increase of NIS 0.6 billion in respect of credit received (tax partner) for electricity-generating projects in the United States.

	31.12.2023	31.12.2022	
			• An increase of NIS 0.4 billion in supplier credit for Energix's projects in development.
Total liabilities	27,667	22,621	
Equity attributed to shareholders	5,002	7,710	The main decrease in the Company's equity in the reporting period is due to a loss in the amount of NIS 2.6 billion that stems from negative real estate revaluations recorded by the Company in connection with its investees in the United States and the UK. In this regard, please see Section 2.3.3 below. For additional information regarding the main changes in the equity attributed to the shareholders, please see Section 2.7.2 below.
Non-controlling interests	6,062	5,881	
Total equity	11,064	13,591	
Total liabilities and equity	38,731	36,212	

2.3 Investments

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

	Currency	Number of shares	Balance in NIS thousands	Adjusted value in NIS thousands	Adjusted value measurement basis
Amot	NIS	240,718,672	4,506,094	4,814,373	Stock market value - tradable
Energix	NIS	276,060,936	1,151,225	3,688,174	Stock market value - tradable
Carr	USD	-	1,568,555	1,568,555	Equity method
AH Boston	USD	-	525,811	525,811	Equity method
Brockton Everlast	GBP	-	2,656,530	2,656,530	Equity method
Brockton Funds	GBP	-	165,385	165,382	Equity method
Other[21]			1,034,819	1,034,819	
Total			11,608,416	14,453,644	

2.3.2 Investments and realizations in the reporting period and after the balance sheet date

During the reporting period, the Company invested (realized investments) in its investees, as follows:

	2023 NIS millions	After the balance sheet date NIS millions	
Investments:			
Brockton Everlast (*)	274	257	See 2.3.6 below
AH Boston	51	2	
	326	**259**	
Realizations:			
Amot	(220)	-	
	(220)	**-**	

(*) Including conversion of a bridging loan in the amount of NIS 85 million into capital.

[21] Mainly including cash and cash equivalents in the amount of NIS 1,025 million.

2.3.3 Property revaluations

The following is a summary of investment property revaluations recorded by the Company's investees in 2023:

		Profit (loss)	
Geographical region	Currency	Share of the investee in millions	Company share in NIS Millions
			Total
Israel (Amot) (1)	ILS	249	133
UK (BE) (2)	GBP	(252)	(974)
USA (Carr and AH Boston) (2)	USD	(978)	(1,772)
Company share			**(2,613)**[22]

(1) Israel (Amot) - The positive revaluation of the income-generating properties in the reporting period was mainly due to the increase in the representative NOI (including as a result of the effect of the increase in the CPI in the period), which was partially offset by an increase in the discount rate for some of the properties.

(2) Details of changes in the value of assets in foreign companies:

Geographical region	Currency	Share of investee in the loss in millions	Percentage of loss resulting from the increase in discount rates	Percentage of loss resulting from change in future rental assumptions and from other changes
UK (BE)	GBP	(252)	72%	28%
USA (Carr and AH Boston)	USD	(978)	65%	35%[23]

For a sensitivity analysis of the effect of a 0.25% change in the Weighted Cap Rate on the value of real estate assets, please see Note 4d to the financial statements.

2.3.4 Investment in real estate in Israel - through Amot

General:

As of December 31, 2023, Amot's properties, owned or leased, include 114 income-generating properties in Israel with a total area of 1.85 million sq.m. (Amot's share), of which 1.15 million sq.m. are rental space and 0.7 million sq.m. are open storage and parking. These properties are spread throughout the country, with the majority of Amot's properties (90%) located in the big cities in the center of the country and in high-demand areas. The properties are leased to approx. 1,750 tenants, through contracts of varying durations. In addition, Amot has 6 projects in development amounting to 218 thousand sq.m. above-ground (Amot's share) and 3 projects in planning and initiation stages amounting to 56 sq.m. above-ground (Amot's share). The fair value of investment property in development and rights in land designated for development amounts to NIS 2.8 billion.
The total fair value of Amot's investment property as of December 31, 2023 is approx. NIS 19.7 billion. The fair value of Amot's income-generating property as of December 31, 2023 is NIS 16.9 billion.
The occupancy rate of all of Amot's properties as of December 31, 2023 is 93.4% (compared to 94.4% as of December 31, 2022). The occupancy rate represents space for which there are signed contracts, some of which are in the process of being populated.

Amot's business development in the reporting period and subsequent to the balance sheet date:

- The Amot NOI amounted to NIS 1,004 million in the reporting period, compared to NIS 931 million in the corresponding period last year, an increase of approx. 8%. The increase is due to an increase in revenues from identical properties (including as a result of occupancies, an increase in prices and an increase in the CPI) and from properties whose construction has ended.

[22] Of the aforementioned amount, in the fourth quarter of 2023, the Company recorded a loss of approx. NIS 1,271 million due to its investees' real estate revaluations, of which a loss of NIS 566 million was from the UK (BE), a loss of NIS 762 million was from the United States (Carr and AH Boston), which offset a profit from Amot in the amount of NIS 57 million.
[23] Including losses in the amount of approx. USD 89 million (Carr's share) in respect of changes in working assumptions and/or contractual changes in connection with Fannie Mae (due to the shortening of the lease period - for additional information, please see Section 2.3.6 below) and WeWork.

- During 2023, Amot signed 394 new leases, including option exercises and contract renewals amounting to a total of 159 thousand sq.m. in annual rental fees in the amount of NIS 158 million. The spaces were leased at average rental fees (weighted average) per sq.m. higher than the rent generated by these properties until that date by approx. 4%.

The following is a summary of data regarding projects in stages of construction as of December 31, 2023:

Property name	Location	Main use	Rate of holdings	Thousands of above-ground sq.m. for marketing, 100%	Estimated completion date	Project value in Amot's books as of December 31, 2023	Estimated construction cost, including land and parking basements (*)	Projected NOI upon project occupancy (*)
						Amot's Share - in NIS millions		
Amot Modi'in	Modi'in	Offices	75%	9	2024	55	75	5
HaLehi Complex [24]	Bnei Brak	Offices	50%	100	2025	467	765	59
K Complex - Jerusalem [25]	Jerusalem	Offices	50%	93	2027	137	720	51
Beit Shemesh Logistic Center	Beit Shemesh	Logistics	60%	50.5	2024	173	217	16
Park Afek	Rosh HaAyin	Offices	50%	8.4	2024	13	40	3
ToHa2	Tel Aviv	Offices	50%	160	2026	768	1,650	140
Total				**420.9**		**1,613**	**3,467**	**274**

(*) Mid-range forecast.

The information in this Section 2.3.4 regarding the estimated end of construction date, estimated construction cost, projected NOI at the time of the project's occupancy constitutes forward-looking information as defined in Section 32A of the Securities Law, as it is impacted by factors that do not depend on the Group such as construction costs, security situation, demand for offices, changes in the City Building Plan that are subject to the approval of the authorities, etc. The information is based on the Amot management's assessments assuming full occupancy, the realization of which is not under Amot's control.

For additional information regarding projects in construction stages, please see Note 4b to the financial statements.

The following is a summary of data regarding projects in stages of planning and development as of December 31, 2023:

Property name	Location	Main use	Thousands of above-ground sq.m. for marketing, 100%	Rate of holdings	Thousands of above-ground sq.m. for marketing	Project value in Amot's books	Estimated construction cost, including land and parking basements (*)
				Amot's share - in NIS millions			
The 1000 Complex	Rishon Lezion	Offices	19	100%	19	36	270
Platinum Stage B[26]	Petach Tikva	Offices	20	100%	20	37	220
Amot Shaul - Stage A	Kfar Saba	Offices	35	50%	17.5	71	170
Total			**74**		**56.5**	**144**	**660**

(*) Mid-range forecast.

The information included in this section regarding the estimated construction costs constitutes forward-looking information as defined in Section 32a of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

[24] The property's commerce floors are expected to open during 2024. Amot has signed contracts in respect of approx. 8,500 sq.m. (Amot's share - 50%), which are expected to yield annual rent of approx. NIS 14 million (Amot's share - 50%).
[25] Subject to the completion of additional rights in the K Complex in Jerusalem
[26] Subject to the completion of the purchase of additional construction rights in order to build a matching tower to Platinum Stage A.

The following is a summary of data regarding projects in development as of December 31, 2023:

Property name	Location	Main use	Rate of holdings	Project value in Amot's books (NIS millions)	Estimated construction cost, including land and parking basements (NIS millions)
Lot 300, Derech HaShalom	Tel Aviv	Residential/commerce	100%	267	Not yet determined
Tzrifin Logistic Center	Tzrifin		100%	250	Not yet determined
Others				483	
Total				**1,000**	

The information included in this section regarding the projects in development constitutes forward-looking information as defined in Section 32A of the Securities Law. The information refers to data existing and known by the Group immediately prior to the publication of the report relating to environmental requirements, on City Building Plan changes subject to approvals of the planning and building authorities, on receipt of consent from owners of bordering properties, for which there is no certainty of being granted, etc. These data are not under the Group's control and therefore there is no certainty these projects will actually be executed.

Fair value adjustments of investment property

For property revaluations recorded by Amot in the reporting period, please see Section 2.3.3 above.

For additional information regarding the investment in Amot, please see Chapter B of the Description of the Corporation's Business and Note 6c to the financial statements.

2.3.5 Investment in Carr

Carr's business development in the reporting period and subsequent to the balance sheet date:

One Congress project - Boston, Massachusetts:

Carr holds 75% of the rights in a joint venture through which an office tower was built in Boston under the name "One Congress" with 1 million sq.ft. of rental areas together with a partner (the "**Joint Venture**" and the "**Tower**", as the case may be). In April 2023, the construction of the tower was completed (before adjustments for tenants), it is fully leased to two main tenants and as of the date of the report, it is in the advanced stages of occupancy and delivery, which are expected to be completed during 2024. The projected NOI for a full representative year is expected to be USD 63 million (Carr's share - approx. USD 47 million).

Midtown Center building - Washington DC - Rental agreement with Fannie Mae

Carr leases 713.5 thousand sq.ft. of office space at Midtown Center to Fannie Mae, the primary tenant of the property. In the fourth quarter of 2023, Fannie Mae exercised several options to reduce the rental area in the amount of 149 thousand sq.ft. on a gradual basis from May 2026 until May 2028. Fannie Mae also exercised an option for early termination of the aforementioned rental agreement such that the rental period on the remaining area (564.5 thousand sq.ft.) will end in May 2029 (instead of May 2033). With the exercise of the aforementioned options, Fannie Mae paid compensation in the total amount of USD 70.7 million, which will be recognized as revenue over the remainder of the lease term.

1615 L Street building:

In September 2023, Carr (through a wholly-owned subsidiary) chose not to repay a non-recourse loan in the amount of USD 134 million for the property known as the 1615 L Street building and therefore went into default. The financing party has actual control over the building and the right to obtain ownership of the building (a process that may take several quarters). Further to the above, in December 2023, Carr stopped including in its financial statements the wholly owned subsidiary that owns the building and the aforementioned debt. As of December 31, 2023, Carr's investment in the company that owns the property is zero and Carr does not record any losses for this entity since it is not a guarantor for the debt.

Sale of The Elm building:

In August 2023, Carr completed 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 June 30, 2023.

Residential rental initiation:

In accordance with Carr's strategy to also engage in the initiation, development and leasing of residential buildings, Carr carried out the following: (1) It began the process of planning the conversion of a building located in Northern Virginia from offices to residences; (2) It acquired a building located in Northern Virginia; Carr intends to initiate the construction of two new buildings intended for residential rentals, through the demolition of the existing buildings, change the existing building code, with the addition of investors to these projects.

That stated in this Section above regarding the dates for the start and completion of construction, the estimated cost of the project and the estimated NOI is forward-looking information as defined in Section 32A of the Securities Law.

Additional information regarding properties:

On the date of publication of this report, Carr is in negotiations with a lender and a lessor to change the terms of a loan payable this year and an existing lease agreement for two properties valued at USD 132 million at the end of 2023, for which the total liabilities recorded as of the end of 2023 is USD 205 million. It should be emphasized that according to the terms of the two existing agreements, the lender and the lessor have are without recourse from Carr except for existing liens on the properties themselves.

For additional information regarding the development of Carr's business over the course of the reported period and subsequent to the balance sheet date, please see Note 6g(3) to the financial statements.

Fair value of investment property

For property revaluations recorded by Carr in the reporting period, please see Section 2.3.3 above.

Carr's financial debt

- As of December 31, 2023, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.5 billion[27] (Carr's share) at a weighted interest rate of 4.38% and for an average duration of 2.99 years. Of the above amount, 75% is at a fixed interest rate, after taking into account interest rate-fixing transactions.

- Regarding the initiated non-payment of the non-recourse loan in the amount of USD 134 million in 2023, please see the section "1615 L Street building" above.

- In 2024, Carr is expected to repay a loan in the amount of USD 61 million by utilizing lines of credit.

  Carr also has another loan in the amount of USD 65 million that is due to be repaid in August 2024 for a property for which it is negotiating with the lender to change the terms of the loan. It should be emphasized that according to the terms of the existing agreement, the lender is without recourse from Carr except for an existing lien on the property itself. For additional information, please see the section "Additional information regarding properties" above.

[27] Does not include a lease commitment in accordance with IFRS 16 in the amount of USD 148 million in respect of ground lease agreements.

Additional Information

The following is the cumulative investment in Carr from the initial investment date until December 31, 2023:

	Carr
	USD millions
Investment in companies	872
Distributions	(214)
Total cumulative investment, net	**658**
Investment balance in the financial statements -	**432**

For additional information regarding the investment in Carr, please see Chapter C1 in the Description of Corporate Business and Note 6(g) to the financial statements.

2.3.6 Investment in BE:

As of December 31, 2023, the Company indirectly held approx. 83.41% of the rights in BE (as of the date of publication of the report - approx. 83.67%).

BE's business development in the reporting period and subsequent to the balance sheet date:

Promoting future construction plans - BE is working to promote plans for a significant increase in building rights for entrepreneurial projects in the coming decade, which will increase the existing portfolio by 2.1 million sq.ft. (to a total of 3.55 million sq.ft.). Until close to the date of publication of the report, city building plan approvals were received for approx. 0.7 million sq.ft. (an addition of approx. 0.4 million sq.ft. in relation to existing building rights.

The following is a summary of data regarding a project in advanced planning stages as of December 31, 2023:

Property name	Location	Main use	Rate of holdings	Thousands of above-ground sq. ft. for marketing, 100%	Estimated start date	Estimated completion date	Estimated construction costs, including land	Project cost in BE's books as of December 31, 2023	Balance for completion of construction costs as of December 31, 2023	Projected NOI upon project occupancy
							GBP millions			
Devonshire Quarter	City of London	Offices	100%	466	2025	2029	620-670	120	500-550	50-55

The information detailed in this Section 2.3.6 above regarding the completion of the transactions, the expected construction costs and the projected NOI in occupation is forward-looking information as defined in Section 32A of the Securities Law as it is influenced by factors that are not dependent on BE.

Fair value of investment property:

For property revaluations recorded by BE in the reporting period, please see Section 2.3.3 above.

Additional information

The following is the cumulative investment in BE from the initial investment date until December 31, 2023:

	BE
	NIS millions
Investment in companies	637
Distributions	(40)
Total cumulative investment, net	**597**
Investment balance in the financial statements -	**575**

For additional information regarding the investment in BE, please see Chapter D of the Description of the Corporation's Business and Note 6(d) to the financial statements.

2.3.7 Investment in AH Boston

Conversion of 745 Atlantic building from offices to laboratories - As of the date of the report, the project for the transformation of the 745 Atlantic building from an office building to a laboratory building for the Life Sciences is in the final stages. The cost of the project (not including the land component) is estimated at approx. USD 166 million (the Company's share - USD 91 million), of which a total of USD 109 million has been invested as of December 31, 2023 (the Company's share - USD 60 million). As of the date of the report, a floor in the building has been leased with an area of 16,000 sq.ft. (which constitutes 10% of the building's rental area) and advanced negotiations are underway for additional leases in the building. The projected NOI from the building after it is fully occupied is USD 16 million.

That stated in this section above regarding the date of completion of the conversion work, the estimated cost of the remaining investment in the project and the projected NOI is forward-looking information as defined in Section 32A of the Securities Law.

The AH Boston Partnership's financial debt

As of December 31, 2023, the Boston Partnerships have long-terms loans, the total balance of which is approx. USD 394 million (NIS 1.4 billion) at 4.83% weighted interest (after taking into account an interest-fixing transaction).

The loans' repayment date will begin in the first quarter of 2025, when a loan of USD 138 million will be repaid.

Additional information

The following is the cumulative investment in AH Boston from the initial investment date until December 31, 2023:

	AH Boston
	USD millions
Investment in companies	243
Distributions	(79)
Total cumulative investment, net	**164**
Investment balance in the financial statements -	**145**

For additional information regarding the investment in AH Boston, please see Chapter C2 of the Description of Corporate Business and Note 6h to the financial statements.

2.3.8 Renewable energy investment through Energix

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

- In the reporting period and up to the date of approval of the report, Energix's total project backlog in commercial operation in Israel, the United States and Poland increased by approx. 50%, and as of the date of approval of the report it is 1,279 MW. In addition, Energix has projects in development or expected to begin construction during 2024 with a capacity of 533MW and 318 MWh, so Energix estimates that at the end of 2024, it will have connected projects with a capacity of approx. 1,740MW, an increase of 30% compared to the end of 2023. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.1 GW and storage projects in initiation with a capacity of approx. 6.6 GWh.

- Energix has updated its long-term work plan targets upward, according to which it estimates that it will end the year 2026 with a project backlog of 4.3 GW + 1 GWh (storage) that will generate revenues of approx. NIS 2.3 billion (compared to over NIS 2 billion in advertising last year), with an EBITDA of approx. 80%. Energix also updated the total construction cost of this project backlog according to market conditions and regulation as of the date of approval of the report, to a total of approx. NIS 23.5 billion, of which NIS 3.2 billion is equity, which has already been fully invested by Energix for its existing facilities. The rest of the amount that will be required for the projects' construction is expected to be received from financing transactions and from the tax partner as is customary in this area. In view of the fact that, as of the date of approval of the report, Energix has already provided the full equity for the construction of its facilities, it estimates that it will not be required to invest additional equity for the construction of the aforementioned project backlog with a total construction cost of NIS 23.5 billion.

- In the reporting period, Energix presented an increase of approx. 29% in revenues, approx. 18% in EBITDA and approx. 9% in net profit for 2023 compared to 2022. Energix's revenues for 2023 amounted to approx. NIS 682 million, compared to revenues of approx. NIS 527 million in the corresponding period last year. The increase in revenues is due to the increase in the capacity of the projects in commercial operation and against the backdrop of high electricity prices in Poland. Net profits attributed to Energix's shareholders totaled approx. NIS 258 million in 2023, compared to NIS 237 million in 2022.

United States

- **Expanding strategic cooperations** - Energix operates through a strategy of creating long-term collaborations with leading parties in the market and estimates that these engagements give it a significant competitive advantage and a platform for accelerating growth and the successful implementation of the strategic plan. In this context, Energix has entered into several significant strategic transactions during 2023, as follows:

    - **Negotiations for strategic cooperation (sale of electricity and green certificates; tax partner investment):** As of the date of approval of the report, Energix is in negotiations for a long-term strategic cooperation in relation to its future operations in the United States, after in December 2023 a wholly owned American subsidiary of Energix signed a non-binding memorandum of understanding. As part of the strategic cooperation, as it matures into binding agreements and subject to their terms, the subsidiary will sell to the strategic partner the electricity and green certificates that will be produced in future projects in the United States that are expected to reach commercial operation starting in 2024, at an initial capacity of at least 1 GW. In addition, the strategic partner will provide the tax partner investment in the projects subject to the agreement in an amount that will reflect the maximum ITC tax benefit rate to which the projects are entitled.

    - **Engagement for the purchase of panels for Energix's future projects with a capacity of approx. 5 GWp as part of the strategic cooperation with First Solar** - In the reporting period, Energix entered into a series of agreements for the purchase of additional panels with a capacity of approx. 5 GWp with First Solar, one of the world's leading photovoltaic panel manufacturers. The purchase of the panels is intended to ensure a regular and ongoing supply of panels for Energix's operations in future photovoltaic projects that it intends to establish in the years 2026-2030, most of them in the United States, which is expected to allow it, among other things, an increase of at least 40% in the ITC tax benefit in the US. The panels' purchase cost is estimated by Energix at a total of approx. USD 1.5 billion, depending on the final capacity of the panels to be purchased and the territory in which they will be produced (in or outside the US), and most of the payment will be close to the receipt of the panels.

- **Completion of construction and the start of new construction:** As of the date of approval of the report, all the projects in the Virginia 3 and PA1 backlog with an aggregate capacity of 412 MWp have completed construction, have been connected to the grid and are generating electricity. As of the date of the approval of the report, Energix has commenced the construction of additional projects with a capacity of approx. 210 MWp, which are expected to reach commercial operation during 2024-2025. This backlog is expected to grow significantly with the completion of the

acquisition of additional projects due to agreements that have been signed and others that are in the negotiation stages.
Regarding additional project acquisitions with a total capacity of 0.5 GWp, please see Note 8 to the financial statements.

- During the reporting period, Energix entered into the following financing transactions: (1) With Santander CIB Bank and Morgan Stanley Renewables Inc., both among the world's leading banks, in financing transactions and tax partner investment totaling approx. USD 540 million. The transactions were for the financing of the construction costs of projects with a capacity of 412 MWp, which Energix is building in Virginia and Pennsylvania; (2) With Santander CIB, 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, please see Note 12 to the financial statements.

Poland

- **Elections in Poland:** During the reporting period, elections were held in Poland and a new liberal government was established with, according to its publications, a policy supporting renewable energies. According to publications on behalf of the new government, it intends to act to amend existing laws to strengthen and incentivize the renewable energy market in Poland. Energix estimates that the new government's position, together with significant geopolitical changes that have taken place in Europe and stabilization in macro data, lead to the expectation of continued rapid growth in the renewable energy market in Poland.

- **Moderation of the increase in electricity prices and entry into the tender regulation:** Starting from the fourth quarter of 2023, a trend of a decrease in electricity prices in Poland is evident. As far as 2024 is concerned, Energix's revenues are hedged in price-fixing transactions in relation to 72% of the expected total electricity generation in Poland, at electricity prices significantly higher than market prices.
  In addition, subsequent to the date of the report, in February 2024, Energix completed the requirements for entering the tender arrangement and in that framework it undertook to sell electricity as part of the tender arrangement at a capacity of 17%-20% of the expected electricity generation in the two wind farms Banie 3 (82 MW) and Sepopol (44 MW) for the first 5 years and approx. 82%-87% of the expected generation in the remaining 10 years.

- **Expansion of Energix's project backlog** - (1) Energix is preparing for the construction of another PV project in Poland, with a total capacity of approx. 30 MWp, the construction and commercial operation of which is expected during 2024; (2) During the fourth quarter, Energix entered into an agreement with a local entrepreneur to acquire a project for the construction of a photovoltaic facility with a capacity of approx. 65 MWp; (3) During the reporting period, Energix initiated and promoted its first storage project in Poland (Greenfield) with a capacity of 48 MWh, as a stand alone storage project. The project is expected to connect directly to the electricity grid owned by Energix in Poland. After the project was given an environmental decision and approval for construction, Energix intends to start the construction of the project in the coming months, and to compete in the availability tender that will be held in December 2024.

- **Financing for the Banie 1+2 and Iława wind farms** - As of the date of approval of the report, Energix is in negotiations for the receipt of long-term project financing for the Banie 1+ 2 and Iława wind farms with a capacity of 119 MW, on a non-recourse basis, in an estimated amount of up to PLN 850 million. As negotiations mature into binding agreements and the conditions for withdrawal are met, the amount of financing is expected to be used as a return of capital to Energix, and used by it to invest in other projects.

Israel

- As of the date of approval of the report, Energix is carrying out the construction work on the extra-high-voltage Julis project with a capacity of approx. 87 MWp following the approval of the plan for the construction of the project by the National Infrastructure Committee and the government. The project's commercial operation is expected in the third quarter of 2024. In addition, Energix is in the advanced stages of establishing and initiating integrated solar + storage projects with a total capacity of approx. 127 MW and 406 MWh, which are expected to reach commercial operation during 2024 and 2025.
- **Construction work on a wind farm in the Golan Heights with a capacity of approx. 104 MW (ARAN project):** After the construction work on the project were halted during the reporting period due to objections from local residents, and in view of the need for a special escort and assessments by the police, which are not available to the project company during this period, the construction work on the project was temporarily halted.
  Energix estimates that the start of the construction work will be delayed and will begin depending on the availability of the police and accordingly, the project's construction schedules are expected to be extended. In view of this, Energix is working to create the infrastructure required for construction work after the end of the Iron Swords War and is also working to reduce ongoing costs.
- **Engagement in agreements for the sale of electricity with a private supplier instead of Competitive Procedure 2 (photovoltaic facilities with storage)** - During the reporting period, Energix entered into agreements for the sale of electricity with a private supplier for six photovoltaic facilities with combined storage with a total capacity of 96 MWp that will enable it to sell all the electricity generated in these facilities at a price significantly higher than the winning rate under the terms of the competitive procedure. The agreement regarding electricity generation from the solar facility is on an "as generated" basis, although Energix has an obligation to provide a minimum storage according to the capacity determined in the agreement. Energix will work to associate the projects it will establish under this competitive procedure with the market model regulation upon their connection to the electricity grid. In view of the advantage that Energix sees in the market regulation over the terms of the Competitive Procedure, and with the aim of maximizing its revenues from these facilities, subsequent to the date of the report, it entered into two additional agreement for the sale of electricity to the private supplier.

- During the reporting period and after, Energix signed financing agreements totaling up to approx. NIS 735 million with the possibility of expanding financing in the amount of up to NIS 15 million with leading financial institutions for the financing of projects in development. For additional information, please see Note 12 to the financial statements.

That stated in Section 2.3.8 above in connection with projects in development and planning is forward-looking information as defined in Section 32A of the Securities Law, based on information available to Energix and the assessments and plans of Energix's management and for reasons that are not under Energix's control, such as the receipt of permits, compliance of deadlines required in the competitive procedure framework, changes in the construction costs of the systems, unexpected expenses and more, it may not materialize and/or may materialize differently from the manner described above.

For additional information regarding Energix's business development in the reporting period and subsequent to the balance sheet date, please see Chapter E of the Description of the Corporation's Business and Notes 7 and 8 to the financial statements.

For additional information regarding the Company's investment in Energix, please see Chapter E in the Description of the Corporation's Business and Note 6e to the financial statements.

2.3.9 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2023 and the projected receipts of dividends for 2024:

	2023 actual	2024 forecast	Additional information in the financial statements
	NIS millions		
Amot	344	313	Note 6c.3
BE	59	46	Note 6d.3
Energix	127	166	Note 6e.3
AH Boston	25	28	Note 6h.3
Total cash dividend	555	553	
[28]Carr - Dividend Reinvestment Plan	117	116	
Total dividend	672	669	

The dividend receipt forecast for 2024 is calculated in accordance with the declared dividend distribution policy of each of the companies mentioned above, and is based on the Company's existing investment portfolio as of the date of publication of this report.

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

The information on dividend receipts for 2024 constitutes forward-looking information in accordance with Section 32A of the Securities Law, 1968, in view of the fact that there is no certainty that the authorized bodies of the investees will actually approve the dividend distributions, and this is at their sole discretion.

2.3.10 Management fee receipts

The following are the management fees received by the Company (expanded solo) in 2023 and the projected receipts of management fees for 2024:

	2023 actual	2024 forecast	Additional information
	NIS millions	NIS millions	in the financial statements
Amot	11	11	Note 6c.4
Energix	10	11	Note 6e.5
Total	21	22	

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of December 31, 2023, the Group has cash balances in the amount of approx. NIS 2.2 billion (of which the Company's expanded solo balance is approx. NIS 1 billion).

In addition, as of December 31, 2023, the Group has unutilized[29] lines of credit in the amount of approx. NIS 2.1 billion (of which the Company's expanded solo lines of credit - NIS 550 million).

2.4.2 Unencumbered assets

As of December 31, 2023, the Company's assets (expanded solo) are not encumbered. The balance of the Company's assets (expanded solo) (not including cash and other current assets) is in the amount of NIS 10.6 billion (a market value of NIS 13.4 billion). As of December 31 2023, Amot has a balance of unpledged assets totaling approx. NIS 19.2 billion.

[28] 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 remains after its receipt and reinvestment.

[29] The amount includes Energix's project loans that can be withdrawn immediately in the amount of NIS 0.5 billion (not including the RN project loan).

2.4.3 Financial debt

As of December 31, 2023, the Group's net financial debt amounted to NIS 20.6 billion, constituting 56.4% of the Group's assets, compared to a net financial debt of NIS 17.3 billion, constituting 50.1% of Group assets as of December 31, 2022.

As of December 31, 2023, the Company's net financial debt (expanded solo) amounted to NIS 5.7 billion, constituting 54.1% of all Company assets (expanded solo), compared with a net financial debt of NIS 5 billion, constituting 39.2% of Company assets (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 as of December 31, 2023 and as of the date of publication of the report amounts to 42.8% and 45.5%, respectively.

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

- In the reporting period and subsequent to the balance sheet date, the Company signed agreements to extend existing credit facilities. For additional information, please see Note 12b to the financial statements.
- During the reporting period, the Company raised debt in the total amount of approx. NIS 1.6 billion and in consideration for approx. NIS 1.5 billion by way of the expansion of existing bond series (a weighted duration of 7.4 years; a weighted effective interest rate of 6.4% for the NIS debt and 3.8% for the CPI-linked debt).

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

Amot:

- During the reporting period, Amot raised debt through the expansion of existing bonds in a total amount of NIS 547 million PV for a total (net) consideration of NIS 503 million. The bonds bear a weighted CPI-linked effective interest rate of 3.63% and have an average duration of 6 years (including the effect of a hedge transaction). Subsequent to the balance sheet date, Amot raised an additional NIS 152 million in a private placement.

BE:

- In September 2023, BE took a loan in the amount of GBP 50 million (NIS 237 million) in place of a loan in the amount of GBP 63.4 million (NIS 300 million), which was due to be repaid. The recourse loan bears SONIA interest plus a margin of 2.75%. The loan principal will be repaid in one lump sum in September 2026. In addition, BE entered into a CAP transaction with the financing bank such that the maximum yearly SONIA interest rate would not exceed 5.75% during the entire loan period.

- After the date of the report, in March 2024, BE entered into two refinancing agreements which, for their completion, the Company and its partner provided a total of approx. GBP 60 million (the Company's share - approx. GBP 51 million):
  (1) A loan in the amount of GBP 75 million, replacing a loan in the amount of approx. GBP 132 million, which is due to be repaid in April 2024. The new recourse loan bears SONIA interest plus an annual margin of 2% (which will increase every two years by 0.5% up to a rate of SONIA + 3%). The loan principal will be repaid in June 2028. As part of the loan, BE committed to an LTV ratio that will not exceed 60%.
  (2) A loan in the amount of GBP 45 million, replacing a loan in the amount of approx. GBP 47 million, which is due to be repaid in October 2024. The new recourse loan bears SONIA interest plus a margin of 2.5%; the loan principal will be repaid in October 2026 (with the exception of a payment in the amount of GBP 8.5 million, which will be paid in October 2024). As part of the loan, taking into consideration (with regard to the ranges detailed below) the length of the period that will pass from the signing of the agreement, BE has committed to an LTV ratio that will not exceed 45%-59%, a coverage ratio that will not exceed 1.7-2.1 and a return on debt that will not exceed 11%-14%.

  In addition, BE entered into a SWAP transaction with the financing bank so that the maximum yearly SONIA interest rate would not exceed 4% throughout the entire loan period.

Energix:

- For information regarding project financing facilities available to Energix as of the date of the report, please see Note 12 to the financial statements.

Financing transactions of associates: For information regarding the financing transactions of Carr and the Boston Partnerships in the reporting period, please see Sections 2.3.5 and 2.3.7 above.

As of December 31, 2023 and as of a date close to the publication of the report, no reason has arisen for the Group's loans and bonds to be called for immediate repayment. For information regarding Carr's loan for the 1615 L property, please see Section 2.3.5 above.

For information regarding the Group's reportable substantial credit, please see Chapter F, Section 5.2 in the Description of the Corporation's Business.

For additional details regarding the Group's liabilities, please see Notes 11 and 12 to the financial statements.

2.4.4 Raising capital

During the reporting period, the Company did not raise capital.

2.4.5 Working capital deficit

The working capital deficit as of December 31, 2023 amounted to a total of NIS 1.5 billion in the consolidated financial statements. As of December 31, 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.

2.5 Operating results

In the reporting period, the Group recorded a loss of approx. NIS 2.2 billion, compared to a net profit of approx. NIS 339 million in the corresponding period last year. The share attributed to Company shareholders amounted to a loss of NIS 2.4 billion in the reporting period, compared to a loss of NIS 281 million in the corresponding period last year.

In the reporting period, the Group recorded a comprehensive loss of approx. NIS 2.1 billion, compared to comprehensive income of approx. NIS 552 million in the corresponding period last year. The share attributed to Company shareholders amounted to a loss of NIS 2.4 billion in the reporting period, compared to a loss of NIS 53 million in the corresponding period last year.

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

For information regarding property revaluations recorded by the Group in the reporting period, please see Section 2.3.3 above.

2.5.1 FFO (Funds From Operations)

The FFO is an accepted index in the United States and in Europe for providing additional information regarding the operating results of real estate companies, which provides an adequate basis for comparison between income-generating real estate companies. The FFO reflects net 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 approach was added in addition to FFO according to the management approach. The FFO according to the Securities Authority approach includes the expenses for exchange rate differences and linkage differences for CPI-linked bonds and loans (hereinafter - "**FFO according to the Securities Authority approach**").

It should be noted that wherever "FFO" is mentioned in this periodic report (of which this Board of Directors' Report is a part) it refers to FFO according to the management approach unless explicitly stated otherwise.

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 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 reported net profit for evaluating the results of the Group's operations.

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

	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Share of Company shareholders in net profit (loss) for the period	**(2,392,409)**	**(281,467)**	**1,557,947**
Adjustments to profit and loss:			
Fair value adjustments of investment property	926,169	(685,918)	(1,715,469)
Company share in property revaluations and other non-FFO items in investees	1,892,409	1,117,433	42,687
Profit from decrease in rate of holdings, from acquisition and realization of investees	(449)	(20,391)	(17,396)
Net losses (profits) from investments in securities measured at fair value through profit and loss	17,299	1,351	(48,101)
Others (mainly depreciation and amortizations)	168,145	108,427	119,566
Financing expenses that are not FFO (mainly linkage differences and exchange rate differences)	317,157	369,399	116,158
Deferred taxes and current taxes that are not FFO, net	(3,800)	(111,843)	275,841
Share of non-controlling interests in the above adjustments to FFO	(324,468)	115,961	157,374
Real FFO according to the management approach	**600,053**	**612,952**	**488,607**
The sources of the FFO are as follows:			
Revenues			
NOI from investment property	1,152,065	1,071,118	884,439
NOI from electricity sales	560,965	451,570	211,132
Group share in FFO without real estate revaluations	120,792	109,082	110,546
Group share in FFO without real estate revaluations	40,351	31,605	35,441
Group share in FFO of Brockton Everlast and Amot associates	27,269	23,155	20,850
Other revenues	1,199	2,281	8,358
Total revenue	**1,902,641**	**1,688,811**	**1,270,766**
Expenses			
Real financing, net	(474,368)	(343,245)	(286,318)
Administrative and general	(181,565)	(164,257)	(128,559)
Current taxes	(81,616)	(64,279)	(49,111)
Share of non-controlling interests attributed to operating activities	(565,039)	(504,078)	(318,171)
Total expenses	**(1,302,588)**	**(1,075,859)**	**(782,159)**
Real FFO according to the management approach	**600,053**	**612,952**	**488,607**
FFO per share (NIS) according to the management approach	**3.34**	**3.48**	**2.82**

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):

	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
FFO according to the management approach	**600,053**	**612,952**	**488,607**
Plus:			
Linkage differences on the credit of the Company and its investees and exchange rate differences	(178,506)	(229,186)	(82,758)
FFO according to the Securities Authority approach	**421,547**	**383,766**	**405,849**

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

	2023	2022	2021	Q4.2023	Q3.2023	Q2.2023	Q1.2023
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenue and profits							
Revenues from rental fees and management of investment property	1,324,063	1,219,178	989,381	334,263	335,452	332,077	322,271
Fair value adjustments of investment property	(926,169)	685,918	1,715,469	(572,400)	(133,622)	(62,986)	(157,161)
Group's share in the profits (losses) of associates, net	(1,703,997)	(953,589)	126,719	(783,456)	(352,456)	(371,978)	(196,107)
Net profits (losses) from investments in securities measured at fair value through profit and loss	(17,299)	(1,351)	43,822	(12,151)	(7,833)	2,300	385
Profit (loss) from decrease in rate of holding, from purchase and realization of associates	449	20,391	17,396	(6)	17	327	111
Revenues from sale of electricity and green certificates	680,713	525,437	260,836	136,770	122,470	125,599	295,874
Other revenues, net	1,199	2,089	8,264	(452)	894	58	699
	(641,041)	1,498,073	3,161,887	(897,432)	(35,078)	25,397	266,072
Costs and expenses							
Cost of investment property rental and operation	168,894	146,800	104,404	45,601	42,204	39,816	41,273
Development, maintenance and operation costs of electricity-generating facilities	110,801	56,141	39,247	37,121	28,357	23,962	21,361
Depreciation and amortizations	159,963	112,398	84,947	40,193	42,188	43,955	33,627
Administrative and general	201,798	179,082	172,369	50,655	54,266	50,581	46,296
Financing expenses, net	791,525	712,644	402,476	152,288	201,204	223,711	214,322
	1,432,981	1,207,065	803,443	325,858	368,219	382,025	356,879
Profit (loss) before taxes on income	(2,074,022)	291,008	2,358,444	(1,223,290)	(403,297)	(356,628)	(90,807)
Income tax expenses (income)	77,816	(47,564)	324,952	43,664	5,859	10,615	17,678
Net profit (loss) for the period	**(2,151,838)**	**338,572**	**2,033,492**	**(1,266,954)**	**(409,156)**	**(367,243)**	**(108,485)**
Allocation of net income (loss) for the period:							
Share of Company shareholders	**(2,392,409)**	**(281,467)**	**1,557,947**	**(1,262,708)**	**(459,381)**	**(452,126)**	**(218,194)**
Share of non-controlling interests	240,571	620,039	475,545	(4,246)	50,225	84,883	109,709
	(2,151,838)	**338,572**	**2,033,492**	**(1,266,954)**	**(409,156)**	**(367,243)**	**(108,485)**

Comparison of 2023 operating results and 2022 operating results:

Revenues from rental fees and management of investment property - amounted to NIS 1,324 million in the reporting period, compared to NIS 1,219 million in the corresponding period last year, an increase of NIS 105 million (approx. 9%).

The increase is due to revenues from Amot's properties (approx. NIS 83 million) due to additional revenues from properties whose construction has been completed and from additional revenues in identical properties (including as a result of occupancies, an increase in prices and an increase in the CPI).

The rest of the increase (approx. NIS 22 million) is due to an increase in BE's revenue which originates from income from new properties acquired by BE during 2022 and as a result of the effect of the devaluation of the NIS against the GBP in the reporting period, which was partially offset as a result of income of a one-time nature recorded in 2022 following the end of an arbitration procedure to update rental fees in accordance with the mechanism (Rent review) in one of BE's properties.

Fair value adjustment of investment property - In the reporting period, losses were recorded from property revaluations in the amount of NIS 926 million, compared to revaluation profits of NIS 686 million in the reporting period last year, as follows:

- Fair value adjustment of Amot's properties - In the reporting period, revaluation profits of approx. NIS 243 million were recorded compared to revaluation profits of NIS 982 million in the corresponding period last year. The positive revaluation of the income-generating properties in the reporting period was mainly due to the increase in the representative NOI (including as a result of the effect of the increase in the CPI in the period), which was partially offset by an increase in the discount rate for some of Amot's properties. In the corresponding period last year, the revaluation profits resulted from an increase in the properties' NOI. The change in the revaluation between 2023 and 2022 is due to lower linkage differences between the years (3.3% in 2023 compared to 5.3% in 2022) and to an increase in the weighted discount rate of Amot's properties.
- Fair value adjustment of BE properties - In the reporting period, revaluation losses were recorded in the amount of NIS 1,169 million compared to revaluation losses in the amount of NIS 296 million in the corresponding period last year. The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties. For additional information, see Section 2.3.3 below.

  The revaluation losses of BE's properties in 2022 resulted mainly from the increase in the discount rate of the properties' projected cash flow and from the revaluation of properties in the planning stages in view of the expected increase in construction costs and bank financing.

In the fourth quarter of 2023, real estate revaluation losses were recorded in the amount of NIS 572 million stemming from revaluation losses in the amount of NIS 679 million from BE, which were partially offset by revaluation profits in the amount of NIS 107 million from Amot.

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

- **Group share in Carr's losses** - A loss of NIS 1,384 million was recorded in the reporting period, compared to a loss of NIS 781 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 825 million (the Company's share in the loss before tax - NIS 1,463 million). The loss in the corresponding period last year was due to a negative value adjustment of Carr's properties in the amount of USD 541 million (the Company's share in the loss before tax - NIS 876 million).

  In the fourth quarter of 2023, losses from real estate revaluations were recorded from Carr in the amount of USD 352 million (the Company's share - NIS 642 million).

- **Group share in AH Boston's losses** - A loss of NIS 284 million was recorded in the reporting period, compared to a loss of NIS 188 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 152 million (the Company's share in the loss before tax - NIS 310 million). 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 118 million (the Company's share in the loss before tax - NIS 222 million).

  In the fourth quarter of 2023, losses from real estate revaluations were recorded in respect of AH Boston's properties in the amount of USD 57 million (the Company's share - NIS 120 million).

  Approx. 65% of the negative revaluations of the properties of Carr and AH Boston in 2023 resulted from the increase in the discount rate of the projected cash flow from the properties (Discounted Cash Flow Rate and Terminal Cap Rate) and approx. 35% resulted from a change in assumptions regarding future rentals and others. For additional information, please see Section 2.3.3 below.

The revaluations in 2022 were mostly due to the increase in the discount rate of the properties.

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

Profit from decrease in rate of holdings and from the realization of investees - The profit in the corresponding period last year was mainly 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 681 million compared to NIS 525 million in the corresponding period last year, an increase of NIS 156 million. The increase is mainly due to an increase in revenues from new facilities that were connected, mainly in the United States and in Israel (approx. NIS 54 million), from the effect of the devaluation of the NIS against the USD and the PLN in the reporting period (approx. NIS 58 million) and from an increase in electricity generation due to wind and solar radiation conditions in the amount of NIS 28 million.

There was also an increase in the effective price of electricity in the amount of NIS 57 million (after taking into account electricity hedging transactions and the compensation Energix received for the canceling of electricity price-fixing agreements in Poland) which was partially offset by a payment to the Polish government's fund in the amount of NIS 42 million.

Financing expenses - Financing expenses in the reporting period amounted to NIS 792 million compared to NIS 713 million in the corresponding period last year, an increase of NIS 79 million. The increase is due mainly to an increase in the Group's financial debt balance and from an increase in interest rates, offset by the effect of the CPI (an increase of 3.3% in the reporting period compared to an increase of 5.3% in the reporting period last year).

Tax expenses - In the reporting period, the Company did not create deferred taxes 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 (in NIS thousands):

	2023	2022	2021	Q4.2023	Q3.2023	Q2.2023	Q1.2023
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Net profit (loss) for the period	**(2,151,838)**	**338,572**	**2,033,492**	**(1,266,954)**	**(409,156)**	**(367,243)**	**(108,485)**
Profit (loss) from investment in Carr (1) (2)	(65,028)	181,802	(10,686)	(99,327)	12,546	30,829	(9,076)
Profit (loss) from investment in AH Boston properties (1)	(23,673)	39,205	(14,240)	(30,439)	3,158	4,364	(756)
Profit (loss) from investment in BE (1) (3)	71,939	13,514	(61,018)	(85,850)	(55,241)	139,368	73,662
Profit (loss) from investment in Energix and others (4)	69,090	(16,089)	(78,346)	(59,332)	21,380	61,744	45,298
Tax effects	1,760	(4,777)	(24,291)	5,787	3,602	(8,983)	1,354
Other comprehensive income (loss) for the period	54,088	213,655	(188,581)	(269,161)	(14,555)	227,322	110,482
Total comprehensive income (loss) for the period	**(2,097,750)**	**552,227**	**1,844,911**	**(1,536,115)**	**(423,711)**	**(139,921)**	**1,997**
Distribution of comprehensive income (loss):							
Share of Company shareholders	**(2,425,233)**	**(53,496)**	**1,406,070**	**(1,493,927)**	**(481,372)**	**(288,277)**	**(161,657)**
Share of non-controlling interests	327,483	605,723	438,841	(42,188)	57,661	148,356	163,654
	(2,097,750)	552,227	1,844,911	(1,536,115)	(423,711)	(139,921)	1,997

(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 2023, there was a devaluation of the NIS by a rate of 3.1% and 9% against the USD and the GBP, respectively. In 2022, there was a devaluation of the NIS by a rate of 13.2% and 0.8% against the USD and the GBP, respectively.

In 2023, a loss was recorded from Carr and AH Boston due to the effect of foreign currency despite the fact that in all of 2023 there was a depreciation of the NIS against the USD, due to the fact that with the outbreak of the Iron Swords War, the Company reduced 40% of the hedging when the USD exchange rate was 4.08, and from that date until the end of the year there was a sharp appreciation in the NIS against the USD. For more information in this regard, please see Section 2.3.7 below.

(2) The net profit (loss) from the investment in Carr also includes the Company's share in changes in the fair value of interest rate fixing transactions carried out by Carr (a loss in the amount of NIS 21 million in 2023 compared to a profit of NIS 37 million in 2022).

(3) The net profit (loss) from the investment in BE also includes the Company's share in changes in the fair value of interest rate fixing transactions carried out by BE (a loss in the amount of NIS 21 million in 2023 compared to a profit of NIS 30 million in 2022).

(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 2022, the loss stemmed from the effect of exchange rates in Energix (the depreciation of the NIS against the USD and the PLN in 2022) and from the loss from electricity price-fixing transactions in the United States.

2.6 Cash flows

	2023	2022	2021
	NIS millions	NIS millions	NIS millions
Total cash flows provided by operating activities	**1,121**	**629**	**666**
Cash flows used in investing activities			
Investment in investment property and fixed assets	(656)	(1,159)	(3,455)
Investment in electricity-generating systems	(2,279)	(1,131)	(1,194)
Investment in Boston properties	(51)	(57)	(39)
Investment in Carr	-	(202)	-
Proceeds from repaid hedging transactions	(549)	36	117
Acquisition of consolidated companies	-	(298)	(121)
Investment in Brockton Funds, net	-	(4)	(26)
Repayment (provision) of loans, net	(61)	127	(88)
Net decrease (increase) in deposits (including pledged deposits) and realization of tradable securities	(187)	(407)	113
Other	-	46	152
Total cash used in investing activities	**(3,783)**	**(3,049)**	**(4,541)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	3,386	244	2,138
Proceeds from the issue of bonds	1,972	3,037	2,263
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit)	(1,801)	(1,544)	(1,563)
Capital raised by the Company	-	295	29
Capital raised by Amot (net of the Company's investment in the issue)	10	487	47
Capital raised by Energix (net of the Company's investment in the issue)	1	534	437
Capital raised by BE (net of the Company's investment in the issue)	30	569	-
Proceeds from sale of Amot shares to non-controlling interests	220	-	-
Purchase of shares from non-controlling interests	(24)	(38)	(10)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(695)	(652)	(471)
Total cash provided by financing activities	**3,099**	**2,932**	**2,870**
Total increase in cash balances in the period	**437**	**512**	**(1,005)**
Other influences	**35**	**24**	**(17)**
Cash and cash equivalents and designated deposit at end of period	2,201	1,729	1,193
Less - designated deposit	(3)	(34)	(30)
Cash and cash equivalents at end of period	**2,198**	**1,695**	**1,163**

2.7 Equity

2.7.1 Share capital

	As of December 31 2023	As of December 31 2022
	NIS millions	NIS millions
Equity	11,064	13,591
Less non-controlling interests	(6,062)	(5,881)
Equity attributed to Company shareholders	**5,002**	**7,710**
NAV per share	**27.83**	**42.90**
NNAV per share	**32.78**	**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 2.7 billion. The main changes are as follows:

- Loss attributed to Company shareholders in the amount of NIS 2,392 million - please see additional information in Section 2.5.2 above.
- Other comprehensive loss attributable to Company shareholders in the amount of NIS 33 million - please see additional information in Section 2.5.3 above.
- A reduction in capital due to dividends paid in the amount of NIS 262 million.
- Loss from the acquisition of the non-controlling interests in consolidated companies and other funds in the amount of NIS 21 million.

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

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of December 31, 2023 (in NIS millions):

	Assets	Liabilities	Assets, net	%
USD	2,248	(1,250)	998	20%
GBP	2,823	(1,534)	1,289	26%
Other	77	(3)	74	1%
Excess assets over liabilities in foreign currency	5,148	(2,787)	2,361	47%
Excess assets over liabilities in NIS	6,499	(3,858)	2,641	53%
Equity as of December 31, 2023	11,647	(6,645)	5,002	100%

- On October 7, 2023, a murderous surprise attack was carried out by the terrorist organization Hamas on the State of Israel, followed by which the Israeli government declared the Iron Swords War (the "War"). At the same time, an escalation of the security situation developed on the northern border with the terrorist organization Hezbollah.

  The impact of the war on the Israeli economy was reflected on several levels, including in the foreign exchange market. In the first three weeks of the war, there was a relatively sharp devaluation of the NIS against the USD and its rate reached a peak of NIS 4.08 per USD. At the same time, the Bank of Israel announced a plan to sell foreign currency in the amount of up to USD 30 billion. Since then, the exchange rate of the NIS against the USD has fallen to levels even lower than those before the outbreak of the War.

  In recent years (before the War) the Company hedged its currency exposure with 55% of the equity used for each investment remaining exposed to the investment currency. At the beginning of the fourth quarter of this year, in view of the aforementioned sharp devaluation and the Company's concern regarding another security escalation in the north which could lead to another sharp devaluation of the NIS, the Company updated its policy at the beginning of hostilities so that the full equity attributed to each investment remains exposed to the functional currency of that investment.

As of the date of this report, the Company's foreign currency exposure amounts to approx. NIS 2.8 billion (a net exposure of approx. USD 307 million and approx. GBP 361 million).

2.7.4 Dividends

In March 2024, the Company's Board of Directors made a decision regarding the dividend policy for 2024 according to which, during 2024, the Company intends to pay a dividend in the total amount of NIS 72 per share, which will be paid in 4 quarterly payments (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

For details on dividends distributed by the Company in 2023, please see Note 16d to the financial statements.

2.8 Remuneration of senior employees

On October 6, 2021, the General Assembly approved a remuneration policy for Company officers for the years 2022-2024, in effect from January 1, 2022 (hereinafter - the "**Remuneration Policy**"). The remuneration policy replaced a remuneration policy that had been in effect in the years 2019-2021.

The Remuneration Committee and the Board of Directors at their meetings of March 6, 2024 and March 12, 2024, respectively, discussed and determined the Company's annual bonus for the VPs in respect of 2023 and the economic value of the capital bonus to be granted to each of the VPs in 2024 according to the remuneration policy. In August 2023, the General Assembly decided to approve immaterial amendments to the remuneration policy.

The Remuneration Committee and the Board of Directors examined, with respect to each VP separately, all the criteria determined in the remuneration policy, and stated, among other things, that:

(a) The bonuses offered are for the benefit of the Company in the long term.

(b) The total remuneration of each one of the VPs, including the remuneration of the VP of Business Development and the CFO, including the variable components, according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), is in accordance with the remuneration policy and constitutes a fair consideration for the contribution of each VP to the Company's operations and its results.

(c) They do not believe that the bonuses detailed above will have an effect on employment relationships in the Company.

Remuneration of the Company CEO -

On October 6, 2021, the General Assembly approved a management agreement with a company owned by Mr. Nathan Hetz, the Company CEO, in accordance with the remuneration policy for a period of three years beginning January 1, 2022. For additional information, please see Note 18a to the financial statements.

Remuneration of the Chairman of the Company's Board of Directors -

On October 6, 2021, the General Assembly approved a management agreement with a company owned by Mr. Aviram Wertheim, Chairman of the Company's Board of Directors, in accordance with the remuneration policy for a period of three years beginning January 1, 2022, and for as long as he serves as Chairman of the Company's Board of Directors. For additional information, please see Note 18b to the financial statements.

Remuneration of officers -

Regarding the terms of office and employment of the seven officers with the highest remuneration among the senior executives of the Company or of companies under its control (including 3 officers of the Company itself), according to Regulation 21 of the Securities Regulations (Periodic and Immediate Reports), 1970, and for additional information regarding the remuneration conditions of 2 officers in the Company (VPs), see Regulation 21 in the Additional Information on the Corporation chapter in the Periodic Report.

Regarding the granting of options to Company officers and employees, please see Note 16e to the financial statements. Regarding the granting of options to directors, please see Note 18c.2 to the financial statements.

3. Sustainability and Social Responsibility - Environmental Risk Management, Environmental Responsibility and the Environmental Impact on the Group's Activities (ESG)

In June 2023, the Company published its first ESG report (the "**First ESG Report**"), in which the Group's extensive environmental, social and corporate governance activities throughout the world were reviewed in 2021 and 2022.

In the First ESG Report, the Company presented its activity stemming from the recognition that proper environmental risk management may provide it with a business advantage that will benefit it, its employees and its customers and increase trust in the community. Therefore, the Group has worked and is working to integrate environmental considerations into the business and management decision-making system of the Group companies. The First ESG Report can be viewed at the following link: ESG Report.

From 2006, the Company has been given an ESG rating by Maala. As of the reporting date, the Company is rated at the **platinum rating level**.

In 2021 and 2022, the Group companies published ESG reports in accordance with accepted international standards.

The Group intends to continue to operate, out of a commitment to environmental and social responsibility, while integrating environmental considerations and environmental risk management into the business and managerial decision-making system of the Group companies, in order to benefit the environment, society and community in which the Group operates, and will publish an ESG Report on the Group's activity in 2023.

Corporate governance -

The Group conducts itself in accordance with procedures and high standards of corporate governance, strict ethical standards in the business conduct and supports a high level of transparency. Among the Group's core values: fair business conduct, managers' responsibility for their employees, maintaining individual confidentiality and privacy, safeguarding employees' rights and family values.

The Company has an ethical code that presents the above core values, and its policy on social, environmental and community issues, which is published on the Company's website.

It should be noted that 4 of the 7 directors who serve on the Company's Board of Directors are independent directors (including external directors).

Social responsibility -

The Group considers itself as an integral part of its community and with this in mind, the Group supports many charities, which share its values, such as: reducing inequality, helping and promoting young people, organizations and initiatives related to health and child education and more. The following are several examples of the Group's activities in this area:

- **Contribution to the community -** During 2023, the Group in Israel made contributions in the amount of approx. NIS 8 million.
- **Volunteering -** The Group companies encourage their employees to contribute to the community by volunteering and initiate organized volunteering days for employees who are interested. The Group's employees volunteer, among other things, in the education of Beduin youth, in agriculture, protection of agricultural fields, preparation of food packages, the Israel Police and more.
- **Reduction of inequality in minority groups -** The Group, through Energix, creates collaborations with the Bedouin community in the south of Israel, including holding enrichment workshops and seminars, and also with the Druze community in the north of the country, including providing scholarships for pre-military preparatory schools.
- **Gender equality -** 42% of the Group's employees in Israel are women. 33% of the Group companies' employees in Israel are women and 39% of the Group companies' directors in Israel are women.
- **Environmental development -** The group works to develop ancillary facilities in its various projects for the benefit of its customers and the public, such as: open and shaded gardens (by building tall buildings and clearing the land resource for the public), ornamental pools, green roofs, some of which are open to the general public, conference halls, restaurants and cafes.
- **Capital remuneration -** The Company considers the great importance of its employees identifying with its goals and accordingly, the Company employees enjoy capital remuneration. Each year, the Company allocates, without consideration, non-tradable option warrants that can be exercised for the Company's shares, on preferential terms, from a long-term perspective.

4 Discussion of risk factors

4.1 Description of market risks to which the Corporation is exposed

The Group's business results and the value of its properties are affected by the following factors:

- For information regarding the possible impact of the economic environment and geopolitical events on the Company's activities, please see Section 6 "General Environment and Influence of External Factors - General" of Chapter A of the Report - Description of the Corporation's Business.
- For information regarding the effect of the Iron Swords War on the Company's activities, please see Section 6 "General Environment and Influence of External Factors - General" of Chapter A of the Report - Description of the Corporation's Business. Changes and worsening of the security and political situation may have an impact on the Company's activities in Israel and damage its business results, as a result of damage to the demand for rental space, a shortage of manpower in the construction industry, increases in construction costs, etc.
- The Company's management estimates that entering into a severe global recession will affect the Group's revenues from income-generating property in Israel and in the markets in which it operates. These effects, including growth rates, may be reflected in a slowdown and/or a decline in demand with the possibility of a decrease in prices and/or a decline in the value of the income-generating properties. A decline in share prices and/or in the value of income-generating property may, among other things, have an adverse affect on the compliance with financial ratios, lead to an increase in financing prices, difficulty in obtaining financing sources and difficulty in the recycling of existing loans.
- Amot, Carr, the Boston property companies and BE operate in the income-generating property market in Israel, the U.S. and in the UK (respectively) and are exposed to risks including: economic slowdown, decline in demand for rental space (including possible implications of a transition to a hybrid work model that combines work at the office and from home), decrease in rental prices, excess speculative construction, an increase in the cost of raising capital, an impairment of the strength of major tenants and an increase in the prices of construction inputs, including delays in the supply chain to projects in development and an increase in equipment and shipping costs.
- Most of the Group's continuing operations are carried out through the holding of shares in the companies holding income-generating property in Israel, the U.S. and the UK. Consequently, the changes in interest rates (and in their risk margins), the exchange rates and the demand for real estate in the above countries may have a material impact on the Group's business results. In addition, the volatility of the stock markets in which the shares of some of the Group's companies are traded may have an effect on the ability to realize them and on their future value, if and when the Group seeks to realize these investments as well as on the financial covenants related to the value of collateral connected with the loans taken by the Group.
- The Group is dependent on the capital market and the banking system from which it raises capital and debt. The Group's activity in the capital market is subject to fluctuations due to the influence of macroeconomic factors in Israel and abroad and regulatory changes on which the Group has no influence. These fluctuations affect the rates of securities traded on the stock exchange, the amount of the credit sources provided by the banking system and the extent of the public's activity in the capital market. These fluctuations may affect the Group and the options it will have at its disposal for raising the financing sources that will be needed to continue its operations. Regarding the credit crunch, please see Section 6 "General Environment and Influence of External Factors - General" of Chapter A of the Report - Description of the Corporation's Business.
- The Company has CPI-linked NIS financing sources (mainly bonds). As a result, the Group is exposed to changes in the CPI. As of December 31, 2023, the Company's net exposure (expanded solo) to the CPI amounted to NIS 1.3 billion (excess liabilities over assets). Because the Company considers its investment in Amot, and part of its investment in Energix (the CPI-linked part), as CPI-linked investments from an economic perspective (for the long term), the Company has excess assets over CPI-linked liabilities in the amount of NIS 3.8 billion as of December 31, 2023.
- The Group is exposed to changes in the short-term and long-term interest rates in the markets in which it operates, which has an effect on the Group's financing expenses, on the liabilities of the Company and the Group companies, including loans, transactions in derivatives and on the value of investment property. An increase in financing costs could damage the economic viability of establishing projects in initiation (mainly through Energix) and endanger their very establishment.
- The Group has investments and sources of financing denominated in foreign currency. Therefore, the Group is exposed to changes in the exchange rates of these currencies against the NIS.
- The Group, through Energix, is exposed to the risk of a decline in the price of green certificates or a decline in the demand for them, and to fluctuations in electricity prices on the electricity exchange in Poland and in electricity prices in the United States until the date of engagement in an agreement for the sale of electricity.
- The Group's revenues from the sale of electricity and the schedules for the establishment of projects in this area are exposed to changes that may occur in the Israeli, American and Polish regulatory environments, among other things, regarding tariffs set for the sale of electricity, to the various conditions Energix must meet in order to receive the licenses, the permits and approvals for the construction of renewable energy facilities, the regulatory conditions in Poland, changes in the Polish Renewable Energy Law, and changes in the American tax regime, such as a reduction in the tax benefits granted to photovoltaic facilities.
- The Group's revenues from the sale of electricity are significantly affected by weather conditions. At wind farms, revenues are affected by the strength and amount of wind and photovoltaic systems are affected by the intensity of solar radiation

(radiation level and hours of radiation), temperature conditions and other climatic parameters. In addition, extreme weather conditions can also lead to delays in project construction or in extreme cases, to the temporary shutdown of electricity-generating systems.

- The Group's revenues from the sale of electricity are affected by a series of tax incentives in the United States that enables a benefit that reduces the construction cost of projects and is provided at the time of connection to the electricity grid. The loss of tax benefits in a significant amount may result in a breach of the engagement with the tax partner and an obligation to compensate the partner in the amount of the tax liability. Such loss of benefits may impair Energix's cash flow of energy and the return it actually receives.

4.2 Degree of influence of the risk factors on the Group's business activity:

	Degree of risk factor's impact on the Company's activity	
	High	**Moderate**
Macro-economic risk factors:		
Interest risks	X	
Changes in exchange rates	X	
Lack of growth and severe economic recession	X	
Changes in the value of tradable securities	X	
Regulatory changes in banking, capital markets and taxation	X	
Changes in credit provision policy	X	
Change in employment rate	X	
Changes in inflation rates		X
Industry risk factors:		
Change in the demand for rental space	X	
Changes in rental prices	X	
Excess speculative construction	X	
Increase in capital and debt raising cost	X	
Financial strength of tenants		X
Increase in construction input costs, including delays in the supply chain for projects in development and rising equipment and shipping costs		X
Changes in electricity prices and in the price of green certificates		X
Changes in the regulatory environment in Israel, Poland and the U.S. regarding Energix's activity in these countries		X
Compliance with conditions required for receipt of tax benefits in the United States		X
Other risks:		
Cyber risk (see Section 4.3 below)		X
Weather conditions, seasonality and climate change		X
Geopolitical risks including security risks		X
Environmental risks (see the ESG Report published by the Company)		X

For information regarding interest, inflation and currency exposure risks, see Note 22 to the financial statements.

4.3 Cyber risk

The Company has various information systems regarding which it estimates that the amount of damage that could be caused it as a result of a cyber attack is not high. Nevertheless, the Company is assisted from time to time by information security consultants and implements tools and systems designed to protect against cyber threats, loss of information, the risk of information hijacking and destruction by malicious parties, and works to back up information and the ability to recover quickly in a cyber event.

During the reporting period, the Company continued to work to strengthen the information security system, in order to reduce the danger of hostile elements infiltrating its internal information systems and computer network. At the same time, it should be clarified that there can be no certainty regarding the ability of Energix to completely prevent cyber attacks.

The Company's cyber risk management policy is managed by an information systems manager who reports to the Company's CFO. As part of the Company's cyber risk management policy, the Company periodically performs a comprehensive cyber risk survey, based on which a plan is formed to reduce exposures, procedures are updated, and additional protection tools are implemented as needed. The Company conducts an ongoing activity to raise employee awareness of current cyber risks. It should be noted that the Company does not have officers and/or Board members with cyber expertise.

During 2023 and until the date of the report, no cyber event occurred and no high risk cyber problems or high impact on the Company's operations were found.

The Group companies -

Income-generating property - In addition, the Group companies operating in the field of income-generating property have various databases that contain both confidential and personal information in relation to their customers. Failure and/or an information security event in relation to the systems used by the Group companies and in which such information is stored, may affect their ongoing activities, their customers, the provision of the services provided by them and their reputation. However, the Group estimates that the extent of the damage that may be caused to it by a cyber attack is not high.

Renewable energy - Energix, which operates in the field of renewable energy, has operational technology (OT) systems and organizational information technology (IT) systems. Any damage to Energix's OT systems may expose it to delays and disruptions in the supply of electricity generated at its facilities and/or cause damage to the information in its possession and/or damage to its reputation. Energix has procedures for dealing with cyber risks, including an event response procedure that includes an initial response team.

Each of the Group companies operates in accordance with policies and procedures for the security of the information accumulated in their systems, and for this purpose, they use information security consultants, who operate in accordance with the guidance and supervision of the Information Systems Manager of the relevant company. The Group companies work to implement technological and organizational measures, including work procedures for the purpose of securing information from unauthorized discovery and/or use and/or loss of information, including dealing with cyber attacks and recovery in the event of an attack, however, there can be no certainty regarding the Group companies' ability to absolutely prevent cyber attacks.

During 2023 and until the date of the report, no cyber events occurred in the Group companies and no high risk cyber problems or high impact on the Company's operations were found.

The risks mentioned in Section 4 above are the risks that, according to the Company management's estimates, may have a specific impact on the Company due to the nature and scope of its activities. It should be noted that other risks that are not necessarily specific to a company of the this type may have an influence on the Company, including risks of war, hostilities, regulation risks, changes in fiscal policy, economic crises and geopolitical crises in countries in which the Group operates.

5. Corporate governance aspects

5.1 The Company Board of Directors; Board members with accounting and financial capabilities

As of the date of publication of this report, the Company's Board of Directors has 7 directors, 5 of whom have accounting and financial expertise.

4 members of the Board of Directors (2 of which are external directors) are independent directors (as the term is defined in the Companies Law).

The Company's Board of Directors convened 10 times in 2023, with the Board members' average attendance rate being 99%.

The Company considers Messrs. Aviram Wertheim, Nathan Hetz, Prof. Zvi Eckstein, Roni Patishi-Chillim and Shlomi Shuv, who serve on the Company's Board of Directors, as having accounting and financial expertise, based on their education and business experience as specified in Regulation 26 in the Additional Information on the Corporation.

For details regarding the minimum number of directors with accounting and financial capabilities appropriate for the Company, see Section 9a of the Corporate Governance Questionnaire attached to the Periodic Report.

5.2 The Company's Accountant - for details regarding the Company's Accountant, see Appendix D.

5.3 The Company's Internal Auditor - for details regarding the Company's Internal Auditor, see Appendix C.

5.4 Internal enforcement plan

In May 2012, for the first time the Company adopted an internal enforcement plan regarding securities that was recently updated in November 2019. The Company's enforcement was prepared and implemented in accordance with the criteria for an effective enforcement plan, which were published by the Securities Authority on August 15, 2011.

5.5 Charitable donations

According to the Company's policy on donations, it regularly allocates up to 1.4% of the Group's annual profits (not including the real estate value adjustment and capital gains component) for contributions to the community that are mainly dedicated for mainly intended for supporting, educating and helping disadvantaged youths.

Within the framework of this policy, in 2023 the Group contributed approx. NIS 8 million to non-profits and organizations with the aforementioned goals (2022: NIS 7 million, 2021: NIS 6.7 million and 2020: NIS 6.2 million).

To the best of the Company's knowledge, and according to a review conducted, there are no links between entities to whom the amount of contributions in 2023 exceeded NIS 50 thousand, and the Company and/or a Director and/or the CEO, except:

1. During 2023, the Group donated NIS 100 thousand to the Hetz Vamatara Association. The Hetz Vamatara Association is an association founded by the daughters of Mr. Nathan Hetz, a Company director and CEO, in which Ms. Adva Sharvit, a Company director, serves as CEO. The Association operates a bicycle riding center for at-risk children and youths.
2. The Lasova Association, to which the Company has donated for over 20 years, in order to maintain three youth homes (Hetz-Kadima)[30], and the Society for the Advancement of Education in Tel Aviv-Yafo[31], both of which sent groups of at-risk youths to activities at the Hetz Vamatara Association for a payment of 35% of the cost of the activity.

5.6 Communication with analysts, journalists and capital market people

The Company's management has adopted principles for regulating conduct with analysts, capital market personnel and journalists ("**points of contact**" or "**POC**") recognizing the importance of providing relevant information on the one hand and complying with the provisions of the law on the other. A summary of these principles is as follows:

- Contact with POCs will only take place through an officer appointed by the Company (the "**Representative**").
- The representative will not have contact with POCs during blackout periods.
- For this matter, "blackout periods" means the blackout periods resulting from the preparation of draft financial statements by the Company, a period of 30 calendar days before an annual report and 20 calendar days before a periodic report.
- Non-public information that was not required to be reported by law and/or information that has not yet been reported based on the lawful delay of reportable information - there will be no discussion with the POCs in this regard.

30 .In 2023, the Company donated NIS 1,191 thousand to the Lasova Association (of which NIS 231 thousand were for 2022).

31. In 2023, the Group donated NIS 260 thousand to the Society for the Advancement of Education in Tel Aviv-Yafo.

6. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, please see Note 25 to the financial statements.

7. Dedicated disclosure for bondholders

For information regarding bonds issued by the Company and regarding the rating reports, please see Appendix E below.

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 Financial Balances

Appendix C - Details of the Company's Internal Auditor

Appendix D - Details of the Company's Accountant

Appendix E - Details of Bonds Issued by the Company

Appendix F – Information regarding Very Material Valuations and Material Valuations according to Regulation 8b.(i) of the Securities Regulations (Periodic and Immediate Reports), 1970

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

Appendix A – Financial Information, Expanded Solo

1. Financial Statements - Expanded Solo

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

1.1 Condensed expanded solo balance sheet (NIS thousands):

	As of December 31	As of December 31
	2023	2022
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	1,024,887	409,110
Loan to a consolidated company	-	77,497
Receivables, debit balances and others	34,811	36,216
Total current assets	1,059,698	522,823
Non-current assets		
Securities measured at fair value through profit and loss	165,385	157,657
Investments in investees	10,418,144	12,618,087
Others	4,149	13,043
Total non-current assets	10,587,678	12,788,787
Total assets	11,647,376	13,311,610
Current liabilities		
Short-term credit and current maturities of long-term liabilities	611,159	613,681
Payables, credit balances and others	363,011	261,071
Total current liabilities	974,170	874,752
Non-current liabilities		
Bonds and long-term loans	5,495,383	4,588,141
Deferred taxes	26,663	71,438
Others	149,103	67,300
Total non-current liabilities	5,671,149	4,726,879
Equity	5,002,057	7,709,979
Total liabilities and equity	11,647,376	13,311,610

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

	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Group's share in the profits (losses) of associates, net	(2,163,614)	(371,066)	1,657,741
Profit from decrease in rate of holdings, from acquisition and realization of investees	449	2,293	5,030
Net profit (loss), relating to investments in long-term securities intended for sale	(10,289)	(7,018)	43,265
Other revenues, net	21,136	18,766	19,172
	(2,152,318)	(357,025)	1,725,208
Expenses			
Administrative and general	32,138	35,210	39,464
Financing expenses, net	230,861	142,218	99,091
	262,999	177,428	138,555
Profit (loss) before taxes on income	(2,415,317)	(534,453)	1,586,653
Income tax expenses (income)	(22,908)	(252,986)	28,706
Net profit (loss) for the period	(2,392,409)	(281,467)	1,557,947

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

	Bonds	Bank loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current maturities	592,680	21,735	614,415	10
Second year	592,680	-	592,680	9
Third year	592,680	-	592,680	9
Fourth year	592,680	-	592,680	9
Fifth year	800,735	-	800,735	13
Sixth year onward	3,122,685	-	3,122,685	50
Total repayments	6,294,140	21,735	6,315,875	100
Others			87,597	
Balance of liability related to transactions in financial derivatives			371,014	
Total financial debt (taking into account the value of transactions in financial derivatives)			6,774,485	

(*) Including the effect of cross currency 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.

(**) Close to the date of publication of the report, the liability balance in connection with financial derivative transactions is NIS 350 million, of which NIS 220 million is due by the end of 2024.

For information regarding the Company's total financial debt (expanded solo) as of December 31, 2023, please see Section 2.4.3 above.

Appendix B – Balance Sheet of Linkage Bases for Financial Balances

As of December 31, 2023 in NIS thousands	**In unlinked NIS**	**In linked NIS**	**In USD**	**In GBP**	**Other**	**Total**	**Adjustments - Non-monetary items**	**Total**
Current assets								
Cash and cash equivalents	969,249	-	11,833	1,314	42,491	1,024,887	-	1,024,887
Receivables, debit balances and others	17,934	-	-	-	-	17,934	16,877	34,811
Total current assets	987,183	-	11,833	1,314	42,491	1,042,821	16,877	1,059,698
Non-current assets								
Securities measured at fair value through profit and loss	3	-	-	165,382	-	165,385	-	165,385
Investments in associates	-	-	-	-	-	-	10,418,144	10,418,144
Others	1,939	-	-	-	-	1,939	2,210	4,149
Total non-current assets	1,942	-	-	165,382	-	167,324	10,420,354	10,587,678
Total assets	989,125	-	11,833	166,696	42,491	1,210,145	10,437,231	11,647,376
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	602,268	8,891	-	-	-	611,159	-	611,159
Payables and credit balances	339,190	14,985	-	-	35	354,210	8,801	363,011
Total current liabilities	941,458	23,876	-	-	35	965,369	8,801	974,170
Non-current liabilities						-		
Bonds and long-term loans	4,481,502	1,013,881	-	-	-	5,495,383	-	5,495,383
Deferred tax liabilities	-	-	-	-	-	-	26,663	26,663
Others	147,978	-	906	-	-	148,884	219	149,103
Total non-current liabilities	4,629,480	1,013,881	906	-	-	5,644,267	26,882	5,671,149
Total liabilities	5,570,938	1,037,757	906	-	35	6,609,636	35,683	6,645,319
Excess assets over liabilities (liabilities over assets)	(4,581,813)	(1,037,757)	10,927	166,696	42,456	(5,399,491)	10,401,548	5,002,057
Financial derivatives	3,014,102	(257,641)	(1,238,893)	(1,517,568)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**(1,567,711)**	**(1,295,398)**	**(1,227,966)**	**(1,350,872)**	**42,456**	**(5,399,491)**	**10,401,548**	**5,002,057**
Allocation of non-monetary assets (liabilities), net - by linkage basis	450,859	5,052,822	2,225,855	2,640,243	31,769	10,401,548	(10,401,548)	-
Excess assets over liabilities (liabilities over assets)	**(1,116,852)**	**3,757,424**	**997,889**	**1,289,371**	**74,225**	**5,002,057**	**-**	**5,002,057**

Appendix C - Details of the Company's Internal Auditor

Auditor's name: Yisrael Gewirtz of Fahn Kanne Control Management Ltd.

Start of term in office: May 23, 2017.

Appointment: The appointment of the current internal auditor (who is an internal auditor from the same firm as the Company's previous internal auditor) was approved by the Audit Committee at its May 16, 2017 meeting and by the Company's Board of Directors at its May 23, 2017 meeting. The firm of Fahn Kanne Control Management Ltd. was selected (at the August 18, 2010 meeting of the Board of Directors) from a number of candidates whose candidacy was examined by the Audit Committee, while assigning a great deal of significance to the fact that Fahn Kanne Control Management Ltd. is a reputable and experienced company with a large number of employees with expertise in internal audits.

Auditor's qualifications: The Auditor has a degree in Accounting and Economics from Bar Ilan University and certification in Risk Management Assurance (CRMA). The Auditor is a CPA and a CIA (Certified Internal Auditor).

The auditor provides internal auditor services as an external entity through Fahn Kanne Control Management Ltd. The above company, which is a subsidiary of Fahn Kanne & Co. (Grant Thornton Israel), is a company engaged in control and auditing services for over 30 years, which employs approx. 80 dedicated employees: accountants, internal auditors (CIA), information systems auditors (CISA) and embezzlement auditors (CFE).

Scope of employment: In 2023, the internal auditor invested 275 hours in the audit work he carried out in the Company. The internal auditor serves as the internal auditor at the consolidated company Energix - Renewable Energies Ltd., where he is directed by the Energix Audit Committee, while Amot Investments Ltd. has a separate internal auditor directed by the Amot Investments Ltd. Audit Committee.

Audit plan and audit reports submitted and discussed in the reporting period:

In recent years, the internal auditor's audit plan is an annual plan, and is derived from a multi-year plan.

The annual audit plan is approved by the Audit Committee after discussion of the Auditor's proposal. The annual planning of audit tasks, setting of priorities and audit frequency are affected by the following factors:

The exposure to risk of activities and operations, the probability of the existence of managerial and administrative deficiencies, findings from previous audits, subjects in which audits are required by administrating bodies, legally mandated subjects, according to internal or external procedural directives and the need for maintaining recurring cycles.

The work plan is received and approved by the Audit Committee at the end of each year for the following year or at the beginning of each year for the current year.

On November 16, 2022, the Audit Committee approved a multi-year work plan for the years 2023-2026, subject to a new risk survey. On November 15, 2023, based on the new risk survey, the Audit Committee approved a multi-year work plan for the years 2024-2027 and the work plan for 2024, which includes the following topics: (a) The control over public investees - Energix; (b) The control over private investees - BE - a check of the implementation of recommendations; (c) Financial exposures; (d) Transactions with interested parties;

the internal auditor may not deviate from the work plan determined, at his sole discretion.

In the period from January 1, 2023 until the publication of this report, the following internal auditor reports were submitted in writing to the Company and the Audit Committee and discussed:

Subject of report	Date of submission in writing to the Company	Date of discussion in Audit Committee	Work hours dedicated	The report refers to the Company's activity / the report refers to the activity of investees outside of Israel
The work of the Board of Directors and its committees	February 2023	May 16, 2023	55	The Company's activity in Israel
Risk survey	April 2023	May 16, 2023	55	The Company's activity in and outside of Israel
The control system in an investee - BE	June 2023	August 3, 2023	100	The Company's activity in and outside of Israel
Security of means of payment	November 2023	November 15, 2023	65	The Company's activity in Israel

Material corporate holdings - The audit plan addresses the management of the Company's holdings in corporations that constitute material holdings controlled by the corporation, with the exception of the consolidated companies Amot Investments Ltd. and Energix Renewable Energies Ltd., which maintain separate internal auditors.

Professional standards - The internal auditor is in compliance with all conditions determined in Section 3(a) of the Internal Audit Law, 1992 ("**the Audit Law**"). The Internal Auditor, according to his statement, conducts the internal audit in accordance with accepted professional standards, as stated in Section 4(b) of the Audit Law. The Auditor complies with Section 146(b) of the Companies Law, 1999 and Section 8 of the Audit Law.

The Auditor's organizational supervisor - The Company's CEO.

The scope, nature and continuity of the Internal Auditor's activity and work plan - To the best of the Company Board of Directors' knowledge, the nature and continuity of the Auditor's activities and work plan are reasonable under the circumstances and are able to achieve the goals of the corporation's audit.

Free access for the Internal Auditor - The Internal Auditor is provided free access as stated in Section 9 of the Audit Law, 1992, which includes constant and direct access to the corporation's information systems, including financial data.

Remuneration - The Auditor's fees for 2023 amounted to approx. NIS 80 thousand. Remuneration for the audit work is according to the Internal Auditor's work hour budget. There are no concerns that the above remuneration, which derives from the auditor's actual work hour budget, may influence the application of the auditor's professional judgment.

Appendix D – Details of the Company's Accountant

The following are the fees for the auditing accountants of the Company and for its material consolidated companies:

			2023	2023	2022	2022
Company name	**Accountants**		**Audit and tax services**	**Other services**	**Audit and tax services**	**Other services**
Alony-Hetz Properties and Investments Ltd.	Brightman Almagor Zohar & Co.	NIS thousands	693	44	672	53
Amot Investments (Ltd.)	Brightman Almagor Zohar & Co.	NIS thousands	763	389	707	170
Eilot Companies Group (*)	Ziv Haft Accountants	NIS thousands	634	43	590	50
Energix Renewable Energies Ltd.	Brightman Almagor Zohar & Co.	NIS thousands	850	95	700	203
Energix Renewable Energies Ltd.	Deloitte Poland	EUR thousands	100	-	91	-
Energix Renewable Energies Ltd.	Deloitte USA	USD thousands	285	-	150	-
Brockton Everlast Inc.	Deloitte UK	GBP thousands	343	56	313	8

(*) In 2022 - Including audit of management companies.

The Financial Statements Examination Committee examined the planned scope of work of the Company's auditing accountant and his wage for 2023, taking the Company's size and the complexity of its statements into consideration. The Company's Board of Directors approved the wage of the Company's auditing accountant for auditing activity in 2023. The Financial Statements Examination Committee was satisfied, immediately prior to the Company Board of Directors' approval of the 2023 Periodic Report, that the extent of the work of the auditing accountant and his wage in the reporting year are sufficient for performing auditing and reviewing work appropriate for the financial statements in the reporting year.

Appendix E - Details of Bonds Issued by the Company

The following are details regarding the company's bonds as of December 31, 2023 (in NIS thousands)[32]

	NIS thousands	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
1	Initial issuance date	December 1, 2015	December 1, 2015	August 11, 2019	August 11, 2019	September 12, 2022	September 12, 2022
2	Par value on issue date	275,000	275,000	200,932	400,730	290,176	248,542
3	Par value as of December 31, 2023	958,316	1,399,383	160,746	1,761,104	897,601	1,050,480
4	Linked par value as of December 31, 2023	N/A	N/A	N/A	N/A	N/A	1,091,684
5	Value in the financial statements as of December 31, 2023 (at amortized cost)	973,774	1,407,273	158,910	1,670,479	855,893	1,013,881
6	Stock exchange value as of December 31, 2023	970,007	1,430,309	142,951	1,544,841	866,634	1,005,519
7	Accrued interest as of December 31, 2023	30,931	8,576	3,596	35,698	37,295	23,506
8	Interest rate / Fixed annual margin	3.85%	2.24% above Bank of Israel interest rate, as it will be from time to time	2.66%	2.41%	4.94%	2.56%
9	Materiality of the series [33]	Yes	Yes	No	Yes	Yes	Yes
10	Principal payment dates (from the initial issue date)	8 annual payments: the four (4) first payments of 10% of the principal each will be paid on February 28 of each of the years 2020-2023; and four (4) payments of 15% of the principal, each, will be repaid on February 28 of each of the years 2024-2027.	Four (4) annual payment of 25% of the principal, to be paid on February 28 of each of the years 2024-2027.	6 annual payments, in cash or in Company shares, according to the Company's absolute discretion - see Section 13 of bonds, in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	6 annual payments in the following years and at the following rates: (1) 10% of the PV principal of the bonds (Series K) in each of the years 2022 and 2023; (2) 25% of the PV principal of the bonds (Series K) in each of the years 2028 and 2029, and (3) 15% of the PV principal of the bonds (Series K) in each of the years 2030 and 2031;	10 equal payments at a rate of 10% each on February 28 of each of the years 2028-2037 (inclusive).	10 equal payments at a rate of 10% each on February 28 of each of the years 2028-2037 (inclusive).
11	Interest payment dates	February 28 of each of the years 2016-2027 (inclusive).	Four payments per year, on February 28, May 31, August 31 and November 30 of each of the years 2016-2027 (inclusive)	February 28 of each of the years 2020-2031 (inclusive) The interest will be paid either in cash from February 22, 2022 or in Company shares, at the absolute discretion of the	February 28 of each of the years 2020-2031 (inclusive)	February 28 of each of the years 2023-2037 (inclusive)	February 28 of each of the years 2023-2037 (inclusive)

32. Not including bonds issued by Amot Investments Ltd. and Energix Renewable Energies Ltd.
33. The bond series is material if the amount of the Company's liabilities in it's regard as of the end of the reporting year constitutes 5% or more of the Company's total liabilities as of the same date.

	NIS thousands	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
				Company (please see Section 13 below).			
12	Linkage base (principal and interest)	Unlinked	Unlinked	Unlinked	Unlinked	Unlinked	CPI in lieu of July 2022
13	Conversion right	None	None	As of February 28, 2022, the Company may, at its absolute and exclusive discretion, pay the principal and/or the interest, with its shares, all as detailed in Section 7 of the Bond.	None	None	None
14	Main conversion conditions	N/A	N/A	The Company's absolute discretion	N/A	N/A	N/A
15	Guarantee for payment of the liability	None	None	None	None	None	None
16	Early redemption	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines, as well as at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment, as detailed in Section 6.2 of the deed of trust.	(1) In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of the series, in accordance with TASE guidelines; or (2) at the Company's initiative upon the occurrence of certain events that constitute grounds for immediate repayment; or (3) according to a decision by the Company's Board of Directors, as detailed in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.	In the event of a decision by the TASE's Board of Directors to terminate trading due to a decline in the value of public holdings in the series as specified in section 6.1 of the deed of trust, in accordance with the stock exchange's instructions, as well as at the Company's initiative, the occurrence of certain event constitutes grounds for immediate repayment as specified in Section 6.2 of the deed of trust.

	NIS thousands	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
17	Liens in favor of bondholders	None[39]	None[38]	None[37]	None[36]	None[35]	None[34]
18	Limitations on the creation of additional liens	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series I).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series J).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series K).	The Company will not create floating liens on all of its assets (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series L).	The Company will not create floating liens on all of its assets and all existing and future rights (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series M).	The Company will not create floating liens on all of its assets and all existing and future rights (negative pledge), unless it contacts the trustee in writing prior to creating the lien and inform him about it and create, along with the creation of the lien for the third party, a floating lien on the same level, pari passu, in favor of the bondholders (Series O).
19	Limitations regarding the authority to issue additional bonds	None	None	None	None	None	None
20	Lien periods	N/A	N/A	N/A	N/A	N/A	N/A
21	Bond conditions for changing, releasing, replacing or canceling a lien	In this regard, please see Section 5.4 of the deed of trust	In this regard, please see Section 5.4 of the deed of trust	In this regard, please see Section 5.4 of the deed of trust	In this regard, please see Section 5.4 of the deed of trust	In this regard, please see Section 5.4 of the deed of trust	In this regard, please see Section 5.4 of the deed of trust
22	Changes in the bond conditions regarding liens during the reporting period	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred	No changes occurred
23	The manner in which the changes were approved	N/A	N/A	N/A	N/A	N/A	N/A
24	Did the Company, during and at the end of the reporting year, comply with all the conditions and obligations according to the deed of trust	Yes	Yes	Yes	Yes	Yes	Yes
25	Have the conditions for the immediate repayment of the bonds or the realization of the guarantees been met	No	No	No	No	No	No
26	Description of the breach (if any)	N/A	N/A	N/A	N/A	N/A	N/A

34.The Company may, under certain circumstances, provide liens in favor of the bondholders (Series O) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
35.The Company may, under certain circumstances, provide liens in favor of the bondholders (Series M) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
36. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series L) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
37. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series K) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
38. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series J) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.
39. The Company may, under certain circumstances, provide liens in favor of the bondholders (Series I) instead of complying with certain stipulations, as long as the grounds for immediate repayment have materialized according to the above circumstances. Reference is hereby made to Section 5.4 of the deed of trust.

	NIS thousands	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)
27	Was the Company was required to take various actions by the trustee	No	No	No	No	No	No
28	Name of trust company Name of Series Supervisor Address Telephone	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200	Reznik Paz Nevo Trusts Ltd. Michal Avatlion, Attorney at Law 14 Yad Harutzim St., Tel Aviv. 03-6389200
29	Bondholders meetings	On July 19, 2017, a bondholders meeting was held to approve the trustee's term of service.	On July 19, 2017, a bondholders meeting was held to approve the trustee's term of service.	On July 14, 2021, a bondholders meeting was held to approve the trustee's term of service.	On July 14, 2021, a bondholders meeting was held to approve the trustee's term of service.	According to the provisions of the law, a bondholders meeting as not yet been held	According to the provisions of the law, a bondholders meeting as not yet been held
30	Rating						
	Rating agency	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot	Ma'alot
	Rating as of the issue date	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating as of December 31, 2023 [40]	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook	AA- Stable Outlook
	Rating agency	Midroog	Midroog		Midroog	Midroog	Midroog
	Rating as of the issue date	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook
	Rating as of December 31, 2022 [41]	Aa3 Stable Outlook	Aa3 Stable Outlook	-	Aa3 Stable Outlook	Aa3 Stable Outlook	Aa3 Stable Outlook

Current rating reports [42]

- For a current Midroog rating report, please see the immediate report published by the Company on April 24, 2023 (Ref: 2023-01-044871), the immediate report regarding an issuer's note dated October 30, 2023 (Ref: 2023-01-099457) and a rating report dated December 26, 2023 (Ref: 2023-01-141165).
- For a current rating report by Maalot, the Israeli Securities Rating Company Ltd., please see the immediate report dated May 31, 2023 (Ref: 2023-01-059283) and the immediate report published by the Company dated December 26, 2023 (Ref: 2023-01-141180).

.40 In January 2012, Maalot announced the ratification of the ilA rating with a stable outlook for the Company's bonds in circulation and the raising of debt through a new series of bonds. In January 2013, Maalot announced that it was raising the Company's rating to A+ with a stable outlook. October 2014, Maalot ratified its ilA+ rating for the bond series in circulation and raised the outlook from stable to positive. In December 2014, Maalot confirmed its rating of ilA+ with a positive outlook for the bond series in circulation. In May 2015, Maalot announced that it was raising the Company's rating to ilAA- with a stable outlook. In November 2015, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series I and Series J). In July 2019, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series K and Series L). In September 2022, Maalot determined its rating of ilAA- with a stable outlook for the issue of new bonds (Series M), (Series N) and Series O).

41In January 2012, Midroog announced the ratification of its A1 rating with a stable outlook for the Company's bonds in circulation and for the raising of debt through a new bond series. In January 2014, Midroog announced that it was ratifying the rating of ilA for the Company and for the bond series in circulation, and raising the outlook from stable to positive. In December 2014, Midroog announced that it would be raising the rating of thee bonds in circulation from A1 with a positive outlook to Aa3 with a stable outlook. In November 2015, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series I and Series J). In July 2019, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series L). In September 2022, Midroog determined its rating of ilAa3 with a stable outlook for the issue of new bonds (Series M), (Series N) and (Series O).
.42 The information detailed in the above immediate reports was included in this report by way of reference.

Appendix F – Information regarding Very Material Valuations and Material Valuations according to Regulation 8b.(i) of the Securities Regulations (Periodic and Immediate Reports), 1970

A. Information regarding Very Material Valuations according to Regulation 8b.(i) of the Securities Regulations (Periodic and Immediate Reports), 1970

The following is information regarding a very material valuation of Waterside House, attached as an appendix to this report:

Parameters	December 31, 2023
Subject of the valuation	Investment property
Property name	Waterside House
Property location	Paddington, London
Holding structure in the property	BE holds 100% indirectly in the property
Property acquisition date	April 2019
Identity of appraiser	John Barham - Cushman & Wakefield
Type of appraiser	Cushman & Wakefield - Mr. John Barham, Certified Valuer since 1989 and registered as a Valuer on behalf of RICS (Royal Institute of Certified Reviewers). Mr. Barham has specialized in valuations of income-generating properties in central London since 2000. He serves as Team Head of Income-Generating Property Valuation in Central London at C&W. The team is regularly responsible for property valuations amounting to approx. GBP 100 billion in central London. Mr. Barham has signed reports on the properties - British Land (Broadgate), The "Walkie Talkie", Nuveen's Central London Office Fund properties and other high value properties.
Independent appraiser?	Independent - an external appraiser as defined by the RICS
Indemnity agreement?	No
Validity date of the valuation (the date to which the appraisal refers)	December 31, 2023
Valuation model	Income approach (DCF)
Main use	Offices

	In GBP millions[43]
Fair value shortly before the valuation date (fair value as of September 30, 2023)	249
Fair value as of the valuation date (Dec. 31, 2023)	180
Revaluation losses in Q4/2023	(70)
Revaluation losses in 2023	(79)

The following is a summary of additional key data on the valuation[43]:

Parameters	
NOI[44]	GBP 15-16 millions
Discount rate[45]	5.75%
Rental space	238 sq.ft.

Sensitivity analysis:

[43] The data refer to 100% of the asset, held in full by BE (indirectly). The Company's holding rate in BE as of December 31, 2023 is 83.41%.

[44] The property is fully rented to a single tenant until June 2028. The following are the main assumptions at the end of the contract period:

- Renovation of the building for a period of one year that will begin with the end of the contract, at a cost of approx. GBP 60 million (approx. GBP 250 thousand per sq.ft.).
- The first period months are rent free - 24 months.

[45] Criteria for choosing the appropriate specific discount rate for the specific property:
The market test according to similar transactions shows returns in the range of 4.35%-6.5% in high-quality income-generating properties. Lower rates of return bordering on 5%-5.25% are obtained in high-quality properties, in new projects leased to financially strong tenants, for a long rental period. In view of the specific characteristics of the property, it was determined that the discount rate for the calculation is approx. 5.75%.

Discount rate:

Parameters	In GBP millions[43]
Change of 0.25%	10
Change of 0.5%	18

Rental fees (Estimated Rental Value - ERV):

Parameters	In GBP millions[43]
Change of 10%	18
Change of 20%	36

Previous valuations by the Appraiser:

Parameters	In GBP millions[43]
Fair value as of December 31, 2022	254.9
Fair value as of December 31, 2021	253.5
Fair value as of December 31, 2020	242.5

Main changes in assumptions and estimates compared to the valuation from December 31, 2022:

Parameters	Change in estimate	The facts that brought about the change
Discount rate	Increase from 4.61% to 5.85%	**1.** The property is in the process of updating the rent according to the rent review mechanism, for the period that started on June 30, 2023. In the valuation as of December 31, 2022, the NOI did not reflect the potential increase in rental fees (see also the analysis of the change in NOI below). Instead, the growth potential was reflected in a lower discount rate being taken. **2.** Increase in the interest rate in the economy.
NOI	Increase of approx. GBP 2 million	The valuation as of December 31, 2023 was carried out half a year after the start date of the rent review, as detailed above, and the higher income reflects the amount that is likely to be agreed between the parties.
Capex	Without Capex in the valuation as of December 31, 2022	The valuation as of December 31, 2023 was based on the assumption that the property will not undergo a significant conversion at the end of the lease period, but will continue to be used as an office building. The evidence available in the market as of December 31, 2023 indicates that significant amounts of Capex are required to renovate offices in order to obtain contracts for long periods. The valuation as of December 31, 2022 also took into account a potential alternative use in the field of life sciences.

B. Information regarding Material Valuations according to Regulation 8b.(i) of the Securities Regulations (Periodic and Immediate Reports), 1970

The following are details regarding material valuations of Carr's investment properties:

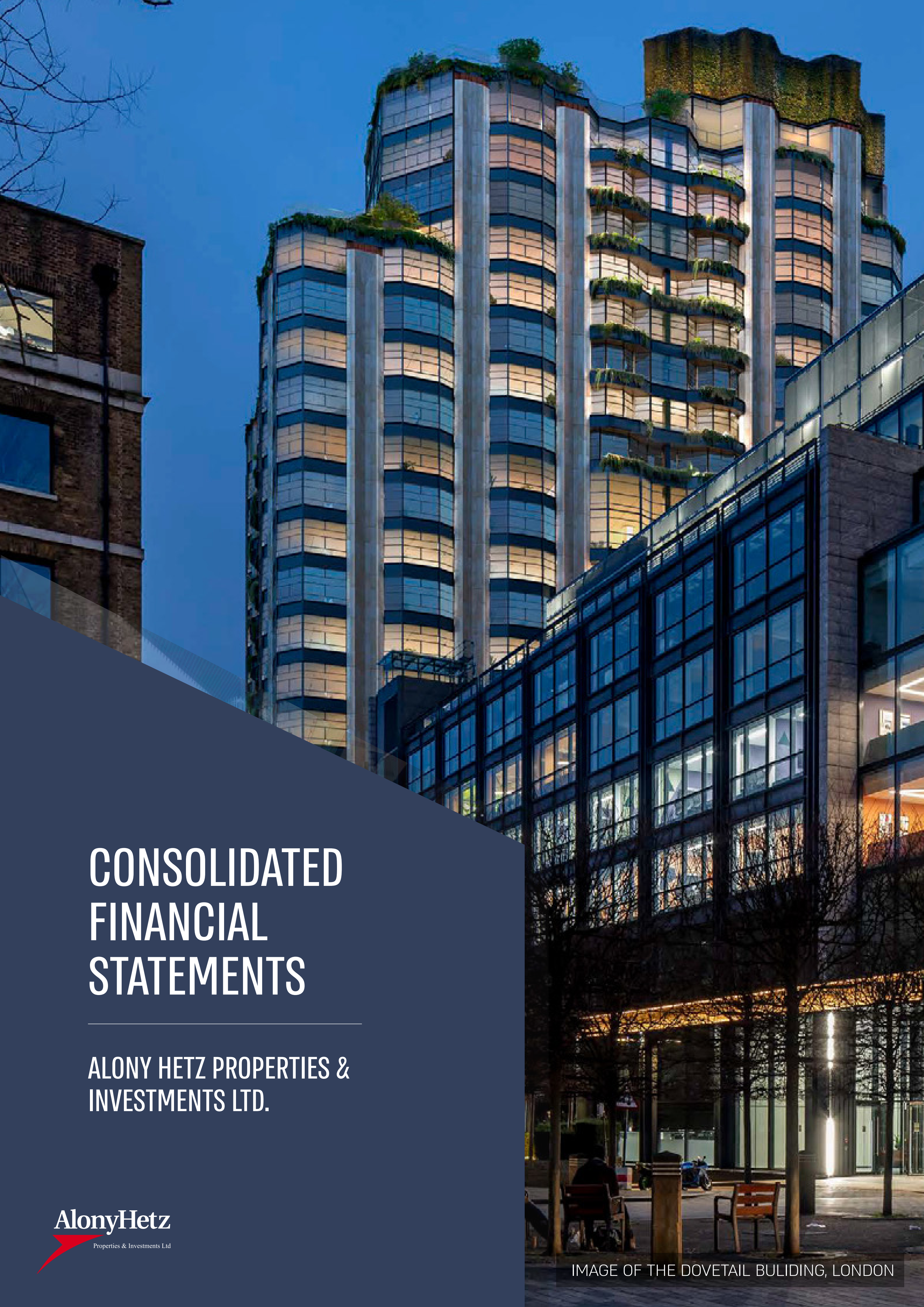
Parameters	(The figures are in USD millions and refer to 100% of the property)	
Carr's share in the property	**51%**	**75%**
Subject of the valuation	Investment property	Investment property
Property name	**Midtown Center**	**One Congress**
Property location	1100 15th St. NW Washington, DC 20005	1 Congress St. Boston, MA 02114
Size - RSF	868,834	1,008,053
Main use	Offices	Offices
Identity of appraiser	Caitlin Bevis -Breakpoint Advisors	
Details of appraiser	Ms. Caitlin Bevis (MAI) is the managing partner of Breakpoint Advisors, a real estate appraisal and consulting company whose main clients are institutional clients. Ms. Bevis is a designated member of the Appraisal Institute and holds a license in various countries. Ms. Bevis specializes in appraisals of most types of real estate throughout the United States. Ms. Bevis mainly focuses on appraisals of offices located in CBD areas and in suburbs as well as industrial, commercial and residential properties. Ms. Bevis also teaches and trains students and colleagues at the Steers Center for Global Real Estate at Georgetown University in the Faculty of Business Administration. In the past, she served as an asset manager for a portfolio of medical offices. Before founding the Breakpoint firm, Ms. Bevis held a management position at the Capright appraisal firm, as the branch manager in Boston, and before that as an appraiser at the Walden Merling firm. Ms. Bevis holds a Master of Arts degree from the University of Chicago and over 21 years of experience in commercial real estate.	
Independent appraiser?	Independent	
Indemnity agreement?	There is indemnification by the Company, except in cases of deception or negligence on the part of the appraiser	
Valuation date	December 31, 2023	December 31, 2023
Valuation model	Income approach (DCF)	Income approach (DCF)
Fair value shortly before the valuation date (fair value as of September 30, 2023) (100% of the property)[46]	760.2	985.8
Fair value as of the valuation date (December 31, 2023) (100% of the property)[46]	**553.4**	**931.2**
Revaluation losses in Q4/2023 (100% of the property)[46]	(135.5)	(108.3)
Revaluation losses in 2023 (100% of the property)[46]	(267)	(131.8)
Discount cap rate	7.25% (6.5% as of December 31, 2022)	7% (6.5% as of December 31, 2022)
Exit cap rate	6.5% (5.75% as of December 31, 2022)	6% (5% as of December 31, 2022)
Market rent annual inflation rate	Years 1-3: 0% Year 4 onwards: 3%	Years 1-2: 0% Year 3: 2% Year 4 onwards: 3%
Expense inflation rate	Year 2 onwards: 3%	Year 2 onwards: 3%
Renewal probability	65% (Fannie Mae 0%)	65%
Downtime	Years 1-3: 15 Years 4 onwards: 12	12
The first period months are rent free	15 months (for a rental period of 10 years)	10 months (for a rental period of 10 years)
Additional information	In the fourth quarter, Fannie Mae (a main tenant in the property that leases 713,500 sq.ft.) exercised the contract termination option for 2029[47]	

[46] The data presented above are according to 100% of the property. Carr's share in Midtown Center is 51% and Carr's share in One congress is 75%. As of December 31, 2023 the Company has holdings in Carr at a rate of 47.7%.

[47] For additional information, please see Section 2.3.5 above.

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

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



CONSOLIDATED FINANCIAL STATEMENTS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

IMAGE OF THE DOVETAIL BULIDING, LONDON

Contents

Deloitte.

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

<u>Auditors' Report to the shareholders of Alony Hetz Properties and Investments Ltd.</u>

We have audited the accompanying consolidated statements of financial position of **Alony Hetz Properties and Investments Ltd** (hereafter – "the Company") as of December 31, 2023 and 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain consolidated companies whose assets included in consolidation constitute approximately 12% and 13% of total consolidated assets as of December 31, 2023, and 2022, respectively, and whose revenues included in consolidation constitute approximately 17%, 18% and 7% of total consolidated revenues from rental fees and management of investment property, sale of electricity and green certificates and cancellation of electricity hedging agreements for the years ended on December 31, 2023, 2022 and 2021, respectively. Furthermore, we did not audit the financial statements of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 2,691 million NIS and 3,875 million NIS as of December 31, 2023, and 2022, respectively, and the share of the results of which for the years ended on December 31, 2023, 2022 and 2021, amounted to approximately loss of 1,334 million NIS, loss of 789 million NIS and income of 78 million NIS, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with Generally Accepted Auditing Standards in Israel, including standards prescribed by the Auditors' Regulations (Auditor's Mode of Performance) – 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statements presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023, and 2022, and the results of their operations, changes in equity and their cash flows for each of the three years in the period ended on December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements) – 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated March 12, 2024, included an unqualified opinion on the effective maintenance of those components.

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

Jerusalem	Haifa	Eilat	Nazareth	Beit Shemesh
3 Kiryat Ha'Mada Har Hotzvim Tower Jerusalem, 914510	5 Ma'aleh Hashichrur P.O.B. 5648 Haifa, 3105502	The City Center P.O.B. 583 Eilat, 8810402	9 Marj Ibn Amer St. Nazareth, 16100	Yigal Alon 1 St. Beit Shemesh, 9906201
Tel: +972 (2) 501 8888 Fax: +972 (2) 537 4173 info-jer@deloitte.co.il	Tel: +972 (4) 860 7333 Fax: +972 (4) 867 2528 info-haifa@deloitte.co.il	Tel: +972 (8) 637 5676 Fax: +972 (8) 637 1628 info-eilat@deloitte.co.il	Tel: +972 (73) 399 4455 Fax: +972 (73) 399 4455 info-nazareth@deloitte.co.il	

Key Audit Matters
Key audit matters communicated below are those matters that were communicated or required to be communicated to the company's board of directors and that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters include, among others, any matter that: (1) relates, or may relate, to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. The communication of those matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matter below, providing a separate opinion on the key audit matter or on the accounts or disclosures to which it relates.

Fair value of investment property
As mentioned in notes 2G and 4C, to the consolidated financial statements, as of December 31, 2023, the group has investment properties, which are presented at their fair values for that date following the accounting policy described in note 2. The fair value of all the investment property of the group (yielding and under construction) as of December 31, 2023, amounts to a total of 23,719 million NIS, and in 2023 the group recorded a loss from a decrease in fair value in the amount of 926 million NIS, which is recorded in the fair value adjustment of investment property section and a loss from a decrease in fair value in the amount of approximately 1,779 million NIS, included in the group share in the losses of associates, net section, for changes in the fair value of investment real estate held by associates.
As mentioned in note 4C to the consolidated financial statements, the determination of the fair value of investment property is a critical estimate, involving uncertainties and based on valuations, which include assumptions, some of which are subjective considering the circumstances and the best information as of December 31, 2023, and which were conducted with the assistance of external real estate appraisers. These assumptions mainly include the most appropriate rate of return, the projected net operating income (NOI) of the assets and market prices for relevant comparison units. These basic assumptions, as well as the determination of the fair value estimate as a whole of the company's investment property, including the selection of the most appropriate valuation approach, are the result of subjective conclusions in an environment of uncertainty, sometimes particularly significant, and changes in the aforementioned basic assumptions may bring about changes in the fair value of the investment property, sometimes substantially, and therefore also affect the group's financial position as of December 31, 2023 and the results of its operations for that year, as detailed in Note 4.
Due to the above, and in particular because the fair value of investment property is a critical estimate, involving uncertainties and based on estimates value, which include assumptions some of which are subjective, we determined, according to our professional judgment, that examining the fair value of investment property, especially the reasonableness of the rates of return used in its estimation, is a key issue in the audit.

The audit procedures that were performed in response to the key audit matter
In response to the uncertainties involved in determining the fair value of the group's investment property, we mainly performed the following procedures, with an emphasis on examining the reasonableness of the rates of return determined in the valuations of the assets: 1. Understanding the internal control environment regarding the determination of the fair value of the investment property and auditing the effectiveness of the relevant internal controls for determining fair value; 2. Examination and analysis of fair value presentations, mainly valuations, conducted by the company and appraisers on its behalf, based on models that incorporate quantitative and qualitative considerations; 3. Examining the base assumptions applied in the valuations, selected on a sample basis, with an emphasis on examining the rates of return, as well as predicted NOI, market prices/comparison prices per square meter rental unit/land unit and the valuation approach taken; 4. Reviewing valuations, on a sample basis , by an expert appraiser on our behalf with an emphasis on rates of return; 5. Communication with the appraisers on behalf of the company; 6. Involvement of the senior staff of the engagement team, and holding consultations; 7. Procedures for relying on other component auditors in the group.

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

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

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

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

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

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

Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of Alony Hetz Properties and Investments Ltd.
Regarding Audit of Components of Internal Control over Financial Reporting in accordance with Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited components of internal control over financial reporting **of Alony Hetz Properties and Investments Ltd**. and subsidiaries (hereafter - "the Company") as of December 31, 2023. Those components of control were determined as explained in the following paragraph. The Board of directors and management of the Company are responsible for maintaining effective internal control over financial reporting and for their evaluation of the effectiveness of the components of internal control over financial reporting attached to the periodic report as of the above date. Our responsibility is to express an opinion on the Company's components of internal control over financial reporting, based on our audit.

The components of internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" thereto (hereafter – "Audit Standard (Israel) 911"). These Components are: (1) Organization level control, including control over the financial closing and reporting process and information technology general controls; (2) control over accounting and debt management; (3) control over corporate investment; (4) control over investment property at Amot Investments Ltd and Brockton Everlas Inc. Limited; (5) control over rental income and management of investment property at Amot Investments Ltd and Brockton Everlast Inc. Limited; (6) control over project procurement at Energix - Renewable Energies Ltd; (7) revenues from the sale of electricity and green certificates at Energix - Renewable Energies Ltd; (all together referred to hereafter as "the Audited Components of Control").

We conducted our audit in accordance with Audit Standard (Israel) 911. That Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and obtain reasonable assurance as to whether those components of control were maintained effectively in all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, identification of the Audited Components of Control, evaluation of the risk that a material weakness exists in the Audited Components of Control, and examination and evaluation of the effectiveness of the planning and operation of such components of control, based on the estimated risk. Our audit regarding such components of control also included the performance of other such procedures that we considered necessary under the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not refer to the mutual effects between the Audited Components of Control and those that are not audited, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections based on the present evaluation of effectiveness are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

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

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

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

Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

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In our opinion, based on our audit, the Company effectively maintained the Audited Components of Control in all material respects, as of December 31, 2023.

We also have audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2023, and 2022, and for each of the three years in the period ending on December 31, 2023, and our report as of March 12, 2024, expressed an unqualified opinion on those financial statements based on our audit.

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

Tel Aviv, March 12, 2024

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

Jerusalem
3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510

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

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

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
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Eilat
The City Center
P.O.B. 583
Eilat, 8810402

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

Nazareth
9 Marj Ibn Amer St.
Nazareth, 16100

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

Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

	Note	As of December 31 2023 NIS thousands	As of December 31 2022 NIS thousands
Assets			
Current assets			
Cash and cash equivalents	3a	2,197,677	1,694,701
Deposits and designated deposit	3c	641,620	449,790
Trade receivables		115,662	125,201
Current tax assets, net	20	19,632	48,796
Other receivables	3b	233,731	167,003
Assets designated for sale		177,825	-
Total current assets		3,386,147	2,485,491
Non-current assets			
Investment property	4	19,369,345	20,520,033
Investment property in development and land rights	4	4,349,731	3,149,889
Long-term investments:			
Securities measured at fair value through profit and loss	5	222,222	216,251
Investment in companies accounted for using the equity method	6	2,550,500	4,070,029
Deferred tax assets	20	209,184	59,937
Electricity-generating facilities:			
Connected electricity-generating facilities	7	5,216,734	2,910,128
Right-of-use asset	7	511,443	390,987
Electricity-generating facilities in development	8	2,370,899	1,813,125
Pledged deposits	9a	19,942	57,205
Fixed assets, net		117,664	113,963
Other assets	9b	407,355	424,639
Total non-current assets		35,345,019	33,726,186
Total assets		38,731,166	36,211,677

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

		As of December 31	
		2023	2022
	Note	NIS thousands	NIS thousands
Liabilities and equity			
Current liabilities			
Short term credit and current maturities of long-term loans	10a	1,832,563	369,685
Current maturities of bonds	11	1,292,791	1,290,727
Current maturities of lease liabilities		30,617	17,711
Current tax liabilities, net	20	174,700	57,938
Payables and credit balances	10b	1,530,033	981,560
Total current liabilities		4,860,704	2,717,621
Non-current liabilities			
Bonds	11	14,352,564	13,387,196
Loans from banking corporations and financial institutions	12	4,654,061	3,518,816
Lease liability		562,431	440,625
Deferred tax liabilities	20	1,858,015	1,822,737
Provisions	15	16,483	16,483
Other liabilities	14	1,362,785	716,779
Total non-current liabilities		22,806,339	19,902,636
Equity			
Equity attributed to Company shareholders	16	5,002,057	7,709,979
Non-controlling interests		6,062,066	5,881,441
Total equity		11,064,123	13,591,420
Total liabilities and equity		38,731,166	36,211,677

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

On behalf of the Board of Directors:

Aviram Wertheim	______________	Chairman of the Board of Directors
Nathan Hetz	______________	Member of the Board of Directors and CEO
Oren Frenkel	______________	Chief Financial Officer

March 12, 2024

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

	Note	For the year ended December 31 2023 NIS thousands	For the year ended December 31 2022 NIS thousands	For the year ended December 31 2021 NIS thousands
Revenues and profits				
Revenues from rental fees and management of investment property	17a	1,324,063	1,219,178	989,381
Fair value adjustments of investment property	17b	(926,169)	685,918	1,715,469
Group share in profits (losses) of associates, net	6f	(1,703,997)	(953,589)	126,719
Net profits (losses) from investments in securities measured at fair value through profit and loss		(17,299)	(1,351)	43,822
Profit from decrease in rate of holding, from acquisition and realization of associates		449	20,391	17,396
Revenues from sale of electricity and green certificates		680,713	525,437	260,836
Other revenues, net		1,199	2,089	8,264
		(641,041)	1,498,073	3,161,887
Costs and expenses				
Cost of investment property rental and operation	17c	168,894	146,800	104,404
Development, maintenance and operation costs of electricity-generating facilities		110,801	56,141	39,247
Depreciation and amortizations		159,963	112,398	84,947
Administrative and general	17d	201,798	179,082	172,369
Financing income	17f	(96,590)	(80,078)	(32,815)
Financing expenses	17e	888,115	792,722	435,291
		1,432,981	1,207,065	803,443
Profit before taxes on income		(2,074,022)	291,008	2,358,444
Income tax expenses (income)	20	77,816	(47,564)	324,952
Net profit (loss) for the period		(2,151,838)	338,572	2,033,492
Company shareholders		**(2,392,409)**	**(281,467)**	**1,557,947**
Non-controlling interests		240,571	620,039	475,545
		(2,151,838)	338,572	2,033,492
Net earnings (loss) per share attributed to Company shareholders (in NIS):	19			
Basic		(13.31)	(1.60)	8.98
Fully diluted		(13.35)	(1.67)	8.91
Weighted average of share capital used in calculation of earnings per share (thousands of shares)				
Basic		179,722	176,049	173,455
Fully diluted		179,722	176,049	173,660

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

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

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Net profit for the period	(2,151,838)	338,572	2,033,492
<u>Other comprehensive income (loss)</u>			
Amounts to be classified in the future to profit or loss, net of tax			
Profit (loss) from the translation of financial statements for foreign activities	719,644	697,288	(398,554)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate, net of tax	-	-	3,088
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate, net of tax	-	-	1,532
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	-	-	(3,557)
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(664,736)	(482,816)	205,782
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	17,805	(33,410)	(25,841)
Company's share in other comprehensive income of associates, net of tax	(18,625)	32,593	28,969
Other comprehensive income (loss) for the period, net of tax	54,088	213,655	(188,581)
Total comprehensive income (loss) for the period	(2,097,750)	552,227	1,844,911
Distribution of comprehensive income (loss) for the period			
Company shareholders	**(2,425,233)**	**(53,496)**	**1,406,070**
Non-controlling interests	327,483	605,723	438,841
	(2,097,750)	552,227	1,844,911

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2023 (NIS thousands)

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2023	197,796	2,795,162	(551,365)	478,680	(589)	4,790,295	7,709,979	5,881,441	13,591,420
Total comprehensive income for period	-	-	(18,134)	(14,690)	-	(2,392,409)	(2,425,233)	327,483	(2,097,750)
Dividend paid to Company shareholders	-	-	-	-	-	(262,394)	(262,394)	-	(262,394)
Dividend paid to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	(432,386)	(432,386)
Expiry of employee options	-	12,476	-	(5,711)	-	-	6,765	(6,765)	-
Allocation of benefit in respect of options to employees and officers	-	-	-	4,148	-	-	4,148	35,534	39,682
Issuance of capital in consolidated companies	-	-	-	1,521	-	-	1,521	63,329	64,850
Sale of shares to non-controlling interests in a consolidated company	-	-	-	(2,928)	-	-	(2,928)	222,918	219,990
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(29,801)	-	-	(29,801)	(29,488)	(59,289)
Balance as of December 31, 2023	197,796	2,807,638	(569,499)	431,219	(589)	2,135,492	5,002,057	6,062,066	11,064,123

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

Alony-Hetz Properties and Investments Ltd. | Consolidated Statements of Changes in Equity for the Year ended December 31, 2022 (NIS thousands)

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company share-holders	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 Consolidated Financial Statements.

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

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2021	190,932	2,472,582	(564,365)	245,123	(589)	4,058,183	6,401,866	3,510,964	9,912,830
Total comprehensive income for period	-	-	(182,378)	30,501	-	1,557,947	1,406,070	438,841	1,844,911
Dividend paid to Company shareholders	-	-	-	-	-	(246,223)	(246,223)	-	(246,223)
Dividends paid to non-controlling interests in a consolidated company	-	-	-	-	-	-	-	(224,722)	(224,722)
Exercise of employee options	1,180	41,796	-	(4,534)	-	-	38,442	-	38,442
Allocation of benefit in respect of options to employees and others	-	-	-	3,391	-	-	3,391	20,470	23,861
Issuance of capital in consolidated companies	-	-	-	39,887	-	-	39,887	448,444	488,331
Acquisition of shares from non-controlling interests in a consolidated company	-	-	-	(5,259)	-	-	(5,259)	(4,574)	(9,833)
Change in non-controlling interests	-	-	-	-	-	-		(4,775)	(4,775)
Capital component of the issuance of convertible bonds in a consolidated company	-	-	-	-				6,742	6,742
Balance as of December 31, 2021	192,112	2,514,378	(746,743)	309,109	(589)	5,369,907	7,638,174	4,191,390	11,829,564

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

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

	For the year ended December 31 2023 NIS thousands	For the year ended December 31 2022 NIS thousands	For the year ended December 31 2021 NIS thousands
Cash flows - Operating activities			
Net profit (loss) for the period	(2,151,838)	338,572	2,033,492
Net income (expenses) not entailing cash flows (Appendix A)	3,147,558	876,508	(1,461,695)
	995,720	1,215,080	571,797
Changes in working capital (Appendix B)	124,977	(585,917)	94,528
Net cash provided by operating activities	1,120,697	629,163	666,325
Cash flows - Investing activities			
Investment in fixed assets and investment property (including investment property in development)	(655,762)	(1,158,580)	(3,454,930)
Investment in electricity-generating systems	(2,279,175)	(1,131,008)	(1,193,824)
Investment in associates	(51,213)	(258,340)	(81,109)
Increase in pledged deposit and restricted cash	(587,164)	(7,222)	(5,465)
Proceeds from realization, repayment of investment in associate	-	25,360	164
Repayment of loans provided to associates, net	3,950	112,886	6,981
Repayment (provision) of loans to others	(65,254)	13,730	(95,084)
Decrease (increase) in deposits and tradable securities, net	400,000	(400,000)	95,054
Cash from forward transactions and options designated for hedging	(549,292)	35,592	116,763
Proceeds from sale of consolidated partnership (Appendix F)	-	-	6,644
Proceeds from the realization of long-term securities and securities held for sale, net of tax, including tax refund	-	20,000	210,873
Investment in investment property funds	-	(4,418)	(26,204)
Acquisition of consolidated companies (Appendix E)	-	(298,057)	(120,828)
Others	353	572	95
Net cash used in investing activities	(3,783,557)	(3,049,485)	(4,540,870)
Cash flows - Financing activities			
Proceeds from the Group's issue of bonds, net	1,972,385	3,037,381	2,263,146
Repayment of bonds	(1,299,986)	(1,180,892)	(881,405)
Receipt of long-term loans, net of capital raising expenses paid	2,503,494	243,872	2,137,581
Repayment of long-term loans	(501,831)	(360,725)	(589,484)
Proceeds from the issue of shares and options	-	294,672	28,577
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	41,457	1,591,266	483,767
Sale of shares to non-controlling interests in consolidated companies, net	219,990	-	-
Acquisition of shares and options from non-controlling interests in consolidated companies, net	(24,243)	(38,138)	(9,833)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	882,905	(3,820)	(91,628)
Dividend paid to Company shareholders	(262,394)	(298,145)	(246,223)
Dividend paid to non-controlling interests in consolidated companies	(432,386)	(353,586)	(224,722)
Net cash provided by financing activities	3,099,391	2,931,885	2,869,776
Increase (decrease) in cash and cash equivalents	436,531	511,563	(1,004,769)
Cash and cash equivalents at beginning of period	1,694,701	1,163,289	2,214,781
Balance of designated deposit at beginning of period	34,435	30,443	-
Effect of changes in exchange rates on foreign currency cash balances	35,637	23,841	(16,280)
Cash and cash equivalents and designated deposit at end of period	2,201,304	1,729,136	1,193,732
Less - Balance of designated deposit at end of period	3,627	34,435	30,443
Total cash and cash equivalents	2,197,677	1,694,701	1,163,289

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

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Adjustments required to present cash flows from operating activities			
a. Expenses (income) not entailing cash flows:			
Fair value adjustment of investment property and profit from its realization	926,169	(685,919)	(1,715,469)
Net profits from changes in holding rate and from realization of investments in investees	(449)	(20,391)	(17,396)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	324,327	496,504	111,573
Loss (profit) from fair value adjustment of financial assets at fair value through profit and loss	(719)	(1,570)	(47,319)
Company share in results of associates, net of dividends and capital reductions received	1,733,948	993,100	(126,820)
Profit from revaluation of tradable securities	-	-	(5,358)
Deferred taxes, net	(46,511)	(42,419)	230,640
Depreciation and amortizations	165,273	112,406	84,947
Allocation of benefit in respect of share-based payment	34,069	25,261	22,405
Others, net	11,451	(464)	1,102
	3,147,558	876,508	(1,461,695)
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in other receivables	(2,754)	(138,811)	2,216
Decrease (increase) in current tax assets, net	30,103	(52,369)	(5,332)
Increase (decrease) in other payables	(10,169)	(16,018)	83,088
Increase (decrease) in current tax liabilities, net	110,149	(372,972)	47,875
Purchase of CAP options	(2,352)	(5,747)	(33,319)
	124,977	(585,917)	94,528
c. Non-cash activity			
Increase in provision for evacuation and restoration against systems in development	64,055	-	-
Investment of non-controlling interests	20,820	-	-
Exercise of employee options against receivables	10,189	-	15,634
Investment in electricity-generating systems against supplier credit and payables	440,014	49,294	8,369
Dividends not yet received from companies accounted for using the equity method	-	-	1,750
Increase in right-of-use asset against lease liabilities	123,421	160,706	112,925
Investment in real estate and fixed assets against other accounts payable	24,882	24,473	57,657
d. Additional information			
Interest paid	559,420	404,206	343,157
Interest received	54,977	9,249	8,453
Taxes paid (*)	74,297	406,979	93,153
Taxes received (**)	14,696	22,831	24,398
Dividend and capital reductions received	27,459	55,786	48,545

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

The taxes paid in 2021 include the tax payments in the amount of NIS 29 million from the sale of shares of a company classified in investing activities.

(**) The taxes received in 2022 include a tax refund in the amount of NIS 20 million, classified as an investing activity.

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
e. Acquisition of companies consolidated for the first time			
1. Acquisition of buildings through the acquisition of house companies			
The amounts recognized on the acquisition date in respect of assets and liabilities:			
Cash and cash equivalents	-	-	1,890
Investment property	-	532,061	45,457
Loans from banking corporations and financial institutions	-	(258,434)	-
Derivative financial instruments	-	32,573	-
Working capital	-	(8,143)	(273)
	-	298,057	47,074
Net cash flow			
Total proceeds		298,057	47,074
Less - deferred consideration		-	(1,364)
Less consolidated cash and cash equivalents		-	(1,890)
	-	298,057	43,820
2. Acquisition of NCRE			
The amounts recognized on the acquisition date in respect of assets and liabilities:			
Working capital (including cash and cash equivalents)	-	-	2,431
Projects in development	-	-	74,772
Goodwill	-	-	423
	-	-	77,626
Net cash flow			
Total proceeds	-	-	77,626
Less consolidated cash and cash equivalents	-	-	(618)
	-	-	77,008
f. Sale of consolidated partnership			
Working capital (including cash and cash equivalents)	-	-	1,497
Pledged deposit and restricted cash	-	-	2,015
Connected electricity-generating systems	-	-	23,693
Payables and credit balances	-	-	(220)
Long-term loans, including current maturities	-	-	(27,148)
Non-controlling interests	-	-	(4,395)
Net assets sold	-	-	(4,558)
Profit from realization of consolidated company	-	-	12,363
Total proceeds	-	-	7,805
Net cash flow			
Total proceeds	-	-	7,805
Less - cash and cash equivalents previously consolidated	-	-	(1,161)
	-	-	6,644

Note 1 – General

A. General Description of the Company

The Company was incorporated in Israel, its shares were listed for trading on the Tel Aviv Stock Exchange Ltd. (the TASE) in January 1993 and its registered office is located in Ramat Gan. The Group, as defined in Section (d) below, focuses on long-term investments in income-generating property in Israel and abroad (in Western countries). In addition, the Group has investments in renewable energy. As of December 31, 2023, the Group has the following material investments:

- **Amot** – Holdings of 51.1% in **Amot Investments Ltd.** (hereinafter - "**Amot**"), a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., which has extensive income-generating property in Israel. For additional information, see Note 6c.

- **Carr** – Holdings of 52.3% in the rights in **Carr Properties Holdings LP** (hereinafter - "**Carr Holdings"**). **Carr Holdings** is an American partnership that holds (through indirect holdings of 91.2%) a partnership that has income-generating property in the Washington DC metropolitan area, in Boston and in Austin, Texas, USA. For additional information, see Note 6g.

- **BE** – Holdings of 83.4% in the rights in **Brockton Everlast Inc.** (hereinafter - "**BE**"), a private company engaged in the purchase, development, betterment, construction, management and maintenance of income-generating property in the London, Cambridge and Oxford metropolitan areas in the UK. For additional information, see Note 6d.

- **Boston** – Holdings of 55% of the ownership and 50% of the control in three property companies in the Boston metropolitan area, two of them in the Boston CBD[1] and one in East Cambridge, USA. For additional information, see Note 6h.

- **Energix –** Holdings of 50.3% in the share capital of **Energix Renewable Energy Ltd.** (hereinafter - "**Energix**"), a public company whose securities are listed for trading on the Tel Aviv Stock Exchange. Energix is engaged in the initiative, development, financing, construction, management and operation of facilities for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of the electricity generated in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has activity in Israel, Poland and the United States. For additional information regarding Energix, see Note 6e.

B. The Iron Swords War

For the past five months, the State of Israel has been in the midst of the Iron Swords War that broke out on October 7, 2023, following the murderous and unprecedented brutal surprise attack by the terrorist organization Hamas on the State of Israel. On its first day, the attack claimed the lives of more than 1,200 victims who were murdered or killed, left thousands wounded and about 240 civilians and soldiers captured and kidnapped, only about 100 of whom have been released so far. With the declaration of war, an extensive mobilization of the reserves was carried out and an attack on the Gaza Strip began, which later expanded to a large-scale ground maneuver throughout the Strip. At the same time, a security escalation has also developed on the northern border with the terrorist organization Hezbollah, and its affiliated entities in Lebanon and Syria, which continues at a low/medium intensity, as well as a security escalation that entails geopolitical risks as a result of the activities of the Houthis in Yemen and their repeated attempts to impair the safety of shipping lanes in the Red Sea.

[1] Central Business District

Note 1– General (continued)

In the first two months, the direct impact of the War on the Israeli economy and the activity in the capital market was very substantial and manifested, among other things, in the temporary closing and/or shortening of the hours of operation of many businesses, restrictions on gatherings at workplaces and events, restrictions on the education system, and more. These measures, as well as the massive mobilization of the reserves, the evacuation of hundreds of thousands of residents from the area surrounding Gaza in the south and the cities, towns and other localities on the northern border, and the general poor mood, led to a reduction in activity in the Israeli economy and a decrease in economic activity, as well as great volatility in the financial markets and in the exchange rate of the NIS against foreign currencies, due to increased risk levels and uncertainty.

The S&P rating agency reduced Israel's credit rating outlook from stable to negative and in February 2024, Moody's announced the downgrading of Israel's credit rating from A1 to A2 with a negative outlook, which may lead to another downgrade.

Towards the middle of the fourth quarter of 2023, the Israeli economy began to return to normal in the shadow of the fighting, and restrictions on activity were lifted, except in the areas near the northern border. At the same time, in the construction and agriculture sectors, there is significant damage to the labor supply due to restrictions on the entry of workers from Judea and Samaria, a complete cessation of the employment of workers from Gaza and due to the departure of foreign workers.

At this stage it is not possible to predict the duration of the War, but according to security establishment estimates as of the date of this report, the War in the Gaza Strip is expected to continue at least several more weeks and possibly even several months, but with decreasing intensity. In view of this, at this stage it is not possible to estimate the extent of the future impact of the War on business activity in the economy. It is clear that as the War expands to the northern arena, which according to estimates is more complex than in the south, it is expected to have a more serious economic impact. The impact from the Iron Swords War on the Company's financial results as of the date of the report is negligible.

C. Fair value adjustments of investment property

Disclosure regarding the share of the majority shareholders in property revaluations recorded in investees:

The share of the majority shareholders in property revaluations recorded in investees in the reporting period amounted to a net loss of NIS 2.6 billion (before the tax effect) according to the following breakdown:

- The Company's share in revaluation profits recorded by Amot (including revaluations recorded in Amot's associates) amounted to a total of NIS 133 million, out of revaluation profits in the total amount of approx. NIS 249 million recorded by Amot.
- The Company's share in revaluation losses recorded by BE amounted to a total of NIS 974 million, out of revaluation losses in the total amount of NIS 1,169 million recorded by BE.
- The Company's share in revaluation losses recorded in companies measured using the equity method (Carr and the Boston companies) amounted to a total of NIS1,772 million, out of revaluation losses in the total amount of NIS 3,643 million.

For additional information regarding investment property revaluation profits (losses) in Amot and BE see Note 17b. For information on losses on regarding investment property revaluations in companies measured using the equity method (Carr and the Boston companies), see Notes 6g(4) and 6h(1)), respectively.

Note 1– General (continued)

D. Definitions

The Company Alony-Hetz Properties and Investments Ltd. and/or legal entities wholly owned by it directly and indirectly.

Expanded Solo Alony-Hetz Properties and Investments Ltd. together with legal entities wholly owned by it directly and indirectly.

The Group The Company and its consolidated companies (as defined below). Information regarding investments in the Group's significant companies are provided in Note 6.

Note 1– General (continued)

Consolidated companies –Companies in which the Company has control (as defined in IFRS 10), directly or indirectly, whose financial statements are fully consolidated with the Company's financial statements.

Associates Companies in which the Company has significant influence, as defined in IAS 28.

Investees Consolidated companies, companies consolidated in proportionate consolidation and associates.

Joint arrangements Companies held by a number of entities who have a contractual arrangement for joint control.

Related parties As defined in IAS 24.

Interested parties As defined in the Securities Law, 1968, and its regulations.

CPI The Consumer Price Index, as published by the Central Bureau of Statistics.

Forward-looking information As defined in Section 32A of the Securities Law, 1968.

NOI Net Operating Income - Profit from the operation of properties, with the neutralization of depreciation and amortization.

KW/KWp Peak kilowatt units used to measure the installed output for the production of electricity of photo-voltaic systems and wind turbines.

MW/MWp 1,000 peak kilowatt units used to measure the installed output for the production of electricity by photo-voltaic systems and wind turbines.

Note 2 – Significant Accounting Policies

A. Statement regarding the implementation of International Financial Reporting Standards (IFRS):

The Group's consolidated financial statements have been compiled in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**") and interpretations thereof published by the International Accounting Standards Board (IASB). The significant accounting policies detailed below have been consistently applied for all reporting periods presented in the consolidated financial statements. The financial statements have been prepared in accordance with the Securities Regulations (Annual Financial Statements), 2010 (hereinafter - "**Financial Statement Regulations**").

B. Format for the presentation of the Statement of Financial Position; the operating cycle period

The Group presents assets and liabilities in the Statement of Financial Position divided into current and non-current items. The Group's operating cycle does not exceed 12 months.

C. Joint arrangements and associates

A "joint arrangement" is a contractual agreement according to which the Group and other parties carry out economic activity subject to joint control. Joint control exists when the contractual arrangement includes a requirement that decisions concerning the transaction's financial and operational strategy be made by unanimous consent of the parties that jointly control the joint venture. There are two types of joint arrangements.

1. **A "joint venture" is a joint arrangement in which the parties have rights to the net assets attributed to the arrangement.** The Group recognizes a joint venture as an investment and accounts for it using the equity method (in the equity method, the Company's share of the net assets is presented in the Statement of Financial Position in the investment line item and in the Statement of Income under the Company's share in profits of investees).

2. **A "joint operation" is a joint arrangement whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement.** The Group recognizes its relative share of the joint operation's assets and liabilities in the Group's Statement of Financial Position, including assets held and liabilities created jointly. The Statement of Income includes the Group's relative share of the revenue and expenses of the joint operation, including revenue generated and expenses created jointly.

Investments in associates and joint ventures

The results, assets and liabilities of joint ventures and associates are included in these financial statements by applying the equity method. According to the equity method, investments in joint ventures and associates are included in the Consolidated Statement of Financial Position at cost adjusted for changes occurring subsequent to the acquisition of the Group's share of the net assets, including capital reserves.

The accounting policy for investment property held by the Group's joint arrangements and associates (including Carr and the Boston companies) and the method of determining the fair value of the investment property held by them are similar to the description in Section H and in Note 4c below.

D. Statement of Income; Statement of Cash Flows

Statement of Income presentation – The Group's activity and the nature of its revenues and expenses permit, in the opinion of the Company's Management, the presentation of Statement of Income items according to the single-step method, since this presentation format is compatible with the Company's nature as an investment and holding company.

Note 2 – Significant Accounting Policies (continued)

D. Statement of Income; Statement of Cash Flows (continued)

Statement of Cash Flows – Interest paid and received by the Group is classified in the Statement of Cash Flows as part of operating activities, with the exception of credit costs which are capitalized to a qualifying asset in which the investment in it and its construction is classified as investment activity; the cash flows resulting from income taxes and indirect taxes are classified under operating activities, unless they can be specifically identified with investment or financing activities; dividends paid are included in financing activities; dividends received from investees and other companies, including distribution by way of capital reductions recognized as income in its financial statements, are included in operating activities.

E. Functional currency and presentation currency

Functional and presentation currency – The financial statements of each Group company are prepared in the currency of the main economic environment in which it operates (hereinafter - "**Functional Currency**"). The Company's consolidated financial statements are presented in NIS (hereinafter - "**Presentation Currency**").

Translation of transactions and balances not in the functional currency – Transactions carried out in a currency other than the functional currency of each Group corporation (hereinafter - "**Foreign Currency**") are translated into the functional currency for inclusion in the financial statements of that corporation, at exchange rates in effect on the date of each transaction. Statement of Financial Position items originating in or denominated in foreign currency are translated as follows: monetary items denominated in foreign currency are translated according to exchange rates in effect on each Statement of Financial Position date; non-monetary items included at fair value denominated in foreign currency are translated according to exchange rates in effect on the date the fair value was determined; non-monetary items measured at cost are translated according to the exchange rates in effect on the date the transaction was carried out for the non-monetary item.

Recording of exchange rate differences – Exchange rate differences are, as a rule, recorded to the Statement of Income in the period in which they arose, with the exception of the following cases, in which exchange rate differences are recorded directly to comprehensive income: Exchange rate differences in respect of loans and forward transactions on foreign currency designated for hedging investments in foreign activity, net (see Section C).

Translation of financial statements of investees whose functional currency is different from NIS – For the presentation of consolidated financial statements, the financial statements of foreign activities whose functional currency is different from NIS are translated to NIS in the following manner: assets and liabilities are translated to NIS according to exchange rates in effect as of the date of the Statement of Financial Position; revenue and expense items are translated to NIS according to the average exchange rates in the reporting period, unless significant fluctuations have occurred in the exchange rates during the reporting period. Translation differences are recorded to the "Capital reserve from translation of financial statements for foreign activities" item and are recognized in other comprehensive income. These translation differences are classified in full to profit or loss on the date of realization of the entire foreign activity in respect of which the translation differences were created and when partial realization of foreign operations involves the loss of control or in a transition from an investment accounted for according to the equity method to a financial asset. In a partial realization of a subsidiary that includes foreign activity that does not involve loss of control, a relative share of the cumulative amount of exchange rate differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign activity.

F. Cash and cash equivalents; Deposits and tradable securities

Cash and cash equivalents include cash that can be redeemed immediately, bank deposits that can be withdrawn immediately, as well as fixed-term deposits, which have no limit on use and whose maturity date, at the time of investment, does not exceed three months. This item also includes investments in monetary funds and certificates of deposit in Israel.

Deposits for which limitations exist on their use or for which the repayment period upon investment is greater than three months and no greater than one year are classified under deposits and tradable securities under current assets.

Deposits that have a restriction on their use for a period exceeding one year are classified as "pledged deposits" in non-current assets.

Note 2 – Significant Accounting Policies (continued)

G. Investment property, investment property in development and land rights

Investment property is real estate (land or building - or part of a building - or both) held by the Group for the purpose of producing rental fees or for increasing capital value, or both, and not for administrative use or for sale in the ordinary course of business (hereinafter - "**Investment Property**"). The Group's investment property, including owned or leased buildings and land (mostly land leased from the Israel Lands Administration).

Investment property is initially recognized at its purchase cost, which includes direct transaction costs such as purchase tax, professional consultant fees for legal and economic services. In addition, in accordance with IFRS 13, the Group allocates transaction costs created when purchasing new assets to the Statement of Income under "Fair value adjustment of investment property"). In periods following initial recognition, investment property is measured at fair value. Profits or losses resulting from changes in the fair value of investment property are included in the Statement of Income in the period in which they arise, and are presented under "Fair value adjustments of investment property". In order to determine the fair value of investment property, the Group's management relies mainly on valuations performed by independent external real estate assessors with the required knowledge, experience and expertise and on the experience of the Group's management.

Investment property in development and land rights – Investment property in development designated for future use as investment property is also measured at fair value, as noted above.

For the method of determining the fair value of investment property, see also Section Q.3 below and Note 4.c below.

H. Fixed assets and connected electricity-generating facilities

Fixed assets, photovoltaic and wind turbine facilities for electricity generation are measured at cost less accumulated depreciation and impairment losses.

The cost includes payments that can be directly attributed to the asset's purchase. The cost of assets developed independently includes the cost of materials and direct labor costs, credit costs capitalized to qualifying assets, as well as any additional costs that may be directly attributed to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. When significant parts of fixed assets have different lifespans, they are treated as separate items (significant components) of the fixed asset.

The depreciation of fixed assets is carried out separately for each component of a depreciable fixed asset item with a cost that is significant relative to the total cost of the item. Depreciation is carried out systematically (as detailed below) over the useful life of the item's components, from the date on which the asset is ready for its designated use, taking into account the expected residual value at the end of the useful life, as relevant.

The useful life, depreciation method and depreciation rates used in calculating the depreciation are as follows:

	Useful Life	Depreciation %	Depreciation method
Electricity generating systems - wind energy	30	3.33~	Straight line
Electricity generating systems - photovoltaic energy (*)	Mainly 20-23	4.35-5~	Straight line
Converters	7 years	14.33~	Straight line

(*) A significant residual value is calculated for these facilities.

Note 2 – Significant Accounting Policies (continued)

I. Leases

The Group usually leases land for the installation and operation of photovoltaic systems and wind farms. At the start of the lease, the Group recognizes a right-of-use asset against a lease liability, in the amount of the present value of the future lease payments over the lease period, which is determined according to the non-cancelable lease period together with periods covered by lease extension options, if it is reasonably certain that the lessee will exercise them.

A **right-of-use asset** is measured according to the cost model and depreciated in a straight line over the lease period. The cost of the right-of-use asset at the start of the lease is determined by the amount of the initial measurement of the lease liability, any lease payments made on or before the start of the lease, and initial direct costs. Subsequently, a right-of-use asset is measured at cost less accumulated depreciation and impairment losses.

The asset's depreciation is recorded as depreciation expenses and starts from the date the lease begins, which is the date of accessing the land for the project's construction. The useful life of the Group's leased assets is 20-23 years in Israel, 30 years in Poland and 35 years in the United States.

Lease liability - The lease payments included in the measurement of the lease liability consist of fixed payments and variable lease payments that are linked to the CPI.

The lease liability is initially measured on the date of the start of the lease at the present value of the lease payments that are not paid at the start of the lease, discounted using the lessee's incremental discounting interest rate, since the discount rate inherent in the lease is not easily determinable. In subsequent periods, the lease liability is measured at amortized cost according to the effective interest method.

Variable lease payments that are not dependent on an index or exchange rate, for example lease payments as a percentage of the revenue from the sale of electricity in Energix, are not included in the measurement of the lease liability and the right-of-use asset. These lease payments are recognized as an expense in the Statement of Income during the period in which the event or condition that activated these payments occurred.

J. Financial assets

Investments in financial assets are initially presented at fair value plus transaction costs, except for investments in financial assets classified in the category of fair value through profit and loss, which are presented at fair value. The Group's financial assets are classified as financial assets at fair value through profit and loss or as financial assets measured at amortized cost.

The Group measures investments in equity instruments at fair value through profit and loss. Profits or losses resulting from changes in fair value, including those due to changes in exchange rates, are recorded to the Statement of Income in the period in which the change occurred. Interest income and dividends originating from these assets are classified under the same item in the Statement of Income. Regarding the method for determining fair value, see Section Z.

Trade receivables, deposits and debt instruments are measured at amortized cost (using the effective interest method).

K. Financial liabilities

Non-derivative financial liabilities are classified as financial liabilities at amortized cost, and include short-term credit, payables and credit balances, bonds and loans from banking corporations and others. These financial liabilities are initially recognized at fair value, net of transaction costs. In periods following the initial measurement, other financial liabilities are measured, to the extent that such measurement results are material, on an amortized cost basis, with financing costs generally recognized in the Statement of Income based on the effective interest method. Regarding the treatment of financial liabilities linked to the CPI, see Section L.

Note 2 – Significant Accounting Policies (continued)

L. CPI-linked financial assets and liabilities

The Group has financial assets and liabilities linked to the CPI that are measured at amortized cost. For these assets and liabilities, financing income or costs are recorded according to the effective interest rate, to which linkage differences are added based on actual changes in the CPI up to the date of each Statement of Financial Position, so that CPI-linked balances are presented according to the last known index on the date of the Statement of Financial Position (the CPI for the month preceding the date of the Statement of Financial Position in each period), or according to the CPI in lieu of the last month of the reporting period, according to the terms of the transaction.

The Group has NIS bonds (Amot Series E and Series G and Alony-Hetz Series M), some of which were converted to CPI-linked transactions through hedging transactions. This is a fair value hedge, a conversion between fixed and variable principal and interest cash flows as a function of the changes in the CPI. Changes in the value of financial instruments designated for hedging fair value risk are recognized immediately in profit or loss at the same time as changes in the fair value of the hedged item attributed to the hedged risk (the change in the CPI).

M. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized on the date of the engagement, and in each subsequent reporting period, at fair value. Changes in the fair value of derivative financial instruments are generally recognized in profit and loss. The timing of the recognition of the profit and loss of changes in the fair value of derivative financial instruments designated for hedging purposes, where such hedging is effective and meets all conditions for determining hedging ratios, is contingent on the nature and type of hedging, as detailed below.

Hedge accounting - The Group uses various derivative financial instruments to manage exposures to changes in currency exchange rates, interest rates and electricity prices. For additional information regarding the financial derivatives held by the Company for hedging cash flows or for hedging a net investment in foreign operations, see Note 22.

When the hedge is created and in subsequent periods, the Group assesses whether the hedge is expected to be highly effective in offsetting changes at fair value or in the cash flows that can be attributed to the hedged risk during the period for which the hedge is intended. In addition, starting at the beginning of the hedging relationship and for its duration, the Group documents the degree to which the instrument is effective in offsetting the exposure to changes in the fair value or in the cash flows in respect of the hedged item.

Hedging is effective when the hedge ratio meets all the following hedging requirements: There is an economic relationship between the hedged item and the hedging item, the effect of credit risk is not more dominant than the changes in value resulting from this economic relationship, and the hedging ratio of the hedging relationship is the same as the ratio resulting from the amount of the hedged item that the Group actually hedges and the amount of the hedging device that the Group actually uses to hedge that quantity of the hedged item.

Note 2 – Significant Accounting Policies (continued)

The Group's hedging activity includes the following hedging relationships:

1. Fair value hedging

Changes in the fair value of financial instruments designated for fair value risk hedging, which include changes in the forward rate of the CPI in the case of fair value hedging of unlinked NIS bonds using derivative financial instruments, are recognized in the Statement of Income together with changes in the fair value of the hedged item related to the hedged risk.

2. Hedging of investment in foreign activity, net

Hedging of investments in foreign activity, net through loans taken in the same currency in which the investment was made and through forward and cross currency swap transactions in foreign currency, is treated such that the effective part is recognized in the "Capital Reserve from the Translation of Financial Statements for Foreign Activity" item in the Company's comprehensive income, and the ineffective part is immediately recognized in the Statement of Income.

When the Company has several net investments in foreign activities with the same functional currency (for example, USD), the Company hedges the total portfolio of those investments (the total exposure to the same foreign currency). To examine the effectiveness of the hedge and attribute the effective part of the hedge offset from the capital reserve from the translation of financial statements of foreign activities, the Company allocates the hedging transactions in the same foreign currency dynamically among the net investments in foreign activities with the same functional currency according to a proportional part of their book value at the beginning of each quarter and examines the effectiveness of the hedge of each net investment at the end of each quarter according to the proportion determined at the beginning of that quarter (prospective test).

3. Cash flow hedging

In cash flow hedging, a forecast transaction that constitutes a hedged item (for example, a forecast transaction for the sale of electricity) must be highly expected and result in exposure to changes in cash flows that may ultimately affect profit and loss.

Derivatives are initially recognized at fair value. Attributable transaction costs are recognized in profit and loss as incurred. The Group presents derivatives used to hedge electricity prices in the United States, and to hedge the exposure to variable interest, in the Statement of Financial Position, with an adjustment to the fair value as aforesaid. Subsequent to initial recognition, the derivatives are measured at fair value, and changes in the fair value of derivatives used to hedge cash flows, in respect of the effective hedging part, are recognized through other comprehensive income directly to a hedge fund. For the part that is not effective, the changes in fair value are recognized in profit and loss. The amount accrued in a hedge fund is reclassified to the Statement of Income in the period in which the hedged cash flows affect the Statement of Income and is presented in the same item in the Statement of Income in which the hedged item is presented (revenue from electricity sales or interest expenses).

As of the date of the report, the Group implements cash flow hedge accounting in connection with transactions for the fixing of the price of electricity that it will sell in photovoltaic projects in the United States and in connection with variable interest rate loans, through interest rate cap options and/or through SWAP transactions on the variable interest rate and my way of IRS transactions to replace a variable interest rate with a fixed interest rate throughout the loan period. For additional information, see Notes 7 and 8.

For hedging relationships carried out using interest rate cap options on a variable interest rate on loan bearing variable interest, the time value of the option is not part of the hedge ratio. The time value of the option on the date of its initial recognition (the "hedging cost") is recognized in profit or loss in a straight line over the hedging period (the period in which the hedged interest payments are recognized in profit and loss). The changes in fair value attributed to the time value of the option are recorded to a capital reserve.

Note 2 – Significant Accounting Policies (continued)

N. Taxes on Income

Income tax expenses (revenue) include all current taxes, as well as total change in deferred tax balances, except for deferred taxes arising from transactions recognized in equity.

1. Tax Benefits on projects in the United States and agreement with a tax partner in connection with them

Developers who own photovoltaic projects in the United States are entitled under the provisions of US law to a tax benefit (ITC - Investment Tax Credit) which can be exercised against a federal tax liability in the United States. To the extent that the developer does not have a tax liability to offset the full benefit, it is customary for the developer to engage with an entity that has a tax liability and will transfer the tax benefits (in whole or in part) thereto, in exchange for an amount that it will invest in the project (hereinafter - "**Tax Partner**").

Energix entered into a number of agreements with a tax partner according to the above structure, in exchange for the transfer of most of the tax benefits in respect of the project relevant to that agreement, which is mainly a tax credit for the ITC and the depreciation expenses for tax purposes on the photovoltaic facilities (hereinafter in this subsection - "**tax benefits**"), as well as participation in a proportionate share agreed in the cash flow available for distribution. Eligibility for participation in part of the available cash flow is in effect until the rate of return on the tax partner's investment is reached, as stipulated in the agreement. After reaching the rate of return, the tax partner's share in the profit and cash flow decreases to a minimum rate as determined in the agreement.

The amounts received from the tax partners are presented as a liability under the "liability in respect of an agreement with a tax partner" item in the Statement of Financial Position. Amounts predicted to be paid to the tax partners from the available cash flow for its investment in the project constitute a financial liability, which is measured at a amortized cost according to the effective interest method. The projected tax benefit amounts to be transferred from the project partnerships to the relevant tax partner constitute a non-financial liability recognized in profit and loss as tax revenue in a straight line over a period of 5 years (the period in which Energix is required to meet various conditions in order to be entitled to the tax benefits), except for the depreciation benefits, which are recognized in profit and loss over the benefit period, usually 12 years. In projects where Energix chose not to engage with a tax partner, the Group is entitled to receive the full tax credit for the ITC, which can be used against its taxable income. The amount of the tax credit for the ITC is recorded to profit and loss as tax income, on a straight line over five years (the period during which Energix is required to meet various conditions in order to be entitled to the tax benefits).

For additional information regarding agreements with tax partners and the tax benefits in Energix projects in the United States, see Note 7 below.

2. Deferred taxes

BE, Carr, and the Boston companies are defined as REITs for tax purposes in the UK and the United States, respectively, and do not record tax reserves in respect of revaluation gains on real estate assets in their books.

In accordance with the REIT principles in the UK, BE is not required to distribute a dividend stemming from capital gains from the sale of real estate assets, and therefore, BE and/or its shareholders will not be taxed on those profits, as long as they are not distributed as a dividend. As of the date of the report, the Company holds 83.2% of the rights in BE (see Note 6d) and therefore has control on the date of distribution of the dividends. In view of the Company management's decision that BE will not distribute dividends originating in capital gains in the foreseeable future, the Company does not record tax reserves in its financial statements in respect of its share in the revaluation gains of BE's assets.

According to the REIT rules in the United States, Carr and the Boston companies are required to distribute their taxable income for tax purposes, including capital gains from the sale of real estate assets, and accordingly, the Company records tax reserves in its financial statements in respect of its share in revaluation gains and depreciation differences for Carr and the Boston companies, if such exist the differences are liable for tax in respect of their investment property assets - see Notes 6g and 6h.

Note 2 – Significant Accounting Policies (continued)

Amot creates deferred taxes in respect of temporary differences between the value for tax purposes of assets and liabilities and their amounts in the financial statements. The deferred tax balances (asset or liability) are calculated according to the expected tax rates at the time of their realization. One of the Group's material temporary differences stems from the measurement of the real estate at fair value in the financial statements, where its value for tax purposes is at amortized cost linked to the CPI.

O. Recognition of revenue

The Group has revenues from rental fees and investment property management, which are recognized in the Statement of Income as it accumulates in a straight line over the rental period. Revenue is recognized for the provision of property management services (maintenance, cleaning, etc.) on a gross basis since it acts as a main supplier with respect to these services.

Dividend income is recognized in the Statement of Income on the determining date for dividend eligibility.

Profits (losses) from the realization of investment property and investments in associates are recognized in the Statement of Income on the date of completion of the sale transaction upon transfer of control of the property to the buyer.

Revenues from electricity sales are recognized in the Statement of Income as accumulated over the production period. Revenues from green certificates are measured according to the market price of the certificates at the end of the month in which it accumulated and recorded against the green certificates inventory. Upon realization of the certificate, revenues from the sale of green certificates are adjusted based on the actual sale price, except in cases of impairment of the value of the certificates. Impairments and cancellations are recognized in the expense items in the Statement of Income. Regarding green certificates, see Note 7.

Financing income includes interest income in respect of invested amounts. Interest income is recognized as it accrues.

P. Credit costs

Credit costs attributable to the construction of qualifying assets (investment property in development and electricity-generating facilities), the preparation of which for their intended use or sale require a significant time period, are capitalized to the cost of those assets until such time that the assets are mostly ready for their intended use. Exchange rate differences stemming from loans in foreign currency are capitalized to the extent that they are considered an adjustment to the interest costs.

Credit costs that are not specific to a particular project were calculated as a product of the average interest rate (which also includes a CPI-linkage component) by the actual cost of the property invested. All other credit costs are recognized in profit and loss as incurred.

Differences linked to the CPI in respect of specific credit and non-specific credit are capitalized to the qualifying assets (for the part of the investment in the qualifying asset that is financed through CPI-linked credit) according to the actual rate of increase in the CPI each period.

Note 2 – Significant Accounting Policies (continued)

Q. Determination of fair value

The Group estimates the fair value of financial and non-financial assets and liabilities. Fair value amounts are determined based on the following methods:

1. **Non-derivative negotiable financial instruments** – the fair value of non-financial derivatives traded on active markets (mainly shares and other securities) has been calculated according to closing rates as of the balance sheet date quoted on various stock exchanges, multiplied by the amount of issued negotiable financial instruments on that date.
2. **Non-traded financial instruments** – The fair value of financial instruments, including derivatives, that are not traded in an active market (mainly forward and cross currency swap transactions in foreign currency and financial assets at fair value through profit and loss that are not traded) is estimated using generally accepted economic valuation techniques and models based on reasonable assumptions derived from the existing economic conditions at the end of each reporting period. The valuation methods include models for pricing options and the present value of future cash flows discounted at a discount rate that reflects, in the Company management's estimation, the level of risk inherent in the financial instrument.
3. **For additional information, see Note 4c below.**

R. Main estimates and uncertainties

When preparing the financial statements, the Company's management is required to use estimates, assessments and assumptions, which affect the implementation of accounting policy, and the reported amounts of assets, liabilities, income and expenses. The estimates and their underlying assumptions underlying are reviewed regularly. Changes in accounting estimates are recorded in the period in which the estimate is changed.

The following are the main assumptions made in the financial statements in connection with the uncertainty as of the date of the Statement of Financial Position and critical estimates that were calculated by the Group and for which a material change in the estimates and assumptions may change the value of assets and liabilities in these financial statements and in the following reporting year:

- **Fair value of investment property and investment property in development and land rights –** see Note 4c.
- **Fair value of financial instruments** - As described in Note 23, the Company's management exercises judgment in selecting appropriate evaluation techniques for financial instruments that do not have a quoted market price in an active market. The valuation techniques used by the Company's management are those applied by market participants. The fair value of financial instruments is determined based on the discounted cash flows expected from them, based on assumptions supported by observable market prices and their rates. The fair value estimate of financial instruments that are not listed for trading in an active market includes a number of assumptions that are not supported by observable prices and market rates.
- **Taxes on income** – The Group operates in several countries that have different tax regimes. The Group recognizes a tax liability according to the tax rates applicable to the Group companies in accordance with the applicable tax laws. In determining the provision for current and deferred taxes, the management makes estimates and assessments, especially regarding transactions for which the tax rates or tax liability are not certain or final. When there is uncertainty, the Company's management usually assesses, based on the opinions of various tax advisors, whether it is more likely than not for that the Group has additional tax exposure, and the best estimate of the additional tax expense to be incurred by the Company. In addition, in cases where the Company's management estimates that additional tax is expected due to its international operations and the fact that it operates in several countries where different tax regimes exist, the Company recognizes a deferred tax liability according to the expected tax rates.

Note 2 – Significant Accounting Policies (continued)

S. Exchange rates and linkage bases

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

Balances linked to the Consumer Price Index are presented according to the last known index at the end of the reporting period (the CPI of the month preceding the month of the financial statement date) or according to the Consumer Price Index for the last month of the reporting period (the CPI for the month of the financial statement date), according to the transaction terms.

The following are details of the Consumer Price Index and the exchange rates of the following currencies against the NIS, as well as the increase (decrease) in the Consumer Price Index and changes in the exchange rates of the following currencies against the NIS:

	For December 31 / Month of December	For December 31 / Month of December	For December 31 / Month of December	Change for the Period ended December 31, 2021	Change for the Period ended December 31, 2021	Change for the Period ended December 31, 2020
	2023	**2022**	**2021**	**2023**	**2022**	**2021**
				%	%	%
Consumer Price Index						
(2000 base)						
In Israel (in lieu CPI)	147.78	143.53	136,354	2.96	5.26	2.8
In Israel (known CPI)	147.92	143.13	135,956	3.35	5.28	2.4
Exchange rate against the NIS						
USD	3.63	3.52	3,110	3.13	13.18	(3.27)
GBP	4.62	4.24	4,203	8.96	0.88	(4.30)
PLN	0.92	0.80	0,760	15.00	5.26	(10.49)

T. Newly published financial reporting standards and interpretations and amendments to standards

a. New standards, new interpretations and amendments to standards affecting the current period and/or previous reporting periods:

- **Amendment to IAS 1 "Presentation of Financial Statements" regarding the classification of liabilities as current or non-current**

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

The amendment removed the reference to the existence of an "unconditional" right to postpone settlement of a liability for 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.

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. On the other hand, financial covenants that an entity is required to meet at a later date than the end of the reporting period do not affect the existence of the aforementioned right as of the end of the reporting period.

In addition, Amendment 2022 states that if the entity's right to postpone settlement of the liability for at least 12 months after the reporting period is subject to the entity complying with financial covenants within 12 months after 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 other amendments published as part of the "2020 Amendment" remain as they were. The effective date of Amendment 2020 and Amendment 2022 (hereinafter collectively - the "Amendment") was determined for annual reporting periods beginning on or after January 1, 2024. The Group chose to apply the Amendment in an early implementation from June 30, 2023 in order to adequately present its engagement in a short-term and long-term non-recourse financing agreement.

During the reporting period, through a dedicated corporate structure in the United States, Energix engaged with Santander CIB for the receipt of a short-term loan for the construction period that will be converted into a long-term loan of up to USD 260 million.

Prior to the application of the Amendment to IAS 1, the construction loan was presented as a current liability since the Company does not have an "unconditional" right to postpone its settlement for at least 12 months after the reporting period. After the application of the Amendment to IAS 1, since the Company has the right to postpone the settlement of the construction loan for more than 12 months after the reporting period and is not required to meet the commercial operation condition as of December 31, the construction loan is presented as a non-current liability as of December 30, 2023 in the amount of approx. NIS 985 million.

Note 3 – Additional Information regarding Current Asset Items

A. Cash and cash equivalents

	Interest rate As of December 31 2023	As of December 31 2023	As of December 31 2022
	%	NIS thousands	NIS thousands
Cash in banking corporations		637,468	284,474
Short-term deposits in banking corporations	(*)	1,406,489	1,229,497
Monetary funds (**)		153,720	180,730
		2,197,677	1,694,701

(*) The interest rate on short-term deposits in banking corporations in NIS is 4.47%-4.74%, in PLN 2%-2.2% and in USD 4.5%-5%.

(**) Including an investment in short-term NIS mutual funds, and the average duration of their repayment date at the time of investment does not exceed 3 months.

B. Other receivables

	As of December 31 2023	As of December 31 2022
	NIS thousands	NIS thousands
Income receivable – interest, dividends, rental fees and other	10,175	7,593
Institutions	42,484	38,465
Prepaid expenses	19,198	11,509
Joint arrangements	6,186	2,967
Green certificates	11,798	22,425
Derivative financial instruments (see Note 23)	60,914	33,920
Others	82,976	50,124
	233,731	167,003

C. Deposits, tradable securities and restricted cash

	Interest rate As of December 31 2023	As of December 31 2023	As of December 31 2022
		NIS thousands	NIS thousands
Short-term deposits		-	400,000
Short-term pledged deposits and restricted cash	(*) (**)	641,620	49,790
		641,620	449,790

(*) The interest rate on short-term pledged deposits and restricted cash in USD is 4.5%-4.9%.

(**) As of the date of the report, a total of NIS 624 million is in respect of cash received from the tax partner in Energix and will be used to repay the bridging loan received during the reporting period.

Note 4 – Investment Property; Investment Property in Development and Land Rights

A. Composition and movement:

	Investment property		Investment property under construction and land rights		Total
	Israel (Amot)	The UK (BE)	Israel (Amot)	The UK (BE)	
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2022	13,987,342	3,946,316	2,371,957	978,272	21,283,887
Additions from acquisitions	46,621	696,016	309,312	-	1,051,949
Effect of changes in exchange rates		75,380	-	3,777	79,157
Transfer from investment property in development to investment property	759,775	-	(759,775)	-	-
Investments and other	247,425	79,493	216,587	25,506	569,011
Profit (loss) from fair value adjustments, net	853,589	(171,924)	127,927	(123,674)	685,918
Balance as of December 31, 2022	15,894,752	4,625,281	2,266,008	883,881	23,669,922
Additions from acquisitions	49,494	-	5,491		54,985
Classification of investment property held for sale	(177,825)	-	-	-	(177,825)
Effect of changes in exchange rates	-	345,290	-	160,176	505,466
Transfer from investment property to investment property in development	-	(930,296)	-	930,296	-
Investments and other	81,925	28,599	402,865	79,308	592,697
Profit (loss) from fair value adjustments, net	244,529	(792,404)	(1,811)	(376,483)	(926,169)
Balance as of December 31, 2023	16,092,875	3,276,470	2,672,553	1,677,178	23,719,076
Main discount rate used to calculate fair value in 2023	5.25%-7.25%	4.89%-6.21%			
Main discount rate used to calculate fair value in 2022	5.00%-7.00%	4.37%-5.44%			

- For information regarding property transferred from investment property in development to investment property, see Note 4b below.
- For information regarding revenues from rental fees originating in investment property, see Note 17a.
- For information regarding fair value adjustments of investment property, see Note 17b.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

B. Transactions in and subsequent to the reporting year related to investment property, property in development and property in planning and development:

Amot

Assets designated for sale:

As of the date of the report, assets with a value of approx. NIS 178 million are presented in "Assets designated for sale" within current assets. These assets were fully realized subsequent to the balance sheet date.

Projects in development, planning and initiation:

Halehi Complex

The lot is located in the Bnei Brak's Northern business complex, adjacent to Hayarkon Park and the Ramat Hahayal complex and near the Ayalon Mall. Amot and its partner in the project (Allied) (in this section - the "**Partnership**") are working together to plan, develop and build an office and commercial project, which will include 96 thousand sq.m. of above-ground space, including 45 floors of offices over 3 floors of commerce. The total investment in the project's construction (including the land component and the parking basements) is estimated by the partners at approx. NIS 1,530 million (Amot's share - 50%). As of the date of the report, the project in the stages of building the superstructure and carrying out the finishing work and systems in the parking lot and the commercial floors.

ToHa2 (Totzeret Ha'aretz)

In August 2021, Amot and Gav Yam Lands Corp. Ltd. (hereinafter - "**Gav Yam**" and the "**Partnership**"), purchased from the Tel Aviv Municipality the rights to construct the ToHa2 project and leased the land for a period that will end in 2108 (including the extension of the lease period in respect of the ToHa 1 project land until that date). In October 2021, the Amot Board of Directors decided on the construction and marketing of the ToHa2 project in Tel Aviv (the "**Project**"). The project will be the Partnership, in equal parts, on land at the intersection of Totzeret Ha'aretz, Yigal Alon and Derech Hashalom streets in Tel Aviv. The project is adjacent to the ToHa1 project, which is also owned by the Partnership.

ToHa2 includes approx. 160 thousand sq.m. of above ground space for marketing and approx. 45 thousand sq.m. of underground parking. The partners estimate that the total construction cost (including for TI adjustment work) will reach a total of approx. NIS 3.3 billion (Amot's share - NIS 1.65 billion), of which a total of approx. NIS 1,024 million has been paid so far (Amot's share - NIS 512 million).

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

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

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

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

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Land in Tel Aviv - ToHa

During the last two years, Amot and Gav Yam Lands Corp. Ltd. (a partner in the ToHa project) completed the purchase of properties bordering the ToHa complex, with the aim of developing and enhancing building rights in the complex in accordance with the municipal and national master plans. According to the approved City Building Plan, a project with an area of approx. 5,000 sq.m. for employment and approx. 90 residential units can be constructed on the land. The acquisitions so far amount to a total of approx. NIS 500 million (including lot 300), with Amot's share at 50%.

Land in Tel Aviv - HaSolelim Street and HaOmanim Street

Subsequent to the date of the report, in February 2024, Amot acquired the full municipal lease rights in the land designated for employment and commerce, with a total area of approx. 5.6 dunams, located at 4-8 HaSolelim Street and 8-10 HaOmanim Street in Tel Aviv, which form part of the main metropolitan business center in the row of towers in the Yigal Alon complex (hereinafter - the "**Complex**"), for a total of approx. NIS 210 million, plus VAT, which will be financed from Amot's own resources. The Complex is opposite the Toha complex on the southern side of Derech HaShalom. Amot believes that the Complex is unique due to its proximity to the existing and future mass transit stations (transportation hub), its proximity to major traffic routes and its development and improvement potential, in accordance with the municipal and national master plans in general and TAMA 70 in particular, which significantly increases the building rights in the complexes adjacent to the metro stations. Amot intends to act to promote a City Building Plan for the enhancement of rights in the Complex and the adjacent plots, in cooperation with the Tel Aviv Municipality. The company estimates that the City Building Plan that will be approved for the Complex within a few years will allow the Company to build an employment tower with an area of approx. 80,000 sq.m.

K Complex – Jerusalem

In June 2020, Amot, together with Allied Real Estate Ltd., won a tender for the lease of a plot of land with an area of approx. 4.5 dunams (K Complex) in the "City Gate" complex that will be built at the entrance to Jerusalem. The project has an above ground area amounting to approx. 79 thousand sq.m. according to the City Building Plan in effect and approx. 93 thousand sq.m. above ground area according to a City Building Plan that was deposited, as well as the right to attach 200 parking spaces built in an underground public parking lot adjacent to the complex (Amot's share – 50%). The total investment in the project, including the land component, is estimated by the parties at approx. NIS 1,440 million (of which, Amot's share is 50%). At this stage, the quarrying work has finished and the foundation work has begun.

Beit Shemesh Logistic Center

In June 2021, Amot purchased 60% of a 40-dunam plot of land in Beit Shemesh from Y.D.E. Menivim Ltd. for the establishment of a logistics center, for a consideration of NIS 53 million. Amot led a city building plan to increase the built-up areas on the lot to approx. 50 thousand sq.m. As part of the agreement between the parties, the companies are jointly establishing an advanced logistics center on two high floors of approx. 15 m. each at a total cost of approx. NIS 360 million, with Amot's share at NIS 216 million. As of the date of the report, the project is in the midst of finishing work, and the upper logistic center has been delivered to the client for adjustment work. Amot expects to receive Form 4 during the first quarter of 2024.

The statements in this section above constitute forward-looking information.

BE

Waterside house -

In October 2022, an arbitration procedure ended for updating rental fees (in accordance with the Rent Review mechanism) that began in June 2018, in one of BE's properties in central London (Waterside house). At the end of the procedure, the rental fees were updated by a rate of approx. 15% and accordingly, in the fourth quarter of 2022, BE recognized a one-time net revenue in the amount of GBP 6 million in respect of the period from the beginning of the procedure until the date of its conclusion (Back Rent) (of which approx. GBP 5 million is in respect of previous years). During 2023, a new Rent Review procedure began for updating the rental fees for the period from June 2023, in accordance with the Upwards Only mechanism.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

C. Determining fair value:

The following table presents the investment properties measured at fair value according to Level 3 (not including investment property in Amot's joint ventures). For definitions of the various levels of the hierarchy see Note 23.

Description of the valuation technique of investment property measured at fair value as of December 31, 2023:

Amot

Investments in investment property in Israel	Fair value as of December 31, 2023 in NIS thousands	Valuation technique	Description of unobservable data	Range (weighted average)	Area (sq.m.)
Offices	7,753,362	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	100	
			Discount rate	7.00%-5.75%	423,611
			Occupancy Rate	84.80%	
Industrial and logistic parks	4,641,152	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	44	
			Discount rate	7.00%-5.25%	493,811
			Occupancy Rate	99.00%	
Commercial centers	2,703,629	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	121	
			Discount rate	7.25%-6.25%	124,080
			Occupancy Rate	96.50%	
Supermarkets	767,816	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	112	
			Discount rate	6.75%-6.25%	35,038
			Occupancy Rate	100%	
Others	226,916	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	63	
			Discount rate	7.00%-6.25%	20,988
			Occupancy Rate	100%	
Property in development and land rights	2,672,553	Comparison, costs, discounted cash flow (DCF)	-	-	-

BE

Investments in investment property in the UK	Fair value as of December 31, 2023 NIS thousands	Valuation technique	Description of unobservable data	Range (weighted average)	Area
Offices (*)	3,276,470	Discounted cash flow (DCF) Extraction method	Monthly rental fees per sq.m.	58£	1,101,869 (sq.ft.)
			Discount rate	6.21%-4.89%	
			Occupancy Rate	100%-91.5%	
Land rights	1,677,178	Comparison	Price per acre	GBP 11 m. - GBP 13 m.	9.7 acres
		Extraction method	Monthly rental fees per sq.m.	74£	1,164,392 (sq.ft.)
			Discount rate	5.16%-5.00%	

(*) One of the above properties includes office space as well as an open commercial center.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of the valuation technique of investment property measured at fair value as of December 31, 2022:

Fair value as of December 31, 2022 in NIS thousands	Valuation technique	Description of unobservable data	Range (weighted average)	Area (sq.m.)
7,746,836	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	95	
		Discount rate	5.75%-7.00%	423,611
		Occupancy Rate	86.30%	
4,589,553	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	41	
		Discount rate	5.00%-7.25%	493,811
		Occupancy Rate	100.00%	
2,695,716	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	115	
		Discount rate	6.25%-7%	124,080
		Occupancy Rate	98.10%	
743,290	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	107	
		Discount rate	6.75%-6.25%	35,038
		Occupancy Rate	100%	
220,563	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	58	
		Discount rate	6.25%-7%	20,988
		Occupancy Rate	100%	
2,267,162	Comparison, costs, discounted cash flow (DCF)	-	-	-

Fair value as of December 31, 2022	Valuation technique	Description of unobservable data	Range (weighted average)	Area
NIS thousands				
4,625,281	Discounted cash flow (DCF)	Monthly rental fees per sq.m.	56£	
	Extraction method	Discount rate	5.44%-4.37%	1,980,933 (sq.ft.)
		Occupancy Rate	100%-81%	
883,881	Comparison	Price per acre	GBP 14 m. - GBP 17 m.	9.7 acres

(*) One of the above properties includes office space as well as an open commercial center.

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

Description of valuation processes used to determine fair value

The entities at Amot and BE responsible for the fair value measurement process for items classified at Level 3 (see Note 23) is the companies' senior management.

For the purpose of determining the fair value of investment property, the Group's management relies mainly on assessments made by independent external real estate appraisers with the required knowledge, experience and expertise.

The managements of Amot and BE report to the Financial Statements Committee of Amot and BE, respectively, on the fair value of investment property, and examine the appropriateness of the data and valuation methodology used to determine the fair value.

Amot's and BE's valuations are examined quarterly and when needed, adjustments are made in order to estimate the fair value in the most precise manner Amot and BE believes possible.

Fair value is measured based on valuation techniques, such as: the market approach - an approach that uses prices and relevant information created by comparable market transactions, to which adjustments are made. Revenue approach – an approach that converts future amounts (for example, future cash flows) to the current discounted amount (DCF). When the discounted cash flow method is used, the interest rate used to discount the net cash flows expected from the asset has a significant impact on its fair value.

In determining fair value, the following, among other things, are taken into account: the discount rates used to discount future cash flows, the length of the rental period, the stability of the tenants, the amount of available space in the property, the lengths of the lease agreements and the amount of time required to rent out the vacant properties, the implications of investments needed for the development, completion of the project and/or maintenance of existing properties and deduction of uncovered operating costs, etc.

The fair value of investment property in development and land rights is calculated according to one of the following methods, as relevant:

- Estimation of the fair value of the land component and construction rights (mainly using the approach of comparing similar land while making necessary adjustments) in addition to the accumulated construction costs and entrepreneurial profit attributed to those costs where relevant.
- Estimation of the fair value of the investment property expected after completion of its construction, less the current value of estimated construction costs expected for its completion and less entrepreneurial profit, where relevant, taking into account the rate of return adjusted for the relevant risks and characteristics of the investment property.

The process of assessing fair value of investment property also includes subjective components, originating among other places in past experience of Group management and its understanding of future occurrences and developments in the investment property market on the date on which the fair value assessment was determined. In view of this, and in view of that stated in the previous paragraphs, determination of the fair value of the Group's investment property requires discretion. Changes in assumptions used to determine fair value can materially affect the Group's financial condition and operating results.

D. Sensitivity analysis:

The following is a sensitivity analysis of the value of the Amot Group's investment property at a cap rate on the basis of a standardized NOI (including joint arrangements):

Based on an annual NOI of approx. NIS 1,014 million, any 0.25% change in the cap rate will result in a change in fair value of Amot's income-generating property (not including property in development and rights in land) of approx. NIS 642 million (less deferred taxes at a rate of 23% – approx. NIS 494 million) (the average change of increase and decrease in the discount rate).

Note 4 – Investment Property; Investment Property in Development and Land Rights (continued)

D. Sensitivity analysis (continued)

The following is a sensitivity analysis of the value of the BE Group's investment property (including land[2]) at the cap rate:

Any 0.25% change in the cap rate will result in a change in fair value of approx. GBP 93 million (approx. NIS 358 million).

E. Additional information:

For information on liens, see Note 13.

Note 5 - Investments in securities measured at fair value through profit and loss

		As of December 31	
		2023	2022
	Exposure currency	NIS thousands	NIS thousands
Securities measured at fair value through profit and loss			
Brockton Real Estate Investment Funds	GBP	222,219	216,233
Other investments in tradable and other securities	NIS	3	18
		222,222	216,251

Brockton Real Estate Investment Funds (hereinafter - "the Funds")

As of December 31, 2023, the Group is a partner in three real estate funds (Brockton Capital Fund I LP, Brockton Capital Fund II LP, Brockton Capital Fund III LP). The Group's share in the total value of the Funds is NIS 222 million (GBP 51 million).

The funds are in the process of realizing the balance of their portfolio, which is expected to be completed in the coming years. For additional information, see Note 23.

Note 6 – Investments in Investees

A. Significant Group subsidiaries

1. List of subsidiaries

Name of subsidiary	See section	Main location of activity	Rate of holdings and in voting		Value of holdings at stock market prices		Amount of investment in investee (*)	
			As of December 31		As of December 31		As of December 31	
			2023	2022	2023	2022	2023	2022
			%		NIS thousands		NIS thousands	
Amot Investments Ltd.	B	Israel	51.1%	53.79%	4,814,373	5,218,641	4,506,094	4,698,814
Energix Renewable Energies Ltd.	C	Israel	50.3%	50.39%	3,688,174	3,058,755	1,151,225	1,136,147
Brockton Everlast Limited Inc. (**)		UK	83.4%	83.20%	-	-	2,656,530	3,169,275

(*) The Company's share in the consolidated companies' equity.

(**) Through Brockton Holdings LP, a partnership in Guernsey.

[2] With the exception of land whose fair value is measured using the comparison method according to the price per acre.

Note 6 – Investments in Investees (continued)

B. Subsidiaries that have non-controlling interests that are material to the Group

The following is condensed financial information from Amot's statements:	**As of December 31**	
The following amounts are before inter-company cancellations:	**2023**	**2022**
	NIS thousands	**NIS thousands**
Rate of non-controlling interests (in capital and voting)	48.85%	46.21%
Current assets	768,310	1,136,415
Non-current assets	19,391,878	18,705,665
Current liabilities	904,171	882,121
Non-current liabilities	10,418,405	10,184,421
Total assets, net	8,837,612	8,775,538
Book value of Amot's non-controlling interests	4,315,489	4,060,707

	For the year ended December 31		
	2023	**2022**	**2021**
	NIS thousands	**NIS thousands**	**NIS thousands**
Revenues from rental fees and management of investment property	1,110,874	1,028,138	841,602
Fair value adjustment of investment property, net	244,722	984,285	742,641
Profit	682,607	1,171,146	932,186
Other comprehensive income (loss)	-	-	-
Total comprehensive income	682,607	1,171,146	932,186
Profit attributable to Amot's non-controlling interests	311,478	538,712	410,219
Net cash flows provided by operating activities	789,822	589,637	595,055
Net cash flows used in investing activities	(190,835)	(1,167,948)	(2,285,607)
Net cash flows provided by financing activities	(758,510)	832,648	1,515,186
Dividend paid to non-controlling interests	295,530	299,187	182,328

Note 6 – Investments in Investees (continued)

The following is condensed financial information from Energix's statements:	**As of December 31**	
The following amounts are before inter-company cancellations:	**2023**	**2022**
	NIS thousands	**NIS thousands**
Rate of non-controlling interests (in capital and voting)	46.69%	49.61%
Current assets	1,394,608	700,775
Non-current assets	8,416,270	5,381,456
Current liabilities	2,048,868	554,664
Non-current liabilities	5,390,856	3,197,279
Total assets, net	2,371,154	2,330,288
Book value of Energix's non-controlling interests	1,185,744	1,193,982

	For the year ended December 31		
	2023	**2022**	**2021**
	NIS thousands	**NIS thousands**	**NIS thousands**
Total revenue	681,906	527,325	266,626
Profit	258,068	235,910	79,204
Other comprehensive income (loss)	68,466	(17,844)	(74,100)
Total comprehensive income	326,534	218,066	5,104
Profit (loss) attributable to Energix's non-controlling interests	127,930	113,695	36,526
Net cash flows provided by (used in) operating activities	505,813	284,687	103,489
Net cash flows used in investing activities	(3,099,284)	(1,085,158)	(1,272,939)
Net cash flows provided by financing activities	2,648,166	666,754	792,697
Dividend paid to non-controlling interests	125,017	51,567	40,848

Note 6 – Investments in Investees (continued)

The following is condensed financial information from BE's statements:

The following amounts are before inter-company cancellations:

	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
Rate of non-controlling interests (in capital and voting)	16.59%	16.80%
Current assets	168,004	205,419
Non-current assets	5,282,680	5,871,517
Current liabilities	937,901	485,767
Non-current liabilities	1,329,531	1,794,945
Total assets, net	3,183,252	3,796,224
Book value of BE's non-controlling interests	526,722	626,949

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Revenues from rental fees and management of investment property	214,977	192,828	152,098
Fair value adjustment of investment property, net	(1,168,887)	(295,598)	975,455
Profit (loss)	(1,192,651)	(184,016)	994,332
Other comprehensive income (loss)	(24,886)	34,481	9,575
Total comprehensive income (loss)	(1,217,537)	(149,535)	1,003,907
Profit (loss) attributable to BE's non-controlling interests	(198,831)	(32,363)	28,797
Net cash flows provided by operating activities	21,650	51,015	73,838
Net cash flows used in investing activities	(114,971)	(570,740)	(1,273,352)
Net cash flows provided by financing activities	29,345	619,444	1,204,241
Dividend paid to non-controlling interests	11,834	2,985	1,544

C. Information regarding significant consolidated companies – Amot Investments Ltd. (hereinafter - "**Amot**")

1. Amot's business

Amot is a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd., and is a directly-controlled subsidiary of the Company. Amot engages, directly and indirectly, through corporations under its control, in the rental, management and maintenance of income-generating properties in Israel and in the development of land for its own use for rental properties. Amot owns, directly and indirectly, real estate assets that include offices, commercial centers, supermarkets, a central bus station, industrial parks and industrial and logistics buildings.

2. The Company's holdings in Amot

In 2021 and 2022, Amot raised capital in the amount of NIS 718 million and approx. NIS 618 million, respectively. In addition, in 2021 and 2022, the Company invested in Amot as part of Amot's offerings and in stock market purchases, a total of NIS 288 million and NIS 159 million, respectively. In November 2023, in an off-exchange transaction, the Company sold 12 million ordinary shares of Amot for a consideration of approx. NIS 220 million. As of December 31, 2023, the rate of the Company's holdings in Amot was 51.1% and fully diluted, taking into account convertible securities issued by Amot, the rate of holdings will be 50.86% (in 2022: 53.79% and 53.16%, respectively, and in 2021: 55.52% and 53.91%, respectively).

Note 6 – Investments in Investees (continued)

Close to the publication of the financial statement, the Company's rate of holdings in Amot's share capital is 51.4% (approx. 50.86% fully diluted).

3. Amot's dividend distribution policy

In January 2007, Amot's Board of Directors adopted a dividend policy, according to which during the first quarter of each calendar year, Amot will announce the dividend distribution amount planned for that year. The dividends will be distributed at the end of each quarter (the relative portion), subject to the decision of Amot's Board of Directors, as long as the dividend distribution does not harm Amot's cash flow, and taking into account Amot's future investment plans that may exist from time to time and subject to the law. As part of the above decision, Amot's Board of Directors decided that it would be permitted at any time, taking into account business considerations and the provisions of the law, to change the dividend policy, and to change the dividend amounts distributed or to decide not to distribute them at all. In accordance with this decision, each year Amot declares the minimum dividend to be paid that year.

In accordance with the decisions made by Amot's Board of Directors regarding the years 2021-2023, in 2021 Amot paid its shareholders a current dividend in a cumulative amount of NIS 419 million (the Company's share - NIS 236 million), in 2022 a current dividend and an additional dividend (in respect of 2021) in a cumulative amount of NIS 649 million (the Company's share - NIS 329 million). In 2023, a current dividend and an additional dividend (in respect of 2022) in the cumulative amount of NIS 639 million (the Company's share - NIS 344 million).

In February 2024, Amot's Board of Directors stated that in 2024 Amot intends to distribute an annual dividend of NIS 1.08 per share, to be paid in 4 quarterly payments in the amount of NIS 27 per share, subject to a specific decision of the Board of Directors at the end of each quarter.

Further to this policy, Amot will distribute in February 2024, a dividend for Q1/2024 in the amount of NIS 0.27 per share. The total dividend to be distributed by Amot as stated above, in February 2024, will amount to approx. NIS 127 million (the Company's share - approx. NIS 65 million). In addition, in February 2024, Amot will distribute an additional dividend in respect of 2023 in the amount of NIS 0.22 per share (NIS 104 million, the Company's share - NIS 53 million).

4. Management fee agreement with Amot

In June 2022, following the approval of the Company's Audit Committee and Board of Directors, and the approval of Amot's Audit Committee, Board of Directors, and General Assembly, the Company signed a management agreement with Amot for 2022-2024, according to which the management fees for each of these years will be in the amount of NIS 10.3 million per year, linked to the CPI for the month of December 2021.

The management fee will be paid in four quarterly payments. It should be clarified that the amount of services provided to Amot is according to Amot's changing needs, from time to time, and with no hourly limit (minimum or maximum). In this context, it should be noted that the Company has committed to make available to Amot all the inputs that will be required for the provision of management services, as required by Amot (hereinafter - the "**Management Agreement**"). If during the period of the management agreement there will be a substantial reduction in the amount of work invested by the Company's officers, at a rate exceeding 25% cumulatively per year of activity (in relation to the estimated amount of work invested by the aforementioned officers for the provision of management services prior to the approval of the management agreement), Amot will have the right to cancel the management agreement. In addition, according to the management agreement, the Company will be entitled to end it at any time with prior written notice of 120 days. In addition, as was the case until now, each party may end it with a prior written notice of 60 days to the other in the event that the Company ceases to have control over Amot.

Regarding the revaluation of Amot's assets, see note 17b below.

Note 6 – Investments in Investees (continued)

D. Information regarding significant consolidated companies – Brockton Everlast Inc. Limited (hereinafter - "BE")[3]

1. BE's business

In February 2018, the Company (through wholly owned subsidiaries of the Company) engaged with senior partners in Brockton Capital LLP (hereinafter - "**Brockton**" and the "**BE Managers**") in a series of agreements according to which the Company, together with the BE Managers, established Brockton Everlast Inc. Limited, a private company engaged in the acquisition, development, improvement, construction, management and maintenance of income-generating property in the metropolitan area of London, Cambridge and Oxford in the UK. At the same time, Brockton continues to manage the three existing funds until completion of the realization of all their investments, a process that is expected to be completed in the coming years (for information, see Note 5 above).

The total fair value of BE's properties as of December 31, 2023 was GBP 1.1 billion (NIS 4.9 billion). Regarding the real estate appraisal carried out on BE's properties, see Note 17b below.

On February 22, 2022, the Company, BE and the BE Managers signed a set of binding agreements with corporations from the Menora Mivtachim Group (hereinafter - "**Menora**"), under which Menora invested the amount of GBP 112 million in BE's capital, which gave Menora a holding of 13.6% in BE's capital. Regarding provisions determined in connection with corporate governance and restrictions on offenses, see Subsections 4 and 5 below, respectively).

As of December 31, 2023, the Company indirectly held approx. 83.41% of the rights in BE (close to the date of publication of the report - approx. 83.67%).

2. Information regarding the amount of the Company's investment in BE

From BE's establishment until the date of publication of the report, the Company has invested GBP 693 million in BE's capital, of which a total of GBP 58.6 million (NIS 274.5 million) was invested during 2023.

3. BE's dividend distribution and capital reduction policy

BE is defined as a REIT for UK tax purposes and must meet certain conditions which include, among other things, a dividend distribution at a rate of at least 90% of its current adjusted taxable income from real estate activity.

In the years 2021, 2022 and 2023, BE distributed to its shareholders a dividend of GBP 12 million (approx. NIS 53 million), GBP 16 million (approx. NIS 70 million) and GBP 16 million (approx. NIS 70 million), respectively (the Company's share - approx. NIS 52 million, NIS 67 million and NIS 59 million, respectively).

During the second half of 2024, BE is expected to distribute a dividend to its shareholders in the amount of GBP 12 million (approx. NIS 55 million, the Company's share - approx. NIS 46 million).

4. Corporate Governance in BE and in the BE Group

As part of the set of agreements entered into by the Company, BE, the BE Managers and Menorah, several provisions were established in connection with corporate governance at BE as follows: (a) The BE board of directors will consist of 3 Company representatives (including the Chairman) and 2 representatives of the BE Managers. In addition, the Company, Menorah and the BE Managers will have the right to appoint an observer on their behalf (In relation to Menorah, the right to appoint an observer is conditional on a minimum holding of 5%. The Company has the right to appoint the observer as a director at any time; (b) As a rule, decisions will be made by a simple majority except for the following decisions: interested party transactions with the Alony-Hetz Group involving a benefit to the Alony-Hetz Group (not including indemnification and insurance of directors), amendment of the employee remuneration plan, which expires at the end of 2025; a decision to dissolve BE in court proceedings and decision on a drastic change in business strategy. BE also has Board committees in which Company representatives will constitute a majority.

3 BE is held through Brockton Holdings LP.

Note 6 – Investments in Investees (continued)

5. Limitation on the transferability of rights

In the partnership agreement between the Company, the BE Managers and Menora, a number of limitations were determined on the transferability of rights in BE, as follows: (1) In a four-year period ending in March 2026, there will be no transfer of rights in BE, except by "authorized transfers", to certain transferees and under conditions specified in the partnership agreement (the "**Restriction Period**"); (2) After the restriction period, the Company will have the right to sell or transfer all of its rights in BE to a third party, and to drag along the other rights holders, subject to conditions specified in the partnership agreement; (3) After the restriction period, the Company will have the right to sell or transfer some or all of its rights in BE to a third party, subject to the granting of a tag along right to the BE Managers and to Menora. In such a case, the BE Managers and Menora will have the right to join the sale, under the same conditions and in equal proportion to the sale of rights by the Company, provided that if the holdings of Alony-Hetz fall below 25% following the aforementioned sale, Menorah will have the right to sell all of its holdings in that sale; (4) From the end of the restriction period, all BE rights transfers made by the BE Managers will be subject to the Company's right of first refusal whereas the transfers of BE rights by Menora are subject to the Company's right of first offer (ROFO).

Non-compete commitment

The Company has made a non-compete committed in BE's business as long as it holds at least 25% of the capital and as long as Menora holds at least 5% of BE's capital.

Note 6 – Investments in Investees (continued)

E. Information regarding significant consolidated companies - Energix Renewable Energies Ltd. (hereinafter - "Energix")

1. Energix's business

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

Energix engages in the planning, development, financing, construction, management and operation of systems for the generation and storage of electricity from renewable energy sources (photovoltaic systems and wind farms) and the sale of electricity produced in these facilities, with the intention of holding them for the long term. As of the date of the report, Energix has operations in Israel, Poland and the United States. As of the date of the report, the total capacity of its systems amounts to approx. 1,279 MW in projects in commercial operation, approx. 533 MW + 318 MWh in projects in development or pre-construction and approx. 473 MW + 136 MWh in projects in advanced stages of initiation. In addition, Energix has photovoltaic and wind energy projects in initiation with a capacity of approx. 6.3 GW and storage projects in initiation with a capacity of approx. 7 GWh. See Notes 7 and 8 below.

Regarding financing arrangements for the projects, see Note 12d.

2. Company holdings in Energix:

In 2021 and 2022, Energix raised capital in the amount of NIS 10 million and NIS 676 million, respectively. In addition, in 2022, the Company invested in Energix as part of Energix's offerings, stock market purchases and the exercise of options it held, a total of NIS 203 million.

As of December 31 2023, the rate of the Company's holdings in Energix was 50.3% and fully diluted, taking into account convertible securities issued by Energix, the rate of holdings will be 46.1% (in 2022: 50.39% and 46.45%, respectively, and in 2021: 53.33% and 53.91%, respectively).

Near the publication of the balance sheet, the Company's stake in Energix share capital is 50.3% (46.1% fully diluted).

3. Energix's dividend distribution policy

In March 2021, Energix's Board of Directors adopted a dividend policy taking into account the continued growth of Energix and depending on its needs, according to which, close to the approval of its annual reports each year, Energix will announce the amount of the dividend planned for that year. The amount of the annual dividend will be divided into 4 quarterly payments, taking business considerations into account and in accordance with the provisions of any law, the Board of Directors may at any time make adjustments or change the amount of the dividends distributed, or decide not to distribute them at all.

In accordance with the above decision, during 2021, 2022 and 2023, Energix paid its shareholders a current dividend in the cumulative amount of NIS 88 million, NIS 107 million and NIS 251 million, respectively (the Company's share - NIS 47 million, NIS 55 million and NIS 127 million, respectively).

In addition, in view of the results of Energix's activities for 2022, Energix distributed an additional dividend in the first quarter of 2023 for 2022 in the amount of NIS 0.18 per share (NIS 99 million, the Company's share - NIS 50 million).

In March 2024, the Energix Board of Directors stated that in 2024 it intends to distribute an annual dividend in the amount of NIS 0.40 per share, which will be paid in four equal quarterly payments of NIS 0.10 per share, subject to a specific decision of the Energix Board of Directors at the end of each quarter. Also, in view of its operating results in 2023, the Energix Board of Directors decided to distribute an additional dividend for 2023 that will be paid together with the dividend for the first quarter of 2024 in the amount of NIS 0.20 per share, and the total amount of the dividend for the first quarter will be NIS 0.30 per share.

In accordance with the above, Energix declared a dividend distribution for the first quarter of 2024 (including the additional dividend, as aforesaid) in the amount of NIS 0.30 per share (approx. NIS 164 million) (the Company's share - approx. NIS 83 million), to be paid in March 2024.

Note 6 – Investments in Investees (continued)

4. Energix's lease agreements for electricity generation facilities

Energix leases land and roofs of buildings for the installation and operation of photovoltaic systems and leases land for the installation and operation of wind systems. Regarding the accounting policy, see Note 2i. Regarding the leasing of rooftops from Amot - see Note 18c.

5. Management fee agreement with Energix

The Company has a management agreement with Energix for a period of three years ending on June 30, 2026 (hereinafter - the "**New Management Agreement**"). Starting July 1, 2023, The New Management Agreement revises and extends, from July 1, 2023, the previous management agreement that ended on June 30, 2023 (hereinafter - the "**Previous Management Agreement**").

According to the New Management Agreement, for the management services, Energix pays the Company a management fee consisting of a fixed payment of NIS 1.325 million per quarter (linked to the CPI)[4] and a variable payment of 0.045% per quarter (i.e. 0.18% on an annual basis) of the original cost in Energix's books for its electricity generating facilities, which are actually producing electricity (Energix's share) that have been added and/or will be added to Energix from July 1, 2020 onwards. In total, the variable payment will not exceed the amount of NIS 5.2 million per year (linked to the CPI)[4]. The maximum annual management fee ceiling will be the amount of NIS 10.5 million (linked to the CPI)[4].

The engagement in the New Management Agreement with Energix was approved by the Company's Audit Committee and Board of Directors at their meetings in May 2023 and by Energix's General Assembly in July 2023.

The management fees paid to the Company in 2021, 2022 and 2023 amounted to NIS 5.8 million, NIS 7.7 million and NIS 10.1 million, respectively.

[4] The base index is the index published on July 15, 2023 in lieu of June 2023.

Note 6 – Investments in Investees (continued)

F. Investments in associates and joint ventures

1. Composition of investments

Name of investee	See section		Country of incorporation	Rate of holdings in investee's capital rights		Amount of investment in investee	
				As of December 31		As of December 31	
				2023	2022	2023	2022
				%		NIS thousands	
Carr Properties Holdings LP (**)	E	Jointly controlled entity	USA	52.33% (*)	52.33% (*)	1,568,555	2,844,673
OPG 125 Summer REIT Investor (DE) LLC	G	Jointly controlled entity	USA	55% (*)	55% (*)	264,537	410,937
OPG 745 Atlantic REIT Investor (DE) LLC	G	Jointly controlled entity	USA	55% (*)	55% (*)	63,700	90,996
Davenport REIT Investor (DE) LLC	G	Jointly controlled entity	USA	55% (*)	55% (*)	197,574	254,549
Brockton Capital LLP	H	Associate	UK	100%	100%	26,389	53,090
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")	J	Associate	Israel	10.00%	10.00%	9,929	12,696
Others (mainly joint ventures with Amot)	I					419,816	403,088
						2,550,500	4,070,029

(*) Voting rights - 50%.

2. Composition of the Group's share in the profits of associates, net

Name of investee	See section	Details of equity gains		
		For the year ended December 31		
		2023	2022	2021
		NIS thousands		
Carr Properties Holdings LP		(1,383,740)	(780,842)	53,723
OPG 125 Summer REIT Investor (DE) LLC		(145,973)	(95,331)	(17,512)
OPG 745 Atlantic REIT Investor (DE) LLC		(74,124)	(53,189)	42,228
Davenport REIT Investor (DE) LLC		(64,084)	(39,046)	50,527
Brockton Capital LLP		(57,125)	(6,491)	(23,422)
Aviv Venture Capital Fund 2 ("Aviv 2 Fund")		(3,128)	(2,898)	1,758
Others (mainly joint ventures with Amot)		24,177	24,208	19,417
		(1,703,997)	(953,589)	126,719

Note 6 – Investments in Investees (continued)

G. The Company's holdings in Carr (joint ventures)

1. General

Carr Properties Holdings LP (hereinafter - "**Carr Holdings**") is a partnership jointly controlled by the Group and an investment fund managed by the Special Situation Property Fund of JP Morgan Chase Bank (hereinafter - "**JPM**"). As of the publication of the report, Carr Holdings is held directly and indirectly by the Company at a rate of 52.33%, by JPM at a rate of 38.89% and by Clal Insurance at a rate of 8.76%[5].

Carr Holdings has full control (through a corporation under its full control) and a 91.18% holding in Carr Properties Partnership (hereinafter - "**Carr**" and "**Carr Properties**").

As of December 31, 2023, the effective holding of the Company in Carr Properties is 47.72%, of JPM - 35.46% and of Clal Insurance - 13.91%[6].

On the date of the investment in Carr Holdings (August 2013), the Company and JPM entered into several agreements regarding Carr Holdings' corporate governance as well as joint control arrangements. Furthermore, agreements exist between Carr Holdings shareholders that include mechanisms for the restriction of the transfer of rights. For additional information, see Note 6g.8 below.

In view of the above, the Company's investment in Carr Holdings is considered a shared transaction presented in the Company's financial statements according to the book value method starting from Q3/2013.

2. Investments in Carr in the reporting periods

The total cost of the Company's cumulative investment in Carr Holdings as of December 31, 2023 is USD 872 million.

The Company's investment in Carr Holdings as of December 31, 2023, which is presented in the Group's financial statements according to the equity method, amounts to USD 432 million (NIS 1.57 billion).

3. Carr's business

Carr deals in investment, acquisition and developing income-generating property for rental purposes, including the management and maintenance of office buildings under its ownership in urban areas in the Washington DC metropolis, in Boston, Massachusetts and in Austin, Texas, USA.

Carr fully or partially owns 14 income-generating office buildings with a total rental space of 3.5 million sq.ft. (327 thousand sq.m.) (Carr's share) and a value of USD 1.7 billion (Carr's share). The properties are rented to hundreds of tenants for various time periods. As of December 31, 2023, the occupancy rate in Carr's properties is 86.7% (the occupancy rate including One Congress, which is in advanced occupancy stages is 88.9%).

As of December 31, 2023, Carr owns one project in development in Boston with a total area of 1 million sq.ft. (0.8 million sq.ft. - Carr's share) whose value in the financial statements as of December 31, 2023 amounts to USD 0.7 billion (Carr's share). For additional information regarding the One Congress project see below.

Regarding transactions carried out by Carr in connection with the initiation, construction and rental of residential buildings during the reporting period and subsequently, see below.

The following are the main transactions carried out by Carr over the course of the reporting period and subsequently:

5 The balance is held by five individuals.
6 The balance of 2.91% is held by others.

Note 6 – Investments in Investees (continued)

- **Sale of The Elm building**

  In August 2023, Carr completed 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 June 30, 2023. An amount of USD 235 million from the proceeds of the sale were used by Carr to reduce utilized credit facilities.

- **One Congress project – Boston, Massachusetts**
  Carr holds 75% of the rights in a joint venture through which an office tower was built in Boston under the name "One Congress" with 1 million sq.ft. of rental areas together with a partner (the "**Joint Venture**" and the "**Tower**", as the case may be). In April 2023, the construction of the tower was completed (before adjustments for tenants), it is fully leased to two main tenants and as of the date of the report, it is in the advanced stages of occupancy and delivery, which are expected to be completed during 2024.

- **Midtown Center building - Washington DC - Rental agreement with Fannie Mae**
  Carr leases 713.5 thousand sq.ft. of office space at Midtown Center to Fannie Mae, the primary tenant of the property. In the fourth quarter of 2023, Fannie Mae exercised several options to reduce the rental area in the amount of 149 thousand sq.ft. on a gradual basis from May 2026 until May 2028. Fannie Mae also exercised an option for early termination of the aforementioned rental agreement such that the rental period on the remaining area (564.5 thousand sq.ft.) will end in May 2029 (instead of May 2033). With the exercise of the aforementioned options, Fannie Mae paid compensation in the total amount of USD 70.7 million, which will be recognized as revenue over the remainder of the lease term.

- **1615 L Street building**
  In September 2023, Carr (through a wholly-owned subsidiary) chose not to repay a non-recourse loan in the amount of USD 134 million for the property known as the 1615 L Street building and therefore went into default. The financing party has actual control over the building and the right to obtain ownership of the building (a process that may take several quarters). Further to the above, in December 2023, Carr stopped including in its financial statements the wholly owned subsidiary that owns the building and the aforementioned debt. As of December 31, 2023, Carr's investment in the company that owns the property is zero and Carr does not record any losses for this entity since it is not a guarantor for the debt.

- According to Carr's strategy to also engage in the initiation, construction and rental of residential buildings, Carr carried out two transactions as follows:
  1) **Conversion of a building from offices to residence** - In December 2023, Carr classified an income-generating property located in northern Virginia, listed in Carr's financial statements in the amount of USD 23 million, from "income-generating properties" to "properties in development" due to its intention to initiate the construction of a new building for residential rental through the demolition of the existing building.
  2) **Acquisition of the 901 Pitt Street building** - Subsequent to the date of the report, in February 2024, Carr completed a transaction for the acquisition of a building located in northern Virginia, for a consideration of USD 15.4 million. Carr intends to initiate the construction of a new building intended for residential rental through the demolition of the existing building.

  Carr is working to add investors to these projects.

4. **Fair value adjustments of investment property**
   In the reporting period, Carr recorded a net negative revaluation in the amount of USD 825 million (Carr's share) in its financial statements[7]. The Group's share in the negative revaluation before tax is approx. USD 392 million, (NIS 1.46 billion).

[7] The amount includes a profit of approx. USD 6 million due to the exit of the subsidiary from the consolidation.

Note 6 – Investments in Investees (continued)

Approx. 63% of the negative revaluations of Carr's assets in the reporting period resulted from the increase in the discount rate of the projected cash flow from the properties (Discounted Cash Flow Rate and Terminal Cap Rate), approx. 30% resulted from a change in assumptions regarding future rentals, and approx. 7% were due to other reasons.

The following is a sensitivity analysis of the effect of a 0.25% change in the weighted discount rate on the value of Carr's income-generating properties:

An increase (decrease) of 0.25% in the weighted discount rate on the value of Carr's income-generating property assets (not including property in development and initiation projects) will result in a loss (profit) for Carr in the total amount of USD 41 million (the Company's share - USD 20 million).

An increase (decrease) of 0.25% in the weighted discount rate on the value of Carr's property in development - One Congress - will result in a loss (profit) for Carr of approx. USD 30 million (the Company's share - USD 14 million).

5. **Carr's financial debt**

As of December 31, 2023, Carr and its investees had loans from banking corporations and a utilized credit facility totaling USD 1.5 billion[8] (Carr's share) at a weighted interest rate of 4.38% and for an average duration of 2.99 years. Of the above amount, 75% is at a fixed interest rate, after taking into account interest rate-fixing transactions.

Regarding the initiated non-payment of the non-recourse loan in the amount of USD 134 million, see Section 3 above.

In September 2023, there was a change in Carr's credit facility agreement in which the amount of the facility was reduced from USD 800 million to USD 700 million. As of December 31, 2023, Carr's unused credit facility balance is approx. USD 300 million. After the date of the report, in February 2024, Carr withdrew an amount of USD 10 million from the facility.

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[8] Does not include a lease commitment in accordance with IFRS 16 in the amount of USD 148 million in respect of ground lease agreements.

Note 6 – Investments in Investees (continued)

6. Condensed financial information on Carr Holdings

	For the year ended December 31		
	2023	2022	2021
	USD thousands		
Revenue (not including real estate valuations)	216,216	203,448	215,045
Adjustment of investment property value (*)	(837,529)	(547,083)	(4,133)
Net profit (loss) from continuing activity	(757,718)	(463,417)	35,266
Other comprehensive income (loss)	(12,370)	25,865	25,622
Total comprehensive income (loss) (including share of non-controlling interests in profit (loss))	(770,088)	(437,552)	60,888
Company share in Carr's net profit (loss) in USD thousands	(370,433)	(225,155)	16,409
Company share in Carr's comprehensive income (loss) in USD thousands	(376,033)	(214,002)	28,025
Company share in Carr's net profit (loss) in NIS thousands	(1,383,740)	(780,842)	53,723
Company share in Carr's comprehensive income (loss) in NIS thousands	(1,404,679)	(743,763)	91,478

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. Carr's economic share in the value adjustment amounts to USD 831 million.

	As of December 31	
	2023	2022
	USD thousands	
Investment property	1,191,124	2,107,521
Property in development and land for development	23,379	8,876
Investment in investees	435,546	671,714
Other non-current assets	162,534	194,856
Other current assets	60,778	58,901
Total assets	1,873,361	3,041,868
Current liabilities	160,576	244,729
Non-current liabilities	826,915	1,137,985
Total liabilities	987,491	1,382,714
Equity attributed to shareholders	826,172	1,544,754
Non-controlling interests	59,698	114,400
Equity (including non-controlling interests)	885,870	1,659,154
Total liabilities and equity	1,873,361	3,041,868
Company share in net assets - in USD thousands	432,466	808,375
Book value of investment – in NIS thousands	1,568,555	2,844,673

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Note 6 – Investments in Investees (continued)

7. Material Agreements

The Company and JPM have several agreements in connection with the corporate governance of a corporation that is 100% controlled by Carr Holdings (in this section only - "**Carr**") and their relationship as holders of rights in Carr's capital. Among other things, the following provisions were determined (or accordingly carried out):

A. Corporate governance:

- Carr's Board of Directors will consist, at any time, of 9 representatives (including, among others, three representatives appointed by the Company and three representatives appointed by JPM).
- The Board of Directors quorum required to approve operations is the presence of at least two representatives appointed by the Company and at least two representatives appointed by JPM.
- All decisions under the authority the Board of Directors of Carr and its subsidiaries will require the agreement of all members of the Board of Directors appointed by the Company participating in the meeting and of all of the Board members appointed by JPM participating in the meeting.
- The Board of Directors established an Operations Committee consisting of three members – one representative appointed by the Company, one representative appointed by JPM and Oliver Carr (the Carr CEO). Any decision by the Operations Committee will require the approval of the two representatives appointed by the Company and JPM.
- The Board of Directors established an Audit Committee consisting of two members – one representative appointed by the Company and one representative appointed by JPM.
- Nathan Hetz serves as Chairman of Carr's Board of Directors, with the Chairman of Carr's Board of Directors not having a deciding vote. The Company and JPM have the right to replace the serving chairman as their own representative every two years.

B. Provisions regarding the transferability of rights between the Company and JPM:

Any transfer of direct or indirect rights in Carr's capital by one party to a third party is subject to a right of first offer in the other party's favor. When a party wishes to transfer their rights (hereinafter - "**the Offeror**"), the other party ("**the Offeree**") may purchase the rights at a price suggested by the Offeror (hereinafter - "**the Offered Price**"). In the event that the Offeree decides not to purchase the rights, the Offeror may offer (a) to transfer the share capital to an accredited institutional investor that meets the definition in the agreement and (b) to activate a drag along procedure as detailed below, in order to cause the Offeree sell their rights in Carr along with the Offeror to a third party. In the event that a drag along procedure is carried out, the consideration that will be paid to the dragged party for exercising its rights will not be less than the higher of: (a) Carr's net asset value (NAV) determined according to IFRS principles; and (b) the price offered. The limitation on the transferability described above will end on the date of the initial public offering (IPO) of Carr shares, raising equity in an amount exceeding USD 100 million (hereinafter - "Approved Offering").

C. Provisions regarding the transferability of rights between the Company and JPM, and Clal[9]:

As part of Clal's investment agreement (see this Note above), a specific provision is included pertaining to the relationship between the Company and Clal.

In addition, the investment agreement includes provisions regarding Clal's right to join the Company (on a pro rata basis) in cases in which the Company sells shares on a tag-along basis for a sale to a third party or to JPM or if the Company purchases shares from JPM as a result of exercising its right of first offer as it was granted by JPM, as described above.

[9] As of December 31, 2023, Clal Insurance has holdings (for itself and for entities under its management) in Carr at a rate of 13.91%.

Note 6 – Investments in Investees (continued)

D. Provisions regarding non-controlling interests:

- A non-controlling interest may transfer his rights in the partnership, with the consent of the Company and JPM, provided that any such agreed-upon transfer will be to an institutional investor and will be subject to the Company's and JPM's right of first refusal.
- Until the date of an approved offering, a non-controlling interest (except Clal) is entitled to compel the partnership to acquire his rights in the partnership (in certain cases the partnership has the right to reject the obligation). The purchase price of such rights will be equal to the net asset value (NAV) of his rights in the partnership; compared to non-controlling interests who are not Carr employees, it will be 97% of the NAV of these rights in the partnership. Therefore, these rights are presented in Carr's financial statements as a liability.

H. The Company's holdings in Boston – associates

1. General

As of December 31, 2023, the Company holds approx. 55% of the equity rights and 50% of the controlling rights (through wholly owned corporations), in three companies that collectively own two office towers and a building for laboratories for the Life Sciences in development (2 in Boston's CBD - the Central Business District - and one in East Cambridge) the total value of which at the end of 2023 is USD 647 million (NIS 2.3 billion) (hereinafter collectively - "**Boston Partnerships**"). The Boston Partnerships took long-terms loans, the balance of which, as of December 31, 2023, is in the amount of approx. USD 394 million (NIS 1.4 billion) at 4.83% weighted interest (after taking an interest-fixing transaction into account).

The loans' repayment date will begin in the first quarter of 2025, when a loan of USD 138 million will be repaid.

The Company's partner in the Boston corporations is the Oxford Properties Group (hereinafter - "**Oxford**"), which provides asset management services under agreed terms identical to market terms.

During the reporting period, the Company invested the amount of approx. USD 13.9 million (approx. NIS 51.2 million) in two of the Boston partnerships and subsequent to the date of the report, the Company invested an additional amount of USD 0.55 million (approx. NIS 2 million) in those partnerships. The balance of the Group's investment in the Boston Partnerships as of December 31, 2023 amounts to USD 145 million (approx. NIS 526 million).

2. 745 Atlantic building in Boston

As of the date of the report, as stated in Section 1 above, the project for the transformation of the 745 Atlantic building from an office building to a laboratory building for the Life Sciences is in the final stages. The cost of the project (not including the land component) is estimated at approx. USD 166 million (the Company's share - USD 91 million), of which a total of USD 109 million has been invested as of December 31, 2023 (the Company's share - USD 60 million). As of the date of the report, a floor in the building has been leased with an area of 16,000 sq.ft. (which constitutes 10% of the building's rental area) and negotiations are underway for additional leases in the building. The property company has a loan in the total amount of up to USD 180 million from an international investment fund, from which, until December 31, 2023, it had withdrawn a total of USD 150 million. The loan is non-recourse (except for cases specified in the loan agreement, for which the Company and its partner Oxford are guarantors) and secured by a lien on the property. The loan bears interest at an annual rate of SOFR interest plus an annual margin of 3.4%. The property company purchased a CAP hedging transaction in case the SOFR interest rate rises above 3%.

The statements in this Section above regarding the completion date of the conversion work and the cost of the project are forward-looking information.

Note 6 – Investments in Investees (continued)

3. The total rental area of the two other buildings (not including the 745 Atlantic building, which is expected, as stated, to become a laboratory building for the Life Sciences) is 696 thousand sq.ft. (65 thousand sq.m.) and the weighted occupancy rate as of December 31, 2023 is 86%. The two buildings generated a total annual NOI in 2023 in the amount of USD 24.2 million (approx. NIS 89 million).

4. Fair value adjustments of investment property

In 2023, negative property revaluations were recorded for the three properties in the cumulative amount of USD 152 million (before tax) (the Company's share – approx. USD 84 million (approx. NIS 310 million).
Approx. 75% of the negative revaluations of the Boston Partnerships' assets in the reporting period resulted from the increase in the discount rate of the projected cash flow from the properties (Discounted Cash Flow Rate and Terminal Cap Rate), approx. 25% resulted from a change in assumptions regarding future rentals.

The following is a sensitivity analysis of the effect of a 0.25% change in the weighted discount rate on the value of the Boston Partnerships' income-generating properties (not including properties in development):

An increase (decrease) of 0.25% in the weighted discount rate will result in a loss (profit) in the total amount of approx. USD 15 million (the Company's share - approx. USD 30 million).

5. Limitation on the transferability of rights

As part of the series of agreements the Company entered into, through its partially and/or wholly owned companies with Oxford in connection with the Boston Partnerships, a number of provisions were determined in connection with the limitation on the transferability of rights in the three Boston Partnerships as follows:

- **Right of first offer** – The sale of rights will be by way of selling all rights to a qualified investor, as defined in the agreement, subject to the granting of the right of first offer to the remaining partner, as specified in the agreement, with the exception of a sale or transfer to related parties, which is not subject to the right of first offer.
- **Compelled sale** – The sale of rights to a third party, subject to the granting the right of first offer to the remaining partner, as noted above, will grant the selling party the right to compel the remaining party to sell their rights to the same third party, subject to terms specified in the agreement.
- **Purchase-Sale** – Each of the partners will have the right to activate a purchase-sale mechanism, through an irrevocable notice to the other partner, as specified in the agreement.

6. Dividend distribution and capital reduction policy

The foreign corporations through which the Group holds office buildings (the "**Boston REITs**") are defined as REITs for US tax law purposes and must meet certain conditions which include, among other things, a dividend distribution of at least 90% of their adjusted taxable income.

In 2023, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 6.8 million (NIS 25 million).

In 2022, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 15 million (NIS 51 million).

In 2021, the Group received dividends and payments in respect of capital reductions from the Boston REITs in the amount of USD 11 million (NIS 35 million).

Note 6 – Investments in Investees (continued)

I. Investment in Brockton Capital LLP

In March 2018, BE acquired the full rights in Brockton Capital LLP (hereinafter - "**Brockton LLP**"), which manages the Brockton Funds, for a total of GBP 40 million (NIS 194 million).

Brockton LLP continues to manage the three existing Brockton Funds until all of the fund assets are realized (which is expected in the coming years). The Company has no control over this activity and therefore, Brockton LLP is presented according to the equity method. For additional information on the Company's investments in the Brockton Funds – see Note 5 above.

J. Companies accounted for using the equity method whose statements were / were not attached to the Company's financial statements

The Company attaches Carr Holdings' financial statements to its own financial statements.
The Company does not attach to its financial statements the statements of the Aviv Fund, OPG 125 Summer REIT Investor (DE) LLC, OPG 745 Atlantic REIT Investor (DE) LLC, Davenport REIT Investor (DE) LLC, Brockton Capital LLP and of the joint ventures with Amot, as the Company's investments in them are immaterial relative to the Company's financial statements.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset

A. Composition and movement:

	Photovoltaic systems	Wind systems	Total electricity-generating facilities	Right-of-use asset	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost					
Balance as of January 1, 2022	1,596,491	618,985	2,215,476	298,133	2,513,609
Reclassification of systems in development to connected systems	390,541	546,839	937,380	-	937,380
Linkage differences	-	-	-	8,749	8,749
Effect of changes in exchange rate	106,057	28,625	134,682	13,705	148,387
Additions during the year	10,191	9,636	19,827	111,393	131,220
		-	-		-
Balance as of December 31, 2022	2,103,280	1,204,085	3,307,365	431,980	3,739,345
Reclassification of systems in development to connected systems	1,817,025	338,225	2,155,250	-	2,155,250
Linkage differences			-	-	-
Disposals during the year	(451)		(451)	-	(451)
Effect of changes in exchange rate (*)	1,305	201,071	202,376	18,779	221,155
Additions during the year	103,734	1,655	105,389	119,741	225,130
Balance as of December 31, 2023	4,024,893	1,745,036	5,769,929	570,500	6,340,429
Accumulated depreciation					
Balance as of January 1, 2022	183,886	115,757	299,643	21,302	320,945
Additions during the year	61,276	26,662	87,938	14,693	102,631
Disposals during the year	-	-	-	-	-
Effect of changes in exchange rate	7,688	1,968	9,656	4,998	14,654
Balance as of December 31, 2022	252,850	144,387	397,237	40,993	438,230
Additions during the year	78,006	51,880	129,886	18,064	147,950
Disposals during the year	-	-	-	-	-
Effect of changes in exchange rate (**)	(3,218)	29,290	26,072	-	26,072
Balance as of December 31, 2023	327,638	225,557	553,195	59,057	612,252
Depreciated cost					
Balance as of December 31, 2023	3,697,255	1,519,479	5,216,734	511,443	5,728,177
Balance as of December 31, 2022	1,850,430	1,059,698	2,910,128	390,987	3,301,115

(*) Changes in exchange rates due mainly to the Group's operations in Poland and in the United States. The change in exchange rates was recorded to a capital reserve in respect of translation differences.

(**) Including the amount of approx. NIS 106,418 thousand in respect of credit costs capitalized to systems in establishment in the reporting period, of which NIS 48,853 thousand were capitalized in respect of non-specific credit.

B. Details regarding Energix systems:

Country		Energix's share	Rate	Date of operation	Revenue for the year ended December 31 2023	Revenue for the year ended December 31 2022	Connected electricity-generating facilities as of December 31 2023	Connected electricity-generating facilities as of December 31 2022	Reference
					NIS millions	NIS millions	NIS thousands	NIS thousands	
Israel	Photovoltaic	330 MWp	An average of NIS 0.28 per KWh	2010-2022	147.4	130.1	921,775	944,618	C
USA	Photovoltaic	636 MWp	Market prices (fixing transactions)	2020-2023	39.5	37.0	2,775,481	906,082	D
Poland	Wind farm	313.2 MWp	Price on the electricity exchange in Poland or in price fixing agreements	2020-2023	420.2	299.6	1,519,478	1,059,428	E
Total					607.1	466.7	5,216,734	2,910,128	

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

C. Photovoltaic projects in Israel

General

As of the date of approval of the report, all of Energix's photovoltaic projects in Israel, which are in commercial operation, are based on regulations published by the Electricity Authority, according to which projects owned by Energix have the right to a fixed rate for periods of 20-23 years, linked to the CPI, depending on the regulation under which the projects were established (the Feed In Tariff quota or the winning of a fixed rate for the quota as part of a competitive procedure on a tariff (the "**tariff arrangement**")). According to the Electricity Authority's announcement, starting in 2020, competitive procedures for a guaranteed tariff for the construction of photovoltaic facilities in Israel are combined with storage. In addition, according to the regulation published by the Electricity Authority to open the electricity market, from January 1, 2024, a market model will enter into effect in Israel according to which generation and storage facilities connected and/or integrated into the distribution network will be able to associate the generation facility they own with a private supplier who will sell directly to end consumers as part of commercial agreements between the project companies and private suppliers, for a period and in exchange for the electricity price to be determined between the parties as part of a commercial agreement. For information regarding Energix's engagement in agreements with a private supplier as part of the market model.

Rights to the land – The projects are established on areas leased for periods of up to 25 years, in which, in some cases, the landowners are offered to take an active part as partners in the project at a variable rate (as owners or holders of rights in the project's free cash flow) while Energix holds the control in the projects.

Financing – The construction of projects established by Energix as part of its photovoltaic activity in Israel are usually financed through project financing on a non-recourse basis at a rate of 80% -85% of the total construction cost of the projects (including payments to related parties). For information regarding Energix's financing agreements, see Note 12.

Construction and operation – The planning, construction and operation of the projects is carried out through an operations and construction system established by Energix, which provides services to all the photovoltaic projects, including combined storage, under its ownership. In this context, Energix engages, if necessary, with suitable subcontractors to carry out the work in the field, and provides performance guarantees and guarantees for the operating services to ensure the proper functioning of the projects under its construction and operation, as is customary in this field. The construction and operation services provided by Energix may be priced at the cost of construction and/or operation services plus a margin as is customary in the field.

For information regarding projects under construction and in advanced development, see Note 8 below.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

D. Photovoltaic project in the United States

General

Energix's activity in the photovoltaic field in the United States is based on revenues from the sale of electricity generated in Energix's projects and from the sale of green certificates to which renewable energy projects (RECs) are entitled. Electricity and green certificates can be sold at market prices or as part of long-term contracts, including by way of engagements in price hedging or forward sale transactions at a fixed price based on a commitment to production volumes (Shape) or on the basis of as generated production volumes. In addition, additional revenue may be received in exchange for a commitment to system availability for the production of electricity (capacity) towards the local electricity company.

Until April 2023, Energix's photovoltaic activity in the United States was conducted independently (100% ownership) and through a joint venture it established with a local entrepreneur to promote photovoltaic projects in the US, in which Energix held 58% until April 2023 (the "**US Venture**" and the "**Venture Agreement**"). In April 2023, Energix, through a wholly owned American subsidiary, acquired the full rights of the local partner in the US Venture (the "**Acquisition Transaction**"), so that the subsidiary holds full rights in the US Venture and the rights and obligations of the parties under the Venture Agreement have expired. 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 approx. NIS 80 million, which was recorded as a decrease in equity, in a capital reserve from transactions with non-controlling interests. 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).

In addition, photovoltaic projects in the United States may be entitled to a federal tax benefit (ITC - Investment Tax Credit) at a rate of 30%-50% of the total construction costs of those projects, subject to compliance with the criteria that were updated during the reporting period according to the Inflation Reduction Act of 2022, as detailed below. In order to realize the tax benefit, Energix usually engages with tax partners who, in return for the investment in the project, benefit from, among other things, the tax benefit. In addition, Energix is allowed to sell the tax benefit to which it is entitled to third parties. For additional information regarding the engagement with the tax partner.

Initiation activity, engagement in agreements for the sale of electricity and tax partner – Energix's project backlog is based on projects that Energix acquires in various initiation stages or a project that is fully developed by Energix (Greenfield). In relation to each project, depending on the stages of its initiation, Energix works to obtain all the approvals and permits necessary for the project and to enter into the full set of agreements necessary for the development, construction and operation of the project (including, as required, agreements for the sale of electricity by way of direct sale and/or through an engagement to hedge electricity prices alongside the sale of electricity to the grid at market prices).

Rights to the land – The projects are located on areas that are leased for periods of up to 35 years or on Group-owned land.

Financing – There are several alternatives for project financing in the United States. As of the date of the report, Energix's project financing in the United States is carried out through an engagement with tax partners as described in Note 12 and by means of back leverage financing for projects under its ownership.

Construction and operation – The planning, construction and operation of the projects owned by Energix is carried out through the construction and operation system established by Energix in the United States, which provides services to all the photovoltaic projects it owns, and which engages if necessary with suitable subcontractors to carry out the work in the field.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Adoption of a law to promote renewable energies: In August 2022, the Inflation Reduction Act of 2022 entered into effect, which regulates, among other things, the provision of long-term economic incentives for the promotion of climate and renewable energy programs, with an investment of approx. USD 369 billion, including in Energix's areas of activity, as an update to the set of incentives that were previously in effect. The program includes, among other things, an extension of the eligibility for ITC tax benefits for another 10 years at a rate of 30% and the possibility of increasing the ITC tax benefit at an additional rate of up to 20% of the total construction costs, for renewable energy projects that meet the criteria as stipulated by law, as well as providing an option to trade the right to the tax benefit, replacing the need for a tax partner (Tax Credit Transferability). As of the date of approval of the report, the mandatory regulations governing the conditions for realizing the ITC increased tax rate benefit for the use of locally produced equipment (US Made) have not yet been published.

Additional information regarding projects in the commercial operation stage –

Virginia 1 and Virginia 2 projects with a total capacity of approx. 224 MWp: Both projects were connected to the electricity grid during 2020 and 2022, respectively. Energix hedged approx. 80% of the expected electricity capacity and the green certificates from the facilities for periods of approx. 12 years from the date of operation. Through the sale of electricity/green certificates to a local electric company, to a final consumer or in electricity price-fixing transactions with energy companies. For the capacity of 197 MWp from these facilities, Energix engaged with Morgan Stanley as the tax partner of the projects. In this context, the tax partner provided a cumulative amount of approx. USD 100 million, for the financing of the projects' construction costs in exchange for rights in the projects, as is customary in such transactions, mainly the Federal Tax Benefit (the Investment Tax Credit - ITC), depreciation expenses for tax purposes in respect of the projects and part of the free cash flow from the project for a period determined in the agreement. The tax partner's funds were used to repay the capital provided by Energix to finance the construction of the project. The balance of the amount invested by Morgan Stanley is presented under "liability in respect of agreement with Morgan Stanley - short-term and long-term", according to the projected settlement dates of the aforementioned liabilities. As part of the engagement and as is customary in transactions of this type, Energix provided company guarantees to ensure the full indemnification obligations of Energix. For additional information regarding the engagement with a tax partner, see Note 12.

For information regarding the back leverage financing transaction in the amount of up to USD 70 million in respect of the Virginia 1 and Virginia 2 projects, see Note 12d.

Virginia 3 and PA1 projects with a total capacity of approx. 412 MWp: This backlog includes 6 photovoltaic installations with a capacity of approx. 416 MWp in the states of Virginia and Pennsylvania, whose construction was completed during the reporting period and as of the date of approval of the report, all are in commercial operation. The following is more information regarding engagements concerning this project backlog:

- **Electricity sales** – For a capacity of **104 MWp**, Energix entered into an agreement with the City of Philadelphia for the sale of electricity for a period of 20 years. The project is also entitled to revenue from the sale of the green certificates (RECs) that will be issued in respect of the generation of electricity. For the remaining capacity of 312 MWp, Energix entered into agreements for the sale of all the electricity and green certificates to be issued for the electricity generation (on an "as generated" basis). The engagement is with a final consumer and with a local electricity company for periods of 12, 15 and 25 years.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

- **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 280 million. The investment amount reflects a tax benefit (ITC) at a rate of 40% for one of the projects and 30% for the other projects. The final tax investment amount may increase by an additional amount of up to USD 100 million, depending on the ITC tax benefit rate to which the projects will actually be entitled (depending on the provisions of the regulations that have not yet been published). During the reporting period, USD 179 million was allocated for completion of the construction of all the facilities. Energix estimates that the balance of the tax partner's investment is expected to be received in the coming weeks.

  For information regarding a financing transaction for a tax partner bridging loan and back leverage in the amount of up to USD 510 million dollars in respect of projects constructed during the reporting period within the Virginia 3 and PA1 backlog, see Note 12d below.

  As of the date of the report, Energix has recognized assets in the amount of approx. NIS 2,494 million for the part of the systems that have not yet reached commercial operation, which were recorded under "Systems in development and initiation".

  Additional information regarding the projects in development and pre-construction

  As of the date of approval of the report, Energix is in negotiations for the sale of electricity and green certificates from the Company's future projects in the United States, with a capacity of at least 1 GW, which are expected to reach commercial operation starting in 2024. The buyer has also committed to making the tax partner investment (ITC) in those projects.

E. Photovoltaic projects in Poland

General

The sale of electricity from photovoltaic projects in Poland is carried out in accordance with the agreement for the sale of electricity to the relevant players in the market or under the terms of the arrangement based on tariff tenders.
For information regarding temporary legislation in Poland that sets a price ceiling for electricity generated from renewable energy during the period between December 1, 2022 and December 31, 2023, Nee Note 7f(a) below.

F. Wind energy projects in Poland

General

Energix's wind energy activity in Poland is based on various regulations, depending on the date of the projects' development and construction.

Energix has two wind farms (the Iława project and the Banie 1+2 project) with a capacity of approx. 119 MW, which are subject to the provisions of the regulation that was in effect in Poland until the end of June 2016 (the "**Previous Regulation**"). According to the terms of the previous regulation, these projects are entitled, in addition to the sale of the electricity produced by them, to receive green certificates, traded on the Green Certificates Exchange, for a period of 15 years from the date of commencement of commercial operation of the wind farm. In addition, Energix has three wind farms with a capacity of approx. 182 MW that were established under an arrangement based on tariff tenders published by the Polish Electricity Authority, after winning the tender for a guaranteed electricity-generation rate. Under the terms of the tender, each of the wind farms is eligible, upon commercial operation, for a guaranteed index-linked tariff for 15 years relative to the electricity output submitted to the tender. The balance will be sold on the free market and/or through agreements for the sale of electricity and/or price fixing financial transactions. For additional information, see Section B below.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Rights to the land – In general, the projects are located on areas that are leased for periods of up to 30 years, or on land owned by Energix.

Financing – Energix is working for the most part to obtain project financing on a non-recourse basis that is provided to SPVs that own the wind farm, at a rate of up to 80% of the total construction cost of the projects. For information regarding Energix's financing agreements, see Note 12d.

Construction and operation – The construction and operation of the projects is carried out through a construction and operation system established by Energix in Poland. For the construction of a wind farm in Poland, Energix engages with civil work contractors, and a turbine supplier who is also responsible for the operation of the turbines for 20-25 years.

Additional information regarding projects in the commercial operation stage

Energix owns five wind farms in Poland with a total operating capacity of 301 MW (the projects Banie 1+2, Iława, Sepopol, Banie 3 and Banie 4), as follows:

1.) **Banie 1 + 2 wind farms (106 MW) and the Ilawa wind farm (13.2 MW) –** Energix's revenues from these transactions are part of the revenues from the sale of electricity and green certificates, as relevant.

2.) **Banie 3 wind farm (82 MW) and Sepopol wind farm (44 MW)** - Both wind farms in commercial operation won a wind tender for a guaranteed tariff (in the amount of PLN 250-268 per 1 MWh, as of the date of the report). Under the terms of the tender, each of the wind farms that won and completed their entry into the tender arrangement will be entitled to a guaranteed index-linked tariff, during their commercial operation, for 15 years starting from the entry into the tender and in relation to the electricity output at an average rate of approx. 65% of the electricity generation expected at each wind farm. The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation. After the date of the report, in February 2024, Energix completed the requirements for entering the tender arrangement and in that framework it undertook to sell electricity as part of the tender arrangement at a capacity of 17%-20% of the expected electricity generation in the two wind farms for the first 5 years and 82%-87% of the expected generation in the remaining 10 years. If Energix does not meet at least 85% of its commitment regarding generation expectations for 3 years in the aggregate, Energix is expected to be subject to fines.

For information regarding Energix's engagement in a financing transaction in the amount of up to PLN 550 million to finance the construction of the 2 wind farms detailed above, on a non-recourse basis, see Note 12d below.

3.) **Banie 4 Project (56 MW)** - The wind farm has a guaranteed tariff in the amount of PLN 280-285 per 1 MWh as of the date of the report due to the win in the tariff tender. Under the terms of the tender, the wind farm will be eligible for a guaranteed index-linked tariff for 15 years starting from the entry into the tender and in relation to the electricity output at an average rate of approx. 80% of the electricity generation expected at the wind farm.

The balance will be sold by Energix at market prices, or as part of price fixing transactions, similar to transactions such as in connection with the electricity output of Energix's projects in commercial operation. Energix is entitled to choose not to enter into the tender arrangements and to forgo the guaranteed rate until February 2025. A decision on the matter is expected close to the final date for the decision, depending on the state of the electricity market as of that date.

For information regarding Energix's engagement in a financing transaction in the amount of up to PLN 290 million to finance the construction of the Banie 4 project, on a non-recourse basis, see Note 12d below.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

Engagement for the sale of electricity and green certificates

a) Temporary legislation to limit electricity prices in Poland – In view of the gas crisis and the high electricity prices in Europe, as well as the European Union's decision to adopt a ceiling for the electricity prices that certain electricity producers in the EU countries will receive, legislation was adopted in Poland, according to which, in relation to the period from December 1, 2022 to December 31, 2023, the sale of electricity will be subject to a price ceiling in an amount between: (i) PLN 345 per 1 MWh of electricity generated from wind energy, and (ii) PLN 405 per 1 MWh of electricity generated from photovoltaic facilities. According to the legal advice received by Energix, the legislation applies to the physical sale of electricity. As of March 1, 2023, also a financial engagement and sale of GoOs accordingly, depending on the physical electricity generation, any difference between the actual electricity price and the ceiling amount will be transferred to a designated fund that will be used by the Polish government to reduce electricity prices to end consumers. In view of the above, Energix recorded a decrease in revenue during the reporting period in the total amount of approx. NIS 42 million in respect of the sale of electricity in 2023 in relation to the electricity that was transferred to the designated fund.

b) Energix's electricity sales agreements and their updates during the reporting period, engagement in price-fixing transactions – According to Energix's agreements for the sale of electricity with a local broker, Energix's electricity sales will be according to the electricity price on the local electricity exchange or according to a fixed price to be determined as part of a price fixing transaction between the parties, as Energix chooses, less adjustments stipulated in the agreement, including adjustments in respect of the electricity production profile of the wind farm (depending on, among other things, the capacity and actual production hours). In addition, Energix may enter into financial transactions to fix electricity prices in relation to the capacity to which Energix is committed, regardless of actual generation. Also, Energix sells the green certificates it is assigned under the previous regulation and/or under the entitlement to green certificates for the generation of electricity from renewable energy (GoOs), as part of electricity sales agreements with a local broker at market prices and/or in price fixing financial transactions in relation to capacities and periods agreed between the parties. In July 2022, Energix engaged, through dedicated project companies under its ownership, in amendments to the electricity sales agreements and electricity price fixing transactions for the electricity generated from the five wind farms owned by Energix in Poland. As part of this amendment, the volume of production to which Energix committed in previous fixing transactions with the broker in relation to the years 2022-2024 was reduced, and at the same time Energix entered into additional price fixing transactions, including the provision of an option to increase the volume of transactions for the years 2025-2034. In December 2022, Energix engaged with a local broker in a financial transaction for the unwinding of price fixing transactions signed between the parties, in relation to December 2022 and January 2023, against payment of compensation to Energix in the amount of approx. NIS 23 million, which was recorded to "Revenues from the sale of electricity" in the reporting period.

In February 2023, Energix engaged in an additional amendment to the electricity sales agreements in which the parties engaged 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. The compensation was recorded to "Other revenues in the reporting period", in the first quarter. In addition, the terms of the option granted to the broker in July 2022 were updated, so that the exercise period given to the broker was extended until December 31, 2024, while giving the right to unwind the price fixing transactions for the years 2034-2032, in whole or in part, until March 31, 2025. During the reporting period, the broker announced the exercise of his right to cancel the aforementioned option.

Note 7 – Connected Electricity-Generating Facilities, Fixed Assets and a Right-of-Use Asset (continued)

The following is a breakdown of price fixing transactions by virtue of electricity sales agreements carried out by Energix, from the total volume of production for the years 2023-2024, which are in effect as of the date of approval of the report:

Year	Fixed rate from wind farm production volume (*)	Average price (**)
2023	41%	280
2024	72%	670

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

For information regarding price fixing transactions for the years 2025-2031, see below.

The following are price fixing transactions from the total volume of production for 2025-2031, which are in effect as of the date of the report:
Energix's 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, in an amount that reflects a rate of approx. 90% of the expected annual electricity generation at Banie 1+2 (the "**long-term fixing transactions**") at a price of PLN 460-480 per 1 MWh.
The broker has another option, exercisable until the end of 2024, in relation to an additional capacity at a rate of 5% of Energix's total expected electricity generation from Energix's 5 wind farms in Poland. In the reporting period, 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.

The following is the rate of the fixed price in price fixing transactions for green certificates:

Year	Fixed rate from wind farm production volume (*)	Average price (**)
2023	99%	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 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development

	Cost as of December 31	Cost as of December 31	
	2023	2022	
	NIS thousands	NIS thousands	Reference
Photovoltaic projects in Israel	491,596	216,430	A and 7.C
Wind project in Israel – ARAN	517,604	355,852	B
Photovoltaic projects in the United States	299,067	353,000	A and 7.C
Wind farms in Poland	-	261,341	E
Photovoltaic projects in Poland	-	23,435	
Other PV and wind projects in development in Israel, the US and Poland	1,062,632	603,067	
Total assets, net	2,370,899	1,813,125	

A. Photovoltaic projects in Israel

1.) Extra-high-voltage project with a capacity of approx. 87 MWp – As of the date of the report, Energix is in the middle of development work on the Julis project, a photovoltaic project with a capacity of approx. 87 MWp at extra-high voltage, as a National Infrastructure Project, under a quota won by Energix for a guaranteed rate, through the Israel joint venture[10], as part of the first competitive procedure issued by the Electricity Authority for extra-high voltage. In 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.

As of the date of the report, Energix has recognized property in the amount of approx. NIS 226 million in respect of this project, which was recorded under the 'systems in development and initiative' item.

2.) The winning projects under Competitive Procedure 2 for the construction of photovoltaic facilities with combined storage capacity (approx. 127 MWp and 406 MWh): Storage projects: During the reporting period and as of the date of approval of the report, Energix is in the middle of the construction work for high voltage facilities with a total capacity of 127 MWp with combined storage with a capacity of 406 MWh. Energix operates in this project due to: (a) winning a guaranteed tariff of NIS 0.1745 per 1 KWh produced, linked to the CPI (the linked rate as of the date of the report is NIS 0.188), in relation to a photovoltaic capacity of 105 MWp and MWh storage, as part of Competitive Procedure 2 Storage and (ii) a win in the tender for the construction of a photovoltaic facility with a capacity of 30 MWp with combined storage with a capacity of 48 MWh with a government entity at a rate of 0.1919 per 1 KWh generated, linked to the CPI for a period of 24 years. Energix must build the facilities as part of Competitive Procedure 2 Storage no later than April 2025, subject to possible extensions to that date at the discretion of the Electricity Authority.
During the reporting period and in the context of Energix's decision to associate the projects that will be built under Competitive Procedure 2 Storage to the market model arrangement, Energix, through its wholly owned corporations, entered into agreements for the sale of electricity expected to be generated in 6 of the projects established under this competitive procedure, 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, after these facilities reach commercial operation, Energix has committed to sell all the electricity to the supplier (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 2. 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, the parties' parent companies provided mutual guarantees to ensure the obligations of the project companies under the electricity sales agreements.

10 A limited partnership owned by Energix (70%) and an entrepreneurial company (30%) used for the joint initiative, development, construction, operation and maintenance of projects for the generation of electricity from photovoltaic energy, including energy storage, in Israel.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

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). After the date of the report, Energix entered into two additional agreements for the sale of electricity to the private supplier.

As of the date of the report, Energix has recognized property in the amount of approx. NIS 323 million in respect of this project, which was recorded under the 'systems in development and initiative' item.

In March 2024, after the date of the report, an agreement was signed for the receipt of financing for the construction of the photovoltaic facilities with a capacity of 96 MWp and a total storage capacity of approx. 358 MWh as mentioned above in combined storage for a total initial amount of up to NIS 480 million.

3.) The winning projects in the third and fourth competitive procedures (up to 137 MWp) – As of the date of approval of the report, the construction of all 17 projects under these quotas has been completed and commercial operation has commenced at 15 of the facilities (114 MWp). Two projects whose construction has been completed with a capacity of 23 MW from Competitive Procedure 4 have been connected to the grid but without an actual flow of electricity.

4.) Other photovoltaic projects in initiation in Israel – 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 NIS 7 million has already been paid by Energix.

B. Wind project in Israel – ARAN, with a capacity of approx. 104 MW

Energix holds 100% of the shares granting management rights (including the appointment of all members of the Board of Directors) and 80.5% of the shares granting the right to receive dividends in a private company that holds the rights to initiate and develop a project for the construction of a wind farm in the Golan Heights with a capacity of approx. 104 MW (hereinafter - the "**Project Company**" and the "**ARAN Project**", respectively).

The ARAN Project was promoted as a national infrastructure project by the National Infrastructure Committee ("**NIC**") After the project was issued a building permit in February 2022, in October 2022, Energix was given approval from the Electricity Authority regarding the project's financial closure, so that the project has a guaranteed rate of NIS 0.29116 per 1 KWh, for 20 years, linked to the CPI (where the base index is June 2022). As of the date of the report, the guaranteed rate is NIS 0.303 per 1 KWh.

In the reporting period, the project commenced construction after Energix entered into agreements for the purchase of the main equipment for the project and with performance contractors. Against the backdrop of objections by the Druze community in Israel and the Golan Heights to the project's construction, the construction work was halted. These objections were accompanied by protests, some with violent clashes, for which Energix was required by government and police representatives to postpone the date of resumption of work. As a result, the schedules for the project's execution and its completion are expected to be extended. According to the information available in Energix as of the date of approval of the report, it believes that the aforementioned has no material effect on it.

In view of the delay in the schedules, Energix is working to reduce the ongoing costs involved and to adjust the series of approvals and agreements necessary for the construction of the project.

Energix is a party to several civil legal proceedings concerning the ARAN project. Energix estimates that these proceedings will not have a material effect on the advancement of the project and its results.

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development (continued)

In accordance with the creditors' arrangement approved for the project company in September 2014, the project company has a liability balance conditional on the project maturing to financial closure and commercial operation. As of the date of the report, the Company has a provision in the amount of approx. NIS 11 million in respect of the above liability.

As of the date of the report, the balance of the investment in the project is approx. NIS 543 million, and is presented under "Electricity generating facilities in development".

Regarding Energix's engagement in a financing transaction for the establishment of the ARAN project in a total amount of up to NIS 650 million, see Note 12d below.

c. Photovoltaic projects in the United States

- Energix has a backlog of five projects in Virginia with a total capacity of 208 MWp that are in development and pre-construction. The following is information regarding Energix's transactions and engagements in connection with this backlog:

- **Project with a capacity of 65 MWp in Virginia** - During the first quarter of 2023, 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. After the project was given all the approvals necessary for its establishment, the construction of the project began.

- **Project with a capacity of 76 MWp in Pennsylvania** - During the fourth quarter of 2023, Energix entered into an agreement with one of the largest European energy companies in the world, for the acquisition of a project with a capacity of 76 in consideration for a total of approx. USD 11 million. After the project was given all the approvals necessary for its establishment, its construction began.

- **Agreements for the sale of electricity and the investment of a tax partner -** 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 of the projects with an aggregate capacity of approx. 70 MWp for 20 years. Energix designates the sale of electricity and green certificates from the rest of the projects to the engagement with a strategic partner, as long as it develops into binding agreements, or as part of dedicated agreements that will be signed for the sale of electricity and green certificates, and the realization of the ITC tax benefit.

- As of the date of the report, Energix has recognized property in the amount of approx. NIS 300 million in respect of this project backlog, which was recorded under "Systems in development and initiative".

Note 8 – Electricity-Generating Facilities in Development, Predevelopment and in Advanced Development

- **Engagement with First Solar for the purchase of panels –** As part of Energix's ongoing activities for the purchase of panels, from time to time, Energix engages in transactions with First Solar for the purchase of panels for projects in the United States, Poland and Israel, including for projects that are expected to be established in the coming years. The panels ordered are recognized in "Systems under construction and development" in the financial statements. The following is more information regarding two strategic engagements carried out by Energix to ensure a regular supply of panels for its future operations, with an emphasis on its activities in the United States:

  1.) On January 7, 2022, Energix entered into an agreement for the purchase of panels with a total capacity of over 2 GWp for projects it is expected to construct during the years 2023-2026 with a total cost of hundreds of millions of USD. Besides an advance payment as is customary, most of the payment for the panels will be close to the actual delivery of the panels.

     The panels purchased in accordance with Energix's strategic plan guarantees it a regular and ongoing supply of panels until 2026, for photovoltaic projects that are currently in initiation, which Energix estimates will reach construction during the years 2023-2026 (most in the United States). Energix estimates that the panels' purchase from First Solar will enable it, together with other equipment it will purchase in the United States, to meet the necessary criteria for eligibility for an additional tax benefit of 10% according to the IRA law.

  2.) In July 2023, 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 approx. 5 GWp for future photovoltaic projects that Energix intends to establish, most of which are in the United States. The Company has the right to increase (subject to availability) or decrease the capacity of the panels it will purchase by a rate of up to 20% per year, and not exceeding a total of 800 MWp. The purchase cost of the panels is estimated by Energix 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 United States). According to the terms of the purchase transaction, during the third quarter, Energix paid advances to guarantee the execution of the orders, as is customary in transactions of this kind, and similar to previous transactions for the purchase of panels from First Solar, as most of the consideration for the purchase of the panels will be paid close to their receipt.

     It should be clarified that the cost of purchasing the panels in Energix's transactions with First Solar will be financed from Energix's own sources and from the financing sources that Energix will use to establish the projects for which the panels will be used.

D. Wind projects in Poland

Additional information regarding projects in advanced development

Project for the establishment of a wind farm with a capacity of approx. 68 MW: Energix is working to complete all the approvals and permits required for the construction of a wind farm project in Poland with a capacity of approx. 68 MW. As of the date of approval of the report, the project has a building permit and Energix is working and securing a place in the grid for the electricity flow that will be generated in the project, to the extent that it is built.

The information in this Note 8 above, in relation to electricity generation projects in development, just prior to construction and in advanced development, regarding the expected amount of electricity generation, the expected amount of green certificates to be issued, the expected dates for their construction and for the commercial operation of the projects and the expected construction cost, are forward-looking information, based on the assessments of the Energix management and for which Energix has no control over its actual existence as described.

Note 9 – Other Long-Term Assets

A. Designated and pledged deposits:

As of the date of the report, the balance of long-term restricted cash is mostly cash that Energix has deposited into reserve funds for debt service as required according to the terms of the financing agreements in connection with loans taken from financial institutions. For additional information, see Note 13.

B. Other assets:

	As of December 31	
Composition of the item:	**2023**	**2022**
	NIS thousands	**NIS thousands**
Derivative financial instruments (see Note 22)	107,109	238,868
Long-term loans to others (*)	150,006	114,130
Long-term rental fees receivable	38,732	36,975
Others	111,508	34,666
	407,355	424,639

(*) This amount includes a loan in the amount of GBP 18 million that BE granted in April 2021 to finance the completion of a project for the construction of a luxury apartment building in central London which is managed by the Brockton I Fund. The loan bears an annual interest rate of 20%.

Note 10 – Additional Information regarding Current Liability Items

Composition:

a. Short-term credit and current maturities of long-term loans	**Annual interest as of December 31**	**As of December 31**	
	2023	**2023**	**2022**
	%	**NIS thousands**	**NIS thousands**
Short-term loans in NIS, non-linked (variable interest)		854,259	-
Current maturities of long-term loans	Note 12a.	950,841	348,556
Interest component in bond expansion		27,463	21,129
		1,832,563	369,685

B. Payables and credit balances	**As of December 31**	
	2023	**2022**
	NIS thousands	**NIS thousands**
Interest payable	240,931	195,473
Suppliers and service providers	486,269	111,691
Employees and institutions in respect of wages	47,095	28,309
Institutions	23,645	32,594
Deferred revenue	75,618	67,892
Expenses payable	38,782	56,708
Accounts payable in respect of investment property	47,126	48,435
Derivative financial instruments designated as hedges (see Note 23)	334,345	292,312
Liabilities to partners	1,511	448
Short-term liability in respect of agreement with tax partner	220,676	80,032
Others	14,035	67,666
	1,530,033	981,560

Note 11 – Bonds

A. Composition:

	As of December 31			As of December 31		
	2023			2022		
	Current maturities	Long-term bonds	Total	Current maturities	Long-term bonds	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Bonds (Series H) – b. below	-	-	-	232,481	-	232,481
Bonds (Series I) – D below	239,580	734,194	973,774	159,719	983,267	1,142,986
Bonds (Series J) – E below	349,845	1,057,427	1,407,272	-	1,411,905	1,411,905
Bonds (Series K) – F below		158,910	158,910	20,093	158,595	178,688
Bonds (Series L) – G below	-	1,670,479	1,670,479	193,888	1,499,698	1,693,586
Bonds (Series M)	-	860,490	860,490	-	287,483	287,483
Bonds (Series O)	-	1,013,882	1,013,882	-	247,194	247,194
Amot bonds (Series D) - J below	389,935	1,208,391	1,598,326	377,319	1,564,128	1,941,447
Amot bonds (Series E) - K below	238,560	409,832	648,392	232,355	628,083	860,438
Amot bonds (Series F) - L below	-	2,557,750	2,557,750	-	2,467,089	2,467,089
Amot bonds (Series G) - M below	-	1,121,518	1,121,518	-	997,002	997,002
Amot bonds (Series H) - H below	-	2,579,838	2,579,838	-	2,098,486	2,098,486
Energix bonds (Series A) – O below	74,871	443,573	518,444	74,872	520,287	595,159
Energix bonds (Series B) – P below		536,280	536,280	-	523,979	523,979
	1,292,791	14,352,564	15,645,355	1,290,727	13,387,196	14,677,923

Note 11 – Bonds (continued)

The Company

B. Bonds (Series I)

During 2015-2022, the Company issued 1,541 million par value bonds (Series I), both through the issuance of bonds and through the expansion of the bond series and through the exercise of bond options (Series 14) for bonds (Series I), for a net amount of NIS 1,651 million (the above includes the consideration for the bonds (Series I), the consideration for the options (Series 14), and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The balance of bonds (Series I) in circulation as of December 31, 2023 is NIS 958 million PV, and as of the publication of the financial statements, NIS 958 million PV.

The outstanding balance of the bonds (Series I) as of December 31, 2023, is repayable in four annual payments at a rate of 25% of the balance of the principal in February of each of the years 2024-2027 (inclusive), bearing annual interest at a rate of 3.85% and unlinked. The total effective interest rate for the bonds (Series I) is 2.83%. The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series I) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

In addition, the Company performed cross currency swap transactions with an financial body in Israel that converted the NIS cash flows of some of the bonds (Series I) in the amount of NIS 204 million to USD cash flows for the life span of the bonds at an annual interest rate (in USD) of 3.69%. These transactions are intended for accounting hedging of net investments in foreign activity. For additional information, see Note 22.

The bonds (Series I) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series J, K, L, M and O. See Subsection g below.

C. Bonds (Series J)

During 2015-2019, the Company issued 1,399 million par value bonds (Series J), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,487 million (the above includes the consideration for the bonds (Series J) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The remaining par value of the bonds (Series J) as of December 31, 2023 amounted to NIS 1,399 million PV and as of the date of publication of the financial statements it was NIS 1,049 million PV.

The bonds (Series J) are repayable in four annual payments at a rate if 25% of the principal in February of each of the years from 2024 to 2027 (inclusive), bearing variable annual interest at a margin of 2.24% above the Bank of Israel weighted average interest rate for the period. The total effective interest rate for the bonds (Series J) is 6.5%.

The bonds include the following interest update mechanism: the lower the Company's rating below A-, the annual interest rate borne by the outstanding principal balance of the bonds (Series J) will increase by 0.25% for each drop of one "abandoner", but no more than the addition of a single percentage point.

The bonds (Series J) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, K, L, M and O. See Subsection g below.

D. Bonds (Series K)

In August, 2019, the Company issued NIS 201 million PV of bonds (Series K) for a gross consideration of NIS 201 million (before issuance expenses).
The remaining par value of the bonds (Series K) as of December 31, 2023 amounted to NIS 161 million PV and as of the date of publication of the financial statements it was NIS 161 million PV.

Note 11 – Bonds (continued)

The bonds (Series K) are in NIS and are not linked (principal and interest) to any index or currency. The bonds (Series K) will be repaid in four payments (in cash or in Company shares, at the Company's sole discretion) on February 28 of the following years and at the following rates: (1) 31.25% of the PV balance in each of the years 2028 and 2029, and (2) 18.75% of the PV balance in each of the years 2030 and 2031. The unpaid principal of the bonds will bear fixed annual interest of 2.66% and this will be paid (in cash or in Company shares at the Company's sole discretion) on February 28 of each of the years from 2024 to 2031 (inclusive). The effective interest rate for the bonds (Series K) is 2.89%. As of the date of publication of the reports, the Company did not make use of its aforementioned authority to pay the interest starting February 28, 2022 in Company shares instead of cash.

The bonds (Series K) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, L, M and O. See Subsection g below.

The bonds (Series K) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with the financial covenants detailed above.

E. Bonds (Series L)

During 2019-2023, the Company issued NIS 2,103 million PV bonds (Series L), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 2,036 million (the above includes the consideration for the bonds (Series L) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The remaining par value of the bonds (Series L) as of December 31, 2023 amounted to NIS 1,761 million PV and as of the date of publication of the financial statements it was NIS 1,761 million PV.

The bonds (Series L) are in NIS and are not linked (principal and interest) to any index or currency. The amortization schedule of the bonds (Series L) is identical to the amortization schedule of the bonds (Series K) above. The unpaid principal of the bonds will bear fixed annual interest of 2.41% and this will be paid in cash on February 28 of each of the years from 2024 to 2031 (inclusive). The weighted effective interest rate for the bonds (Series L) is 3.47%.

The bonds (Series L) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K, M and O. See Subsection g below.

The bonds (Series L) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section h. below.

F. Bonds (Series M)

During 2022-2023, the Company issued NIS 898 million PV bonds (Series M), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 825 million (the above includes the consideration for the bonds (Series M) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).

The remaining par value of the bonds (Series M) as of December 31, 2023 amounted to NIS 898 million PV and as of the date of publication of the financial statements it was NIS 898 million PV.

The bonds (Series M) are in NIS and are not linked (principal and interest) to any index or currency, they are payable in 10 equal payments at a rate of 10% each payment on February 28 of each of the years 2028 to 2037 (inclusive) and bear fixed annual interest at a rate of 4.94%. The interest on the unpaid principal balance of the bonds (Series M) will be paid on February 28 of each of the years from 2023 to 2037 (inclusive). The first interest payment was on February 28, 2023. The weighted effective interest rate for the bonds (Series M) is 5.56%.

The bonds (Series M) include financial stipulations and additional generally accepted conditions for their immediate redemption, identical to the financial stipulations and additional terms for bond Series I, J, K, L and O. See Subsection g below.

Note 11 – Bonds (continued)

The bonds (Series M) include mechanisms for updating interest rates if the Company's rating is lower than A- or in the event that the Company fails to comply with financial stipulations, as detailed in Section h. below.

G. Bonds (Series O)

During 2022-2023, the Company issued NIS 1,050 million PV bonds (Series O), both through the issuance of bonds and through the expansion of the bond series for a net amount of NIS 1,015 million (the above includes the consideration for the bonds (Series O) and the consideration received for the interest accrued for as of the above series expansion dates and net of issue expenses).
The remaining par value of the bonds (Series O) as of December 31, 2023 amounted to NIS 1,050 million PV and as of the date of publication of the financial statements it was NIS 1,050 million PV.

The bonds (Series O) are in NIS and linked (principal and interest) to the CPI in lieu of the month of July 2022 (as published in August 2022). The bonds (Series O) are payable in 10 equal payments at a rate of 10% each payment on February 28 of each of the years 2028 to 2037 (inclusive) and bear fixed annual interest at a rate of 2.56%. The interest on the unpaid principal balance of the bonds (Series M) will be paid on February 28 of each of the years from 2023 to 2037 (inclusive). The first interest payment was on February 28, 2023. The weighted effective interest rate for the bonds (Series O) is 3.45%.

In addition, the bonds (Series O) include additional generally accepted conditions for their immediate repayment including the following events: (1) there has been a material deterioration in the Company's business compared to its position on the issue date and there is a real concern that the Company will not be able to pay its debts; (2) structural change and merger; (3) liquidation, bankruptcy and asset realization, stay of proceedings and execution; (4) change in control under certain conditions; (5) trading halt and suspension of trading in bonds; (6) cessation of payments; (7) cross default; (8) failure to publish financial statements; (9) rating cessation; (10) delisting from trade or the Company ceases being a reporting corporation as defined in the Securities Law; (11) distribution of dividends when the equity is lower than a certain threshold, etc.

The bonds (Series O) include financial stipulations, the main ones of which are detailed below, and failure to comply will constitute grounds for immediate repayment of the bonds[11]:

a. The Company's equity (less non-controlling interests) according to its consolidated financial statements, may not be less, on the date of the relevant financial statements and for four consecutive quarters, than an amount in NIS equal to NIS 2.2 billion[12].

b. The ratio between the financial debt and the value of the Company's holdings, on the basis of expanded solo statements as detailed in the Company financial statements, may not exceed 0.8 for four consecutive quarters.

c. The ratio between the Company's net financial debt and the FFO on the Company's expanded solo basis, as detailed in the Company's annual periodic report may not exceed 25 for two consecutive calendar years.

d. The Company will declare a distribution which will result in a reduction of equity (net of non-controlling interests) to below NIS 2.2 billion[13].

11 As a rule, the description of the above financial stipulations applies to all of the Company's bonds.
12 A minimum equity of NIS 1.8 billion was determined for the bonds (Series I) and (Series J) a minimum equity of NIS 2.1 billion was determined for the bonds (Series K) and (Series L), but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.2 billion.
13 A minimum equity of NIS 1.8 billion was determined for the bonds (Series I) and (Series J) a minimum equity for dividend distribution of NIS 2.1 billion was determined for the bonds (Series K) and (Series L), but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.2 billion.

Note 11 – Bonds (continued)

e. The Company declares a distribution in an amount exceeding the allowable amount (as defined in the Deed of Trust), on a date when the Company's equity (net of non-controlling interests), including as a result of the distribution, will be less than the amount in NIS equal to NIS 2.6 billion[14].

f. If the bond rating is lower than the BBB minus rating for two consecutive quarters (with the exception of a technical lowering of the rating, as defined in the deed of trust).

Notwithstanding the above, the stipulations in subsections (b) and (c) above will not be valid in the event that the Company, if the events mentioned in (b) and (c) above occur by the end of the remedy period for these events, pledges assets with a senior lien in favor of the bondholders and for as long as the lien is in effect.

As of the date of the report, the Company is in compliance with all financial covenants regarding the bonds (Series I), the bonds (Series J), the bonds (Series K), the bonds (Series L), the bonds (Series M) and the bonds (Series O).
Collateral – The bonds (Series I), the bonds (Series J), the bonds (Series K), the bonds (Series L), the bonds (Series M) and the bonds (Series O) are not secured by liens.
As part of the bond issues (Series I, Series J, Series K, Series L, Series M and Series O), the Company committed to a negative pledge that it would not create any floating liens on all of its whole property, unless it would create a floating lien of the same level pari passu in favor of the bondholders (Series I, Series J, Series K, Series L, Series M and Series O).

Amot

H. Amot Bonds (Series D)

During the years 2014-2022, Amot issued NIS 1,754 million PV bonds (Series D), linked to the CPI (for July 2014), bearing annual interest at a rate of 3.2% and payable in six (6) unequal annual payments, were/will be paid on July 2 of each of the years from 2023 to 2028 (inclusive), as follows: (a) two payments of 20% of the par value of the bond principal, each, were/will be paid on July 2 of each of the years 2023 and 2024 (inclusive). (b) Four payments of 15% of the par value of the bond principal, each, will be paid on July 2 of each of the years 2025 through 2028 (inclusive). The interest payments will be paid on July 2 of each year from 2015 to 2028. The effective interest on the bonds is 2.09%.

The Amot bonds (Series D) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

I. Amot Bonds (Series E)

During the years 2016-2018, Amot issued NIS 1,085 million PV bonds (Series E). The bond principal (Series E) is payable in six annual payments: 2 payments of 10% of the principal, each, on January 4 of each of the years from 2021 to 2022 (inclusive), and 4 payments of 20% of the principal, each, on January 4 of each of the years from 2023 to 2026 (inclusive).
The annual interest on the bonds (Series E) at a rate of 3.39% was/will be paid in annual payments on January 4 of each of the years from 2017 through 2026 (inclusive).
The principal and interest on Amot's bonds (Series E) are not linked to any index or currency.
As of the date of publication of the report, the principal balance is NIS 434 million.
Following the issue of Amot's bonds (Series E), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 3.39% into a CPI-linked principal and a linked interest rate of 2.125%-2.49%, with a principal amount of NIS 875 million.

14 A minimum equity of NIS 2.1 billion was determined for the bonds (Series I) and (Series J) a minimum equity for dividend distribution of NIS 2.5 billion was determined for the bonds (Series K) and (Series L), but since there is a cross default between the series, the actual minimum equity for all of the series is NIS 2.6 billion.

Note 11 – Bonds (continued)

The Amot bonds (Series E) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

J. Amot Bonds (Series F)

During the years 2019-2022, Amot issued bonds (Series F) to the public totaling NIS 2,363 million PV. The total net proceeds received by Amot for the bonds (Series F) amount to a total of approx. NIS 2,324 million. The bonds (Series F) reflect a CPI-linked effective interest rate of 1.6%.

Amot's bonds (Series F) are linked to the CPI (for May 2019) and bear annual interest at a rate of 1.14%. The bonds are repayable in 5 annual payments, two payments of 10% each, payable on October 3, 2025 and on October 3, 2026, two payments at a rate of 30% each, payable on October 3, 2027 and on October 3, 2028. The fifth and final payment at a rate of 20% will be paid on October 3, 2029. The interest payments were/will be paid on October 3 of each of the years from 2019 to 2029 (inclusive).

The Amot bonds (Series F) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

K. Amot Bonds (Series G)

During the years 2020-2023, Amot issued bonds (Series G) to the public, through an issuance and through the exercise of options for bonds (Series G) in the amount of NIS 1,215 million PV. The total net proceeds received by Amot for the issuance of bonds (Series G) amounts to approx. NIS 1,148 million. The bonds (Series G) include an effective NIS interest rate of 3.34%.

Following the issue of the bonds (Series G), Amot carried out hedging transactions with financial bodies in Israel, which converted the annual NIS interest rate of 2.44% into a CPI-linked principal and a linked interest rate of 0.09%-1.365%, with a principal amount of NIS 1,156 million.

The principal of Amot's bonds (Series G) is payable in four annual payments at a rate of 25% of the principal, each, on January 5 of each of the years from 2029 to 2032 (inclusive).

The interest on Amot's bonds (Series G) at a rate of 2.44% per year were/will be paid in annual payments on January 5 of each of the years from 2021 to 2032 (inclusive). The principal and interest on the bonds (Series G) are not linked to any index or currency.

The Amot bonds (Series G) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

L. Amot Bonds (Series H)

During the years 2021-2023, Amot issued bonds (Series H) to the public totaling NIS 2,432 million PV. The total net proceeds received by Amot for the issuance of bonds (Series H) amount to a total of approx. NIS 2,440 million. The bonds (Series H) reflect a CPI-linked effective interest rate of approx. 1.73%.

Amot's bonds (Series H) are linked to the CPI (for January 2021) and bear annual interest at a rate of 0.92%. Amot's bonds (Series H) are repayable (the principal) in four (4) equal annual payments on January 5 of each of the years from 2029 to 2032 (inclusive) such that each of the payments will constitute 25% of the total par value of the bonds (Series H). The interest payments will be made on January 5 of each of the years from 2022 to 2032 (inclusive).

Subsequent to the date of the report, on March 6, 2024, Amot issued NIS 155 million PV of bonds (Series H) by way of an expansion of the existing series through a private placement. Bonds (Series H) were allocated to the offerees at a price of NIS 0.98 per NIS 1 PV and a total consideration of NIS 152 million.

The Amot bonds (Series H) include financial stipulations and additional generally accepted conditions for their immediate redemption, as detailed in Subsection o. below.

Note 11 – Bonds (continued)

M. Financial covenants and conditions for immediate repayment of Amot's bonds:

Amot's bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) (hereinafter collectively - the " **Amot Bonds**")include conditions, essentially similar, for their immediate repayment in the event of certain events which include, among other things, the following events:

- Change in control under certain conditions;
- Amot's equity may not be less than NIS 2.2 billion as of the date of the relevant financial statements and for two consecutive quarters. [in Series D - 1 billion, Series E - 1.2 billion, Series F - 2 billion, Series G - 2.2 billion]
- The net financial debt ratio (net of investment property in development value) to annual standardized NOI exceeds 14 for two consecutive quarters; (Net financial debt: Amot's aggregate debt to banking corporations, to other financial institutions and to holders of all types of bonds, less cash and cash equivalents, deposits, monetary funds, tradable securities, all according to their value in Amot's Consolidated Statement of Financial Position.
- The bond rating will equal (in relation to Series D) / lower than BBB - (BBB-) for two consecutive quarters;
- Equity plus net deferred tax liability is less than 22.5% of Amot's total balance sheet less cash and cash equivalents and less tradable securities for two consecutive quarters;
- The value of the unencumbered assets will decrease over the course of two consecutive quarters from the higher of: (a) the amount of NIS 1 billion, or (b) 125% of the balance of the bonds (from the relevant series).
- A demand for the immediate payment, that has not been withdrawn, of a material loan or of bonds traded on the Tel Aviv Securities Exchange.

  In addition, the Amot bonds include directives regarding restrictions on the distribution of dividends under certain conditions;

In addition, Amot's bonds include additional accepted conditions for their immediate repayment including the following events: (1) structural change and merger; (2) liquidation, bankruptcy and asset realization and execution proceedings; (3) trading halt; (4) cross default, etc.

As of the date of the report, Amot is in compliance with all financial covenants related to its bonds..

Collateral – The bonds (Series D), the bonds (Series E), the bonds (Series F), the bonds (Series G) and the bonds (Series H) of Amot are not secured by liens.

As part of the issuance of the above bonds, Amot undertook in a negative pledge that it would not place any current liens on all of its assets and all of its existing and future rights in favor of any third party, unless it notifies the trustee in writing prior to the creation of a lien and, at the same time as the creation of the lien in favor of the third party, will also create a current lien of the same degree in favor of the bondholders pari passu to secure the full debt towards them in accordance with the ratio of the debts towards the third party and towards the bondholders.

Note 11 – Bonds (continued)

Energix

N. Energix Bonds (Series A)

In 2019-2021, Energix issued bonds (Series A) in the total amount of NIS 670 million PV for net proceeds (net of direct commissions and costs in respect of the bonds) of approx. NIS 668 million. The bond principal (Series A) will be repaid in 18 (eighteen) equal semi-annual payments, payable on February 1 and August 1 of each of the years 2022 to 2030 (inclusive). The bonds bear annual interest of 2.05% (unlinked), which will be paid in twice annually on February 1 and on August 1 of each of the years from 2020 to 2030 (inclusive). The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency. As part of the issue of the bonds (Series A), Energix undertook in a negative pledge that it would not place any floating liens on all its assets, unless it would place a floating lien of the same degree in favor of the bondholders (Series A) pari passu. The effective interest on the bonds is 2.2%.

In addition, in January 2020, Energix performed cross currency swap transactions with a financial entity in Israel through which it converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 272 million, at fixed annual interest of 2.05% (unlinked), to cash flows in the amount of approx. PLN 300 for the life span of the bonds at an annual fixed interest rate (in PLN) of 4.11%.

In November 2021, Energix performed cross currency swap transactions with a financial entity in Israel through which it converted the NIS cash flows of some of the bonds (Series A) in the amount of NIS 233 million at fixed annual interest of 2.05% (unlinked) to a cash flow in the amount of approx. USD 75 million at a fixed interest rate of 2.984%.

The currency swap dates for the principal and interest with regard to the two transactions described above are carried out in accordance with the dates set in the issuance of the bonds (Series A).

These transactions are intended for accounting hedging of net investments in foreign activity.

Regarding financial and other covenants of the bonds (Series A), see Subsection O below. O

O. Energix Convertible Bonds (Series B)

In 2020-2021, Energix issued convertible bonds (Series B) in the total amount of NIS 567 million PV. The convertible bonds (Series B) are repayable in one payment on August 1, 2027 and bear a fixed annual interest rate of 0.25% (unlinked). The interest will be paid twice annually from February 1, 2021 to August 1, 2027 (inclusive). The bonds (Series B) are convertible into Energix shares from the date of issue until December 31, 2022, such that every NIS 100 par value of the bonds can be converted into one ordinary share of Energix (subject to the adjustments detailed in the bonds (Series B)). The bonds are not secured by a lien and the principal and interest on the bonds are not linked to any index or currency. As of December 31, 2023, the adjusted conversion price (after adjustments resulting from a dividend distribution) is 92.04368.

The Energix convertible bonds (Series B) as aforesaid constitute a complex financial instrument, which at the date of issue is separated into a liability component presented in long-term liabilities (with the exception of the current maturities, which are presented in current liabilities) and a capital component presented within the Company's capital. Energix determined the fair value of the liability component based on the interest rate for similar debt instruments, which do not include a conversion option. This component is treated from now at amortized cost on according to the effective interest method (at a weighted rate of 1.9%). The balance of the consideration in respect of the convertible bonds was attributed to the conversion option inherent in the bonds. This component was recorded to capital, less the effect of income taxes, and is not remeasured in subsequent periods. The issue costs were allocated in proportion to the components of the complex financial instrument consistent with the allocation of the consideration.

The bonds (Series A) and the bonds (Series B) of Energix include similar financial covenants, of which the main ones are detailed below, and a breach will constitute grounds for immediate repayment of the bonds:

- A lack of compliance with financial covenants, as detailed below, will constitute grounds for immediate repayment unless Energix pledges assets as stated in the bonds' deed of trust.
- The equity will not be less than NIS 360 million (in relation to the bonds (Series A)) and NIS 500 million (in relation to the bonds (Series B)) for two consecutive quarters.

Note 11 – Bonds (continued)

- The ratio of net solo financial debt to net solo balance sheet may not exceed a rate of 80% over a period of four consecutive quarters.
- The ratio of net consolidated financial debt less systems under construction and development, and the adjusted EBITDA may not exceed 18 for a period of four consecutive quarters.
- In the event of a decline in Alony-Hetz's holding rate in the company below 35%, when there is another shareholder holding a higher rate, resulting in Energix's rating being lowered during 6 consecutive months to a rating lower than BBB+.
- If the bond rating is lower than the BBB- rating for one quarter, except as a result of a technical lowering of the rating (as this term is defined under the terms of the bond).
- A change in Energix's main activity in a way that most of its activities are not in the field of electricity generation.
- Immediate repayment of another of Energix's bond series (one or more) that is not traded or a loan (one or more) whose balance at the time of immediate repayment constitutes (cumulatively) 20% or more of Energix's financial liabilities or NIS 250 million linked to the CPI, whichever is higher, and the demand for immediate repayment has not been withdrawn/repaid within 30 days.
- If there has been a sale of most of Energix's assets and consent for the sale has not been received from the bondholders, where the "sale of most of the Company's assets" means the sale of Energix's (consolidated) assets during 12 consecutive months, the value of which, less the cost of their acquisition, exceeds 40% of Energix's total consolidated assets, with the exception of certain conditions.
- Other common grounds for the immediate repayment of bonds, such as liquidation, receivership, rating cessation, discontinuation of tradability, etc.

It should be noted that in the trust deeds for the bonds (Series A and Series B) covenants were established, non-compliance with which will result in compensation in the interest rate, covenants regarding the non-distribution of dividends, and a mechanism for adjusting interest due to a downgrade.

In addition, as part of the issuance of the bonds (Series A) and the bonds (Series B), Energix committed in a negative pledge that it would not place any current liens on its entire assets, unless it creates a current lien of the same degree in favor of the bondholders pari passu.

As of the date of the report, Energix is in compliance with all financial covenants to which it committed.

As of the date of the report, no event occurred in Energix that gives holders the right to demand immediate payment of the bonds.

P. Pledges – see Note 13 below.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants

A. Composition, linkage terms and interest rates:

	Annual interest (*) as of December 31, 2023	As of December 31, 2023			As of December 31, 2022		
		Current maturities	Long-term loans	Total	Current maturities	Long-term loans	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans from banking corporations							
In or linked to foreign currency							
In USD	SOFER 6M (1.65%-2.25%)	19,509	1,095,111	1,114,620	-	-	-
In GBP	See Section 12.E below	830,874	1,245,864	2,076,738	271,543	1,725,278	1,996,821
In PLN	WIBOR 6M + (1.65%-2.25%)	33,386	688,661	722,047	13,267	352,040	365,307
		883,769	3,029,636	3,913,405	284,810	2,077,318	2,362,128
In unlinked NIS							
CPI-linked b.(7)a, b.(7)b, b.(7)d	Linked 1.87%-4.6%	67,072	1,624,425	1,691,497	63,746	1,441,498	1,505,244
Total loans from banking corporations		950,841	4,654,061	5,604,902	348,556	3,518,816	3,867,372

The WIBOR rate on the PLN for six months (in annual terms) as of December 31, 2023, was approx. 5.82%.
The SONIA daily rate on the GBP (in annual terms) as of December 31, 2023, was approx. 5.2%.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

The Company's financing arrangements

1. In January 2023, a facility agreement was signed between the Company and the Bank of Israel (hereinafter - "**the Bank**"), which replaces a facility agreement from January 2022, regarding the provision of a credit facility in the amount of NIS 150 million for a one-year utilization period from the date of signing the agreement (hereinafter - "**the utilization period**") to repayment by the end of two years from the end of the utilization period (hereinafter, in this subsection - "**the Facility Agreement**"). The facility agreement is not guaranteed by liens.
The facility agreement was extended in February 2024 so that the end date of the utilization period will be May 8, 2024. The utilized credit will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or Libor according to the utilized currency) plus a 2% margin on credit that is repayable for a period of up to one year and a margin of 2.2% for credit that is repayable in more than one year from the date of granting.

Under the facility agreement, the Company committed, among other things, to financial ratios as follows:

(a) A ratio of equity to total balance sheet of at least 0.3;

(b) The ratio of the Company's net financial debt (LTV) (on an expanded solo basis) to the value of the Company's holdings will not exceed 0.7 at any time;

(c) The ratio of the amount of current dividends declared in 4 consecutive quarters, which were actually received by the date of the examination by the significant companies in which the Company invests, to the Company's total interest payments during the period, will not be less than 1.2;

(d) The ratio of cash and cash equivalents according to the Company's latest financial statements plus expected cash flow from dividends in 4 consecutive quarters, to the total expected repayments on an expanded solo basis, will not be less than 1 at any time during 6 consecutive months;

(e) The rate of the Company's holdings in Amot shares will not be less than 40% at any time;

(f) The rate of the Company's holdings in Carr shares will not be less than 30% at any time, except in a case of Carr's issuance on the stock exchange;

(g) The ratio of net financial debt (expanded solo) to the FFO will not exceed 25 at any time during two consecutive years;

(h) The value of the Company's holdings in unencumbered shares will not at any time be less than twice the amount of credit granted to the Company without collateral in Israel and abroad (including approved credit facilities, whether utilized or not, but excluding bonds).

In addition, the facility agreement determine that:

- The Bank has the right to shorten the credit period to one year from the date of the change, in each of the following cases:

(a) If they reduce, or are likely to reduce, Nathan Hetz's ownership or holding rates below a minimum of 10%; and/or

(b) If any third party has holdings in Alony-Hetz at a rate greater than 14.33% (Mr. Nathan Hetz's holding rate at the time of signing the new facility agreement) (14.5% at the time of signing the facility agreement); and/or

(c) If any third party acquires control in Alony-Hetz.
All of this – whether as a result of an action by Alony-Hetz or as a result of an action by any third party without an action by Alony-Hetz or any involvement of Alony-Hetz. In this regard, a third party includes a number of third parties jointly, not including institutional holders from pension funds, provident funds, mutual funds, study funds, portfolio management, etc.

- The Company undertook to comply with various financial stipulations, mainly: (1) minimal Company equity of NIS 2.2 billion; (2) various financial cash flow and operational ratios in the Group and in investees; (3) cross default and (4) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

As of the date of the report, the Company has not utilized the credit facility.
In January 2016, the Company signed a facility agreement and several amendment, the last of which was in October 2023 with an Israeli institutional body (hereinafter collectively, in this subsection - the "Agreement"). In accordance with the agreement, the Company was granted a NIS 250 million credit facility for the period ended June 30, 2025. The utilized credit will bear annual interest at a rate of the gross yield to maturity of two series of NIS-denominated government bonds with the closest average duration to maturity of one year, plus a margin of 1.75%. The facility is not backed by any collateral. As of December 31, 2023 and as of the date of the report, the facility is not utilized.

As part of the facility agreement the Company committed, among other things, to the following financial ratios:

a. The ratio between the net financial debt and the FFO will not exceed 25 for two consecutive years;

b. The net financial debt ratio (LTV) of the Group (on an expanded solo basis) will not exceed 70% of its total assets for four consecutive quarters, according to calculation formulas determined in the agreement;

c. A ratio of equity to total balance sheet of at least 0.3 for four consecutive quarters (a ratio of 0.2 for one quarter will constitute grounds for immediate repayment);

d. The ratio of dividend revenue to cash flow interest expenses (on an expanded solo basis) in the 12-month period prior to the examination date will not be less than 1.2.

In addition, the Company undertook to comply with various financial stipulations, mainly: (1) changes in control of the Company; (2) the Company's minimum equity will not be less than NIS 1.8 billion for four consecutive quarters; (3) various financial cash flow and operational ratios in the Group and in investees; (4) cross default (5) the Company's irrevocable commitment not to create any general floating lien on all of its assets in favor of a third party; (6) merger/split without receipt of consent; (7) insolvency, liquidation, etc.; (8) cessation of the management of business / change in area of activity and/or sale of most assets; (9) rating under BBB-; (10) suspension of trading; (11) the equity after distribution will not be less than NIS 1.8 billion or if the amount of the distribution is higher than the permitted amount, as defined in the agreement - NIS 2.1 billion.

3. In September 2021, the Company engaged in a credit facility agreement with an Israeli bank (hereinafter, in this subsection - the "**Bank**") in the amount of NIS 150 million, which was amended by an amendment letter in August 2022 and an amendment letter in August 2023 (hereinafter, in this subsection - the "**Agreement**") for a utilization period until September 29, 2024 (hereinafter, in this subsection - "**the Utilization Period**") to be repaid in full by September 29, 2026. The facility agreement is not guaranteed by liens. From September 30, 2022, the interest on the utilized principal will be the bank cost plus 2%. From September 30, 2022, the non-utilization fee for the facility will be 0.385%. The credit is not being utilized as of the publication of this report.

In a letter of commitment signed at the same time as the agreement, the Company committed, among other things, to financial ratios, the main ones being:

a) Minimum equity for four consecutive calendar quarters will not be less than 30% of the total balance sheet (based on expanded solo reports) (20% at any given time);

b) The ratio between dividend receipts and total interest payments in relation to a period of one calendar year will not be less than 1.2;

c.) The ratio of the net financial debt and the FFO may not exceed 25 for two consecutive calendar years (based on the expanded solo statements);

d) The Company's equity will not be less than NIS 2.1 billion (based on expanded solo reports) for four consecutive calendar quarters.

As of December 31, 2023, the Company is in compliance with all of the financial covenants referred to in this Section b.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

B. Amot's financing arrangements:

1. Loan agreement with a banking institution

In October 2021, Amot signed an agreement with a banking institution according to which the bank provided Amot with a loan in the amount of approx. NIS 500 million, with an average duration of 8.5 years. The loan, which is not guaranteed by any liens, is CPI-linked and bears CPI-linked annual interest at a rate of 0.6%. The loan principal will be repaid by Amot in four equal annual payments during the years 2029 to 2032. Under the loan agreement, Amot undertook to comply with financial covenants similar to the financial covenants determined in Amot's bonds (Series H) traded on the Tel Aviv Stock Exchange. The average duration of the loan and the repayment dates of the principal are similar to those of Amot's bonds (Series H). For additional information regarding financial covenants, see Note 11(o) above.

2. Long-term and short-term credit facilities:

a. Lines of credit – the Amot Group has five credit facilities from commercial banks and financial bodies in Israel in the amount of NIS 1,080 million, with facilities amounting to NIS 730 million that expire during 2024.

To utilize these credit facilities, Amot must meet the following conditions:

- The rate of equity from Amot's total Statement of Financial Position (less cash and cash equivalents, short-term investments and securities related to discontinued activity) on an extended consolidated basis will not at any time fall below 25%.
- The Company is the controlling shareholder in Amot.
- The ratio of Amot's net financial debt to the CAP will not exceed 70%;
- The ratio between Amot's net financial debt (less the value of investment property in development) and Amot's NOI will not exceed 10 at any time.

In addition, Amot committed to comply with various financial stipulations, mainly: changes in control of Amot under certain circumstances; Amot's minimum equity of NIS 1.2 billion; various financial cash flow and operational ratios; cross default; Amot's commitment not to create any general floating lien on all of its assets in favor of a third party (with the exception of a floating lien associated with a fixed lien).

The agreements also include customary grounds for immediate repayment of the credit, such as significant legal proceedings (liquidation, receivership, merger, etc.).

As of December 31, 2023, Amot has unutilized credit facilities in the amount of NIS 1,060 million. In addition, Amot is in compliance with all financial covenants.

C. Energix's financing arrangements:

- **General**

Project financing transactions to which Energix is a party are based on the establishment of a designated corporation - SPV, which holds all the rights and obligations of the financed project(s) and usually has no additional activity beyond the financed activity. The project financing is provided on a non-recourse basis, according to which the repayment of the financing is guaranteed only by the SPV's assets and the rights therein, except for customary exceptions such as the injection of equity to which the owner in the SPV has committed, and a commitment to avoid from incurring excess costs in the projects' construction and sometimes even several commitments (some of which have a limited amount) that Energix undertook in relation to that financing in accordance with the commercial agreements between the parties (see guarantees regarding real estate financed by ARAN below). In addition, where Energix acts as the construction contractor of a project (such as the projects in the United States), or if Energix manages the construction activity of a project (such as the establishment of a project in a joint venture), Energix may provide guarantees instead of the construction and operation contractor, in favor of the SPV, as is customary in the field.

The following table lists the main features of Energix's loans:

Project name	Neot Hovav	Competitive Procedure 1	Competitive Procedures 3+4	Banie 3 & Sepopol + Banie 4	Virginia 1, Virginia 2 and Virginia 3 Projects
Lender	Consortium of institutional entities	Institutional entity	Institutional entity	Consortium of EBRD together with 2 European financial institutions / local bank	Santander CIB
Loan/facility amount	NIS 370 million (NIS 290 million in the original facility and NIS 80 million in financing expansion)	NIS 240 million	Approx. NIS 350 million (the financing amount has not yet been fully withdrawn)	One loan in the amount of up to PLN 275 million (up to NIS 440 million) and a second loan in the amount of up to PLN 290 million (up to NIS 215 million)	(1) Up to USD 70 million (approx. NIS 270 million); (2) up to USD 260 million (up to approx. NIS 965 million) as a short loan for the construction period that will be converted into a long-term loan, and another amount of up to USD 250 million (up to approx. NIS 920 million) as a bridging loan until the tax partner's investment.
Date of engagement in the financing agreement	December 2014	September 2017	December 2020	June 2021 and March 2022	(1) - August 2023; (2) - April 2023
Date of provision of financing	February 2015 - original facility, September 2017 - financing expansion	During 2018	See below	From September 2021 (for PLN 550 million) and from June 2022 (for PLN 290 million)	(1) - August 2023; (2) - May 2023
Loan balance as of December 31, 2023 [5]	NIS 212.2 million	NIS 208.0 million	NIS 348.5 million	NIS 724.6 million	(1) - NIS 231 million; (2) - NIS 1,605 million
Loan balance as of December 31, 2022 [5]	NIS 231.1 million	NIS 213.5 million	NIS 318.9 million	NIS 374.4 million	-
Amortization schedule	Quarterly payments for 18 years	Quarterly payments for 21.5 years from commercial operation	Quarterly payments for 22 years from December 31, 2021	Semi-annual payments	(1) + long-term loan and interest payments - semi-annual payments

Project name	Neot Hovav	Competitive Procedure 1	Competitive Procedures 3+4	Banie 3 & Sepopol + Banie 4	Virginia 1, Virginia 2 and Virginia 3 Projects
End of loan	December 2032	June 2040	December 2043	June 2038 (for PLN 550 million) and June 2022 (for PLN 290 million)	(1) - August 2028, according to amortization (determining the amount of the principal payments) for a period of up to 15 years; (2) - A short-term loan for the construction period, converted into a long-term loan shortly after the commercial operation of the last project, provided that all projects have reached commercial operation by March 29, 2024. Following the conversion, repayment of the long-term loan will be after 5.5 years have passed from the conversion date, according to amortization (determining the amount of the principal payments) for a period of up to 22 years. Bridging loan - repayment shortly after the commercial operation of the last project, provided that all projects have reached commercial operation by March 29, 2024.
Annual interest rate	Original financing amount - 3.2% CPI-linked Financing expansion - 3.05% CPI-linked	Average interest rate of 2.885% CPI-linked	Average interest rate of 1.87% CPI-linked	Semi-annual WIBOR plus a margin of 1.7%-2.4% in relation to 70% of the loan amount, the WIBOR interest rate will not exceed 2% for a period of 5-7 years (from the expected date of commercial operation) (**)	(1) Semi-annual SOFR plus a margin of 1.7%-2.4% Variable interest hedging for the entire debt period (15 years) at a rate of at least 75% and up to 105% of the loan amount. The base interest rate received from the hedging transaction for the amount of USD 65 million withdrawn at the time of signing (including fees), for the entire period of the above debt, is approx. 4%. The interest rate of the long-term loan after the hedging is in the range of 5.7%-6.4%. (2) Loan for the construction period and a bridging loan will bear interest in the range of 1.1%-1.8% above the base interest (SOFR 6 months). The long-term loan will bear interest in the range of 1.65%-2.25% above the base interest rate. During the reporting period, the base interest was hedged according to the amortization schedule of the debt (22 years) at a rate of 100% of the long-term loan amount. The interest rate of the long-term loan after the hedging is in the range of 5%-5.6%.

Project name	Neot Hovav	Competitive Procedure 1	Competitive Procedures 3+4	Banie 3 & Sepopol + Banie 4	Virginia 1, Virginia 2 and Virginia 3 Projects
Limitations on payments and distributions to shareholders	Semi-annual payments depending on compliance with financial covenants and other conditions as is customary in transactions of this type	Semi-annual payments depending on compliance with financial covenants and other conditions as is customary in transactions of this type	Semi-annual payments depending on compliance with financial covenants and other conditions as is customary in transactions of this type	Semi-annual payments depending on compliance with financial covenants and other conditions as is customary in transactions of this type	Semi-annual payments depending on free cash flow and on compliance with financial covenants and other conditions as is customary in transactions of this type
Financial covenants: [6]					
Reserve funds in a minimal amount[1]	Parent company guarantee for 6 months of debt service	Parent company guarantee for 6 months of debt service	Parent company guarantee for 3 months of debt service, and reserve fund for 3 months of debt service (approx. NIS 4.25 million)	6 months debt service secured/exchangeable by a bank letter of credit	6 months debt service secured by a bank letter of credit
Minimum annual ADSCR to debt ratio[2]	Higher than 1.1 (as of the date of the report: 1.25)	Higher than 1.1 (as of the date of the report: 1.25)	Higher than 1.08 (a full year of operation has not yet been completed)	Expected - higher than 1.1	-
Minimum LLCR to debt ratio[4]	-	-	Higher than 1.08	Higher than 1.15	-
Collateral	The financing was provided on a non-recourse basis, except in relation to the guarantee provided by Energix against the provision of the additional financing, which will be reduced in installments starting at the end of 3 years from the provision of the financing, according to the balance of the additional financing and with the exception of several liabilities limited to the amount assumed by Energix. The financing is guaranteed by the pledge of all the project company's assets and Energix's rights in the project company.	The financing was provided on a non-recourse basis, except for the construction period, during which Energix has fully guaranteed the financing amount and several liabilities limited to the amount assumed by Energix in the operation period. The financing amount is guaranteed in all the rights in the projects subject to the financing transaction and their assets.	The financing was provided on a non-recourse basis, except for the construction period, during which Energix has fully guaranteed the financing amount and several liabilities limited to the amount assumed by Energix in the operation period. The financing amount is guaranteed in all the rights in the projects subject to the financing transaction and their assets.	The financing was provided on a non-recourse basis, except for several liabilities (some with a limited amount) assumed by Energix. The financing is guaranteed by the pledge of all the project companies' assets and Energix's rights in the project companies.	The financing was provided on a non-recourse basis, except several specific issues as is acceptable in this type of transaction.
Book value of pledged asset	NIS 193 million	NIS 243.6 million	NIS 312.5 million	NIS 872.2 million	(1) - NIS 964 million (2) - NIS 2,493 million
Type of lien	Fixed senior lien	Fixed senior lien	Fixed senior lien	Fixed senior lien	1. Fixed senior lien on rights in the borrower. 2. During the short-term loan - fixed senior lien on all assets of the borrower and holdings therein. During the long-term loan - fixed senior lien on rights in the borrower

Project name	Neot Hovav	Competitive Procedure 1	Competitive Procedures 3+4	Banie 3 & Sepopol + Banie 4	Virginia 1, Virginia 2 and Virginia 3 Projects
Additional information	For information regarding the system, see Note 7	For information regarding the system, see Note 7	For information regarding the system, see Note 7	For information regarding the system, see Note 7	For information regarding the system, see Note 7

(*) The data include financing for Amot's small and medium-sized systems installed on the rooftops in Project Partnership 1 (a capacity of 3.2 MWp).

(**) For information regarding the accounting treatment in the CAP transaction for protection against changes in the interest rate, see Note 31d(4).

Notes to the table

- Debt Service Reserve Account
- ADSCR - Annual Debt Service Cover Ratio - The ratio of the free cash flow surplus for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.
- DSCR - Debt Service Cover Ratio - The ratio of the free cash flow surplus for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.
- LLCR - Loan Life Cover Ratio - The ratio of the present value of the cash flow surplus and the debt service and cash balances in Energix's accounts during the loan period, to the loan balance on the date of the calculation.
- As of the date of the report and the date of approval of the report, Energix is in compliance with all financial covenants.
- As of the date of the report and the date of approval of the report, the construction work in the project has not been advanced, and the balance of the loan facility will not be realized until the project's construction work is resumed.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

1. **Virginia 1 and Virginia 2 projects - Financing from Santander CIB in an amount of up to USD 70 million** – In August 2023, Energix engaged in a back leverage financing agreement with Santander CIB in the amount of up to USD 70 million (approx. NIS 270 million) for the Virginia 1 and Virginia 2 projects with a capacity of approx. 224 MWp. Of the total loan amount, USD 65 million (approx. NIS 250 million) was provided to Energix shortly after the signing of the loan agreement and was used to repay the equity that Energix had provided for the projects.
2. **Virginia 3 and PA1 projects - Back leverage financing and a short-term bridging loan from Santander CIB in the amount of up to USD 510 million for the short-term and long-term –** During the reporting period, Energix, through a dedicated corporate structure in the United States, engaged with Santander CIB for receipt of non-recourse financing in a set of agreements under which a loan was provided to finance the construction costs in the amount of USD 260 million for the short term and a bridging loan in the amount of up to USD 245 million for the investment of the tax partner, which will be repaid in full when the tax partner has made the full investment in the projects and no later than March 29, 2024. The purpose of the loan structure is to repay the bridging loan from the tax partner's investment funds and the short-term loan to finance the construction costs with a long-term Back Leverage loan in the amount of up to USD 260 million. During the reporting period, Energix made withdrawals from the construction and bridging loan facilities in the amount of approx. USD 442 million. Energix estimates that the full balance of the short-term loans will be repaid during March 2024.
3. **Financing transaction for projects with a capacity of up to 137 MWp (Competitive Procedures 3+4):**

   During the reporting period, Energix, through the joint venture - Israel, made withdrawals under the financing facility in the amount of approx. NIS 30 million, for amounts that it was entitled to withdraw under the financing agreement after meeting the conditions for withdrawal. It should be noted that the financing agreement included a material cross violation clause, according to which insofar as any other financial liability in an amount exceeding NIS 50 million is called for early immediate repayment, other than by way of voluntary repayment, the lender has the right to call for immediate repayment of this loan. For information regarding Energix's compliance with the financial covenants in relation to its financial liabilities, see the table in Section 12 above. After the completion of the projects' construction and their compliance with the determined conditions, the Project Partnership has the right to increase the amount of financing by an additional amount that will set the amount of financing at 85% of the total construction costs of all the projects and in any case, not exceeding an amount of approx. NIS 370 million.
4. **Engagement in a financing transaction for the ARAN project (104 MWp)**

   In June 2022, the project company signed an agreement with Israel Discount Bank Ltd. for the receipt of financing for the project's construction in an initial total amount of up to NIS 650 million. The financing transaction is at accepted terms for project finance transactions and is guaranteed by the full rights in the project and a lien on all the borrower's assets and rights therein, subject to the provisions of the conditional license and the law. The loan will be provided on a non-recourse basis, except in relation to several commitments which Energix undertook for the benefit of the lenders, such as for the financing of cost overruns, etc. In addition, subject to the provisions of the financing agreement, Energix will provide a Company guarantee up to the full amount of the financing in respect of (i) violations during the project's construction period and until the end of a two-year inspection period and (ii) real estate events that affect the land interest required for the construction and operation of the project, for the entire financing period. Energix has the right to increase leverage in the amount of up to NIS 50 million subject to the terms of the financing agreement. As of the date of the report, Energix made a first withdrawal from the financing facility, in the amount of approx. NIS 18 million.

   It should be noted that in view of the fact that as of the date of the report and the date of approval of the report it is not possible to advance the construction work on the project, until the work is renewed, no further withdrawals will be made from this loan facility. For additional information regarding the project's status, see Note 8b above.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

5. **Financing transaction for the Julis project with a capacity of approx. 87 MW**

In July 2023, an agreement was signed for the receipt of financing for the project's construction in an initial total amount of NIS 223 million. In addition, Energix has the right to increase leverage in the amount of up to NIS 15 million, subject to the terms of the financing agreement. During the reporting period, Energix made withdrawals from the loan facility in the amount of approx. USD 164 million.

As of the date of the report, Energix has recognized assets in the amount of approx. NIS 226 million in respect of this project, which were recorded under "Systems in development and initiative".

6. **Financing transaction for the winning projects under Competitive Procedure 2 for the establishment of photovoltaic facilities with combined storage capacity (approx. 96 MWp and 358 MWh)**

After the reporting period, in March 2024, Energix signed an agreement with Bank Leumi for the receipt of financing for the projects' construction in an initial total amount of up to NIS 480 million. The financing transaction is at accepted terms for project finance transactions and is guaranteed by the full rights in the projects and a lien on all the borrower's assets and rights in the borrower and in the project corporations, subject to the provisions of the conditional license and the law. The financing is provided on a non-recourse basis, except in relation to specific issues agreed upon between the parties in the financing documents, including aspects relating to a designated risk in respect of the private supplier with which Energix engaged and Energix's guarantee securing the liabilities of the construction and operation contractor. Half of the loan is a CPI-linked NIS loan and half of the loan is an unlinked NIS loan, and both are for a period of 19 years from the date of commercial operation of each project.

The loan will be provided on a non-recourse basis, except for several liabilities (some with a limited amount) assumed by Energix. The financing will be spread over the projects' construction period, contingent on the meeting of the conditions for withdrawal as is customary in transactions of this type, including compliance with financial ratios determined in the loan. The loan will be repaid in quarterly payments and will bear interest at a rate of 2.2%-2.7% above the rate of return of a CPI-linked/unlinked government bond (as relevant) with the same interest rate. The financing agreement states that the ADSCR (minimum predicted and historical) and minimum LLCR breach coverage ratios are lower than 1.05 and the ADSCR (minimum predicted and historical) and minimum LLCR coverage ratios for making distributions are at a rate of at least 1.17.

7. **Project with a capacity of approx. 30 MWp with combined storage with a capacity of approx. 48 MWh:** Energix entered into a memorandum of understanding for the receipt of financing for this project in the amount of up to NIS 100 million on a non-recourse basis. The financing conditions, subject to the signing of binding agreements, will be similar to the financing conditions of the backlog of projects that will be established under Competitive Procedure 2 Storage.

8. For the project loans taken by Energix mentioned in Sections 2-8 above, financial covenants of a ratio of minimum ADSCR[15] to debt and a ratio of minimum LLCR[16] to debt of 1.1 each (in Sections 11-12, a ratio of 1.05).

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[15] ADSCR – Annual Debt Service Cover Ratio – The ratio of the excess available cash for debt service for the period of the previous year as of the date of the calculation or the year following the date of calculation, to the total balance of the loan's principal and interest for that period.

[16] LLCR – Loan Life Cover Ratio – The excess available cash for debt service for the period of the previous quarter as of the date of calculation or the quarter following the date of calculation, to the total balance of the loan's principal and interest for that period.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

D. BE's financing arrangements:

In order to finance the acquisition of the properties it owns, BE took non-recourse loans whose balance as of the date of the report is a total of approx. GBP 452 million (approx. NIS 2.1 billion). To guarantee the loan, BE pledged the properties in favor of the lender with a senior lien. The following are additional details regarding the loans:

			Interest rate hedging				Main financial covenants	
	Amount in GBP thousands	Interest rate	Hedge amount	Hedge transaction type	Hedging terms	Repayment date	Maximum LTV ratio	Minimum interest coverage ratio
1.	46,800	SONIA +1.97%	46,800	CAP	Maximum SONIA of 1.25%	October 2024	60%	2.25
2.	132,300	SONIA +1.57%	132,300	CAP	Maximum SONIA of 1.88%	April 2024	75%	1.95
3.	47,030	SONIA +2.12% (*)	47,030	CAP	Maximum SONIA of 1.88%	February 2025 (*)	75%	2.00
4.	111,000	SONIA +2.10%	48,074	SWAP	Fixed SONIA of 0.48%	June 2026	72.5%	N/R (**)
			62,926	CAP	Maximum SONIA of 1.85%			
5.	65,000	SONIA +2.00%	65,000	SWAP	Fixed SONIA of 1.18%	November 2026	60%	1.50
6.	50,000	SONIA +2.75%	50,000	CAP	Maximum SONIA of 5.75%	September 2026	65%	0.80

(*) Starting in April 2022, quarterly payments of GBP 250 thousand. According to the financing agreement, the total interest rate for the loan (SONIA interest plus the margin) will not be less than 2.5%.
(**) This loan requires a minimum ratio of NOI to debt of 5%.

Financing arrangements during and after the reporting period

(a) In September 2023, BE took a loan in the amount of GBP 50 million (NIS 237 million) in place of a loan in the amount of GBP 63.4 million (NIS 300 million), which was due to be repaid. The recourse loan bears SONIA interest plus a margin of 2.75%. The loan principal will be repaid in one lump sum in September 2026. In addition, BE entered into a CAP transaction with the financing bank such that the maximum yearly SONIA interest rate would not exceed 5.75% during the entire loan period.

(b) After the date of the report, in March 2024, BE entered into two refinancing agreements which, for their completion, the Company and Menorah Group, its partner in BE (13.6%), provided a total of approx. GBP 60 million (the Company's share - approx. GBP 51 million):

(1) A loan in the amount of GBP 75 million, replacing a loan in the amount of GBP 132.3 million (see loan no. 2 in the table above). The new recourse loan bears SONIA interest plus an annual margin of 2% (which will increase every two years by 0.5% up to a maximum rate of SONIA + 3%). The loan principal will be repaid in June 2028. As part of the loan, BE committed to an LTV ratio that will not exceed 60%.

Note 12 – Loans from Banking Corporations and Others, Credit Facilities and Financial Covenants (continued)

(2) A loan in the amount of approx. GBP 45 million, replacing a loan in the amount of approx. GBP 47 million (see loan no. 1 in the table above), which is due to be repaid in October 2024. The new recourse loan bears SONIA interest plus a margin of 2.5%; the loan principal will be repaid in October 2026 (with the exception of a payment in the amount of GBP 8.5 million, which will be paid by October 2024). As part of the loan, taking into consideration (with regard to the ranges detailed below) the length of the period that will pass from the signing of the agreement, BE has committed to an LTV ratio that will not exceed 45%-59%, a coverage ratio that will not exceed 1.7-2.1 and a return on debt that will not exceed 11%-14%.

In addition, BE entered into a SWAP transaction with the financing bank so that the maximum yearly SONIA interest rate would not exceed 4% throughout the entire loan period.

E. As of December 31, 2023 and as of a date close to the publication of the financial statements, no reason has arisen for the loans mentioned in Sections B-E to be called for immediate repayment.

F. Liens - see Note 13.

Note 13 – Liens, Collateral and Guarantees

a. The following is a description of the liabilities secured by liens on Group assets or for which the Group has provided some security for their repayment and a description of the assets pledged or provided as collateral as of December 31, 2023:

Liabilities of consolidated companies:	Pledged asset	Book value of liability	Book value of pledged asset	Type of lien	Comments
Energix's liabilities:					
A total of NIS 2,656 million for 9 loans, some of which have not yet been fully withdrawn	(1) A pledge on all the assets of the project companies and on Energix's rights in the project companies receiving the loans. (2) Guarantee from Energix for 3-6 months of debt service.	1,855,700	2,584,500	Fixed senior lien	
BE liabilities:					
6 loans in the total amount of approx. GBP 452 million	Investment property, including shares in the property companies and the revenue derived from the properties	2,076,738	3,963,500	Fixed senior lien and floating lien	See Note 12d

b. Guarantees provided by the Group

As of December 31, 2023 and 2022, there are contingent liabilities with respect to the following guarantees:

	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
Guarantees provided by consolidated companies:	320,491	237,147

Note 14 – Other Long-Term Liabilities

Composition:	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
Deferred revenue and deposits from building tenants and leasing fees payable	29,766	30,961
Derivative financial instruments designated as hedge items (see Note 24)	494,981	446,199
Long-term liability in respect of agreement with tax partner	599,731	163,739
Liability for evacuation and restoration	134,095	62,025
Others	104,212	13,855
	1,362,785	716,779

Note 15 – Engagements and Contingent Liabilities

A. Legal and tax proceedings against the Amot Group

Pending against the Amot Group and other parties, as of the date of the report and as of the approval of the financial statements, are 13 lawsuits, tax procedures and property tax charges, excises and levies pertaining to investment property totaling approx. NIS 46 million, with the Amot Group's share as a defendant amounting to approx. NIS 43 million.

For claims filed against the Amot Group and for exposure to tax levies, provisions were recorded in Amot's financial statements in the amount of approx. NIS 17 million as of December 31, 2023 and December 31, 2022 (under "Provisions" and "Expenses payable"). The Amot Group management is of the opinion, based on the opinion of its legal and professional counsel, that these provisions are sufficient under the circumstances.

The following is the composition of the balance of the provision and the movement therein as of December 31, 2022 and 2023 and for the years ended on those dates:

	2023	2022
	NIS thousands	NIS thousands
Provision balance at the end of year	16,483	16,483

As of the date of this report, there are no significant legal proceedings in the Amot Group.

B. Legal and tax proceedings against the Energix Group

Regarding legal proceedings against Energix, see Note 8b above.

Note 15 – Engagements and Contingent Liabilities (continued)

C. Long-term incentive plan settled in cash in BE

Under the **Long Term Incentive Plan** ("**LTIP**") adopted by BE, BE executives and employees are entitled to an amount equal to 12% of the excess capital return[17] beyond the threshold of 6% per year to be paid by BE with reference to two periods, the first beginning from September 1, 2018 to December 31, 2021 (hereinafter - the "**First Period**") and the second from January 1, 2023 to December 31, 2027 (hereinafter - "**the Second Period**"). The Second Period includes a maximum bonus ceiling (to all BE employees) of GBP 48 million.

In this context, for the First Period, in February 2022, BE paid employees a cash bonus in the amount of approx. GBP 26 million (approx. NIS 115 million). In 2021, the Group recorded expenses in respect of this plan in the amount of GBP 26 million (approx. NIS 115 million), of which a total of approx. GBP 19 million (approx. NIS 85 million) was capitalized to property in development.

D. Engagement with First Solar for the purchase of panels

Regarding an engagement for the purchase of panels, see Note 8c above.

E. Main liabilities and covenants:

Regarding the Group's main liabilities and covenants to banks and others, see Notes 11 and 12 above.

Note 16 – Equity

A. Composition of share capital in nominal NIS

	As of December 31, 2023		As of December 31, 2022	
	Registered	Issued and paid-up	Registered	Issued and paid-up
	Thousands of shares		Thousands of shares	
Ordinary shares of NIS 1 PV (*)	500,000	179,808	500,000	179,808

(*) The shares are listed and traded on the Tel Aviv Stock Exchange. The number of shares includes dormant shares held by the Company.

(**) The shares are cumulative, participating and registered in the owner's name.

B. Developments in share capital

The following are developments in the Corporation's share capital over the past three years:

Date	Details	PV in thousands	Proceeds (gross) in NIS thousands	Share price in NIS
2021	Exercise of employee options	1,180	38,442	32.58
2022	Exercise of employee options	365	13,625	37.33
2022	Issuance of capital	5,319	271,182	51.0

C. Balance of Company shares held by the Company

As of December 31, 2023 and 2022, the Company holds 85 thousand shares of the Company's ordinary shares of NIS 1 PV each, which constitute 0.047% of its issued and paid-up ordinary shares as of those dates.

17 Regarding the first period – an amount equal to 14% of the excess capital return.

Note 16 – Equity (continued)

D. Dividend paid and dividends declared subsequent to the date of the Statement of Financial Position

In March 2001, the Company's Board of Directors decided to adopt a policy according to which the Company's management will announce, at the beginning of each year, the dividend amount the Company intends to distribute (subject to the law) in the same year. The annual dividend amount will be divided into 4 payments to be made at the end of each calendar quarter, and talking into account the Company's operating results according to its latest financial statements, the Board of Directors may make adjustments to the amount distributed. It should be emphasized that the Board of Directors may at any time, taking into account business considerations and in accordance with the provisions of any law, change the amounts to be distributed as dividends or decide not to distribute them at all.

In March 2023, the Company's Board of Directors made a decision regarding the dividend policy for 2023 in the amount of NIS 1.28 per share, which will be paid in 4 quarterly payments in the amount of NIS 0.32 per share each. In addition, at its meeting in March 2023, the Company's Board of Directors decided to distribute an additional dividend in respect of 2022 in the amount of NIS 0.18 per share. Accordingly, during 2023, the Company paid its shareholders a dividend in the total amount of NIS 1.46 per share (NIS 262.4 million).

In March 2024, the Company's Board of Directors made a decision regarding the dividend policy for 2024 according to which, during 2024, the Company intends to pay a dividend in the total amount of NIS 0.72 per share, which will be paid in 4 quarterly payments of NIS 0.18 per share (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

In accordance with the above, in March 2024, the Company declared a dividend for the first quarter of 2024 in the amount of NIS 0.18 per share (NIS 31 million) to be paid in April 2024.

As of December 31, 2023, the Company has retained earnings (distributable profits) of NIS 2.1 billion.

The following are details regarding the dividends paid by the Company from its distributable profits, over the past three years:

Payment date	Declaration date	Dividend per share	NIS thousands
6/4/2021	16/3/2021	0.5	86,430
7/6/2021	18/5/2021	0.3	52,099
2/9/2021	17/8/2021	0.31	58,843
2/12/2021	15/11/2021	0.31	53,851
4/12/2022	22/3/2022	0.75	130,760
14/6/2022	24/5/2022	0.31	54,065
14/9/2022	17/8/2022	0.32	55,809
15/12/2022	22/11/2022	0.32	57,511
30/03/2023	03/12/2023	0.5	89,861
6/12/2023	22/5/2023	0.32	57,511
9/03/2023	14/8/2023	0.32	57,511
14/12/2023	19/11/2023	0.32	57,511
Total		4.58	806,762

Note 16 – Equity (continued)

E. Share-based payment

The following is information regarding executive and employee remuneration plans in effect as of December 31, 2023:

1. Capital remuneration framework plan

At the shareholders' meeting of October 9, 2018, a remuneration policy for the Company's officers was approved for the years 2019-2021, in accordance with the provisions of Amendment 20 to the Companies Law (hereinafter - "**Remuneration Policy for 2019-2021**"). On October 6, 2021, the shareholders' meeting approved a remuneration policy for the Company's officers for the years 2022-2024, which is not fundamentally different from the remuneration policy for the years 2019-2021 (hereinafter - the "**Remuneration Policy for 2022-2024**")[18] (the remuneration policy for the years 2019-2021 and the remuneration policy for the years 2022-2024, will be referred to collectively, hereinafter - the "**Remuneration Policy**").

For the implementation of the remuneration policy, the Company has a multi-year capital based remuneration framework for Company employees and executives from February 2018 (hereinafter - the "**Framework Plan**", according to which each year close to the publication of the annual report, Company employees and executives would be allocated non-tradable options of an economic value determined from time to time by the relevant Company bodies (hereinafter - the "**Annual Portion**").

The framework plan states that the vesting period of the options will end at the end of a period determined by the Board of Directors but in any case not more than five years from the date of the Board of Directors' specific decision to a particular beneficiary and will be exercisable from their vesting until a date to be determined by the Board of Directors. It is also stated in the framework plan that the exercise price of the options will be as determined by the Board of Directors from time to time, subject to the remuneration policy as it will be from time to time.

The remuneration policy for the years 2022-2024 determined that the exercise price of any such annual portion will at least be based on the higher of the following: (1) an average of the Company's share price on the stock exchange in the 30 days of trade that ended the day before the decision regarding the granting of the annual portion; (2) the share price at the end of the day of trading on the stock exchange prior to the Board of Directors' decision to grant the options, plus 4%. The exercise price is nominal and is adjusted for dividends.

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[18] The remuneration policy for the years 2022-2024 determined a number of changes in relation to the existing capital remuneration, as follows: (1) The annual portion allocated will be for a vesting period of two years and will be exercisable until the end of 3 years and 3 months from the grant date (with the exception of options allocated instead of a cash bonus as stated in subsection 2 below); (2) The right to convert part/all of the annual bonus of the Company's officers to a capital grant; (3) The exercise price of the options will be at least the higher of the following: (a) The average of the Company's share prices on the stock exchange in the 30 trading days ending one day before the Board of Directors' decision to grant the options (a weighted average of 20 trading days has passed, according to the remuneration policy for 2019-2021) (b) 4% above the share price at the end of the trading day on the stock exchange that preceded the day of the Board of Directors' decision to grant the options; these changes were applied, respectively, in the Board of Directors' decision dated March 22, 2022 regarding the allocation of options to the Company's employees, its officers and its directors. In the remuneration policy for the years 2022-2024, immaterial corrections were made, in accordance with the decision of the General Assembly of August 2023.

Note 16 – Equity (continued)

As part of the remuneration policy, as it was from time to time, and the capital remuneration framework plan, the Company allocated annual portions from the capital remuneration framework plan, as follows:

	Number of recipients	Number of options	Economic value on grant date, in NIS thousands	Exercise bonus per option in NIS (before adjustments)	Vesting period in years	Expiry date
2019	18(*)	735,338	3,411	41.22	2	30.4.22
2020	17 (**)	1,528,166	3,413	49.64	2	30.4.23
2021	15 (**)	365,010	3,399	44.96	2	30.4.24
2022	16 (**)	272,879	3,626	58.32	2	June 21, 2025
2023	16 (**)	962,621	4,322	35.01	2	June 11, 2026
2024	16 (**)	786,031	4,331	27.43	2	June 11, 2027

(*) Including the Chairman of the Board of Directors and 6 directors. For additional information on the remuneration of directors and officers, see Note 18.

(*) Including the Chairman of the Board of Directors and 5 directors. For additional information on the remuneration of directors and officers, see Note 18.

2. Parameters used in calculating the benefit inherent in the options

The cost of the total benefit inherent in all the options in effect as of December 31, 2023 (the March 2021, March 2022 and March 2023 plans), based on the fair value on the grant date, has been estimated at a total of NIS 11.4 million, of which a total of NIS 8.5 million has been recognized in profit and loss as of December 31, 2023. This amount is recorded to the Statement of Income over the vesting periods. The fair value of the options issued as denoted above has been estimated via the application of the Black & Scholes model. The parameters used to apply the model are as follows:

Plan	**March 2024**	**March 2023**	**March 2022**	**March 2021**	**March 2020**	**March 2019**
Share price (in NIS)	26.38	30.75	56.08	43.23	38.66	39.63
Exercise price (in NIS)	27.43	35.01	58.32	44.96	49.64	41.22
Expected weighted volatility (*)	34.64%	29.83%	34.60%	34.09%	20.66%	18.55%
Lifespan of options (in years)	2	2.00	3.00	2.88	2.87	2.87
Risk-free interest rate	3.95%	3.91%	1.43%	0.27%	0.43%	0.74%
Expected dividend rate (**)		-	-	-	-	-
Total benefit (NIS thousands)	4331	4,322	3,626	3,399	3,413	3,411
Amortization amount (NIS thousands)						
In 2023	-	1,935	1,809	404	-	-
In 2022	-	-	1,373	1,721	425	-
In 2021	-	-	-	1,275	1,699	417

(*) The expected volatility is determined based on historical volatility in the price of the Company's share. The lifespan of the average option is determined based on management's forecast regarding the duration of the holding period of options by option receivers taking their position in the Company and the Company's past experience regarding employee departure into consideration.

(**) Dividend-adjusted exercise bonus

Note 16 – Equity (continued)

3. The following are developments in the options granted to Company employees and officers:

	2023		2022	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	In thousands	**NIS**	**In thousands**	**NIS**
Balance as of January 1	2,145	46.19	2,237	44.92
Granted during the year	963	35.01	273	58.32
Expired during the year	(1,527)	-	-	-
Exercised during the year	-	-	(365)	37.33
Balance as of December 31	1,581	38.76	2,145	46.19
Options\exercisable as of December 31	347	-	1,507	-
Expected proceeds from the exercise of options outstanding as of December 31 (in NIS thousands) (*)	47,263	-	30,722	-

(1) The weighted average of the share price on the options' exercise date for options exercised in 2022 was NIS 57.4.

(2) A total of 346,661 options in circulation are from the March 2021 plan which is ex-cash and which expires in April 2024. Therefore, no future consideration was taken for them.

Note 17 – Additional Information on Income and Expense Items

A. Revenues from rental fees and management of investment property

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Rental fees (1)	1,208,529	1,114,087	916,464
Property management	115,534	105,091	72,917
	1,324,063	1,219,178	989,381

1. **Revenue from future minimum rental fees –** the aggregate amount of future minimum rental fee revenue based on signed irrevocable rental agreements in effect as of December 31, 2022 is as follows:

	As of December 31	As of December 31
	2023	2022
	NIS thousands	NIS thousands
First Year	1,070,889	974,250
Second year	894,489	809,407
Third year	715,335	665,193
Fourth year	511,058	539,969
Fifth year	343,730	390,601
Sixth year and thereafter	948,716	981,433
	4,484,217	4,360,853

B. Fair value adjustments of investment property

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Fair value adjustment of Amot properties	246,018	999,764	860,598
Fair value adjustment - amortization of Amot's transaction costs	(3,300)	(18,248)	(120,583)
Fair value adjustment of BE properties	(1,168,887)	(281,683)	1,043,847
Fair value adjustment - amortization of BE's transaction costs	-	(13,915)	(68,393)
	(926,169)	685,918	1,715,469

1. **Fair value adjustment of Amot properties** – In 2023, Amot recorded a profit of NIS 246 million from the fair value adjustment of investment property (before amortization of transaction costs) that stemmed mainly from an increase in NOI from the properties, which was partially offset by an increase in the discount rate. In 2022, Amot recorded a profit of NIS 1 billion from the fair value adjustment of investment property (before amortization of transaction costs) that stemmed mainly from an increase in NOI from the properties.

2. **Fair value adjustment of BE properties** – In the reporting period, BE recorded a loss of GBP approx. 252 million (approx. NIS 1,169 million) from the fair value adjustment of investment property. The loss is mainly due to the increase in the discount rate of BE properties.

Note 17 – Additional Information on Income and Expense Items (continued)

C. Cost of investment property rental and operation

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Property maintenance and management costs	118,514	110,819	77,225
Taxes and fees	15,552	7,856	6,837
Wages and related expenses	25,276	21,587	13,669
Others	9,552	6,538	6,673
	168,894	146,800	104,404

D. Administrative and general expenses

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Wages and related expenses, management fees and bonuses	87,700	94,692	72,026
Share-based payment expense	29,290	16,288	43,305
Directors' wages and related expenses	1,162	1,490	1,137
Professional services	34,534	27,585	26,728
Donations	6,442	6,748	6,291
Others	42,670	32,279	22,882
	201,798	179,082	172,369

(*) The expenses in 2021 include an amount of NIS 30 million in respect of a long-term incentive plan in BE. For information, see Note 15c.

Note 17 – Additional Information on Income and Expense Items (continued)

Financing expenses

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Interest in respect of short-term credit	6,561	8,901	9,228
Interest in respect of long-term bank loans and lease liabilities	230,816	129,742	68,745
Interest (including discount amortization) in respect of bonds	385,899	276,074	239,045
Total interest expenses	623,276	414,717	317,018
CPI-linkage differences in respect of loans	55,092	71,116	23,488
Linkage differences in respect of bonds	296,112	388,692	128,795
Total credit costs	974,480	874,525	469,301
Less credit costs capitalized to systems in development	(106,418)	(60,889)	(23,714)
Less financing capitalized to self-constructed investment property	(39,648)	(55,049)	(29,418)
	828,414	758,587	416,169
Others, net	59,701	34,135	19,122
	888,115	792,722	435,291

E. Financing income

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Interest on bank deposits, ETFs and monetary funds	54,789	14,208	2,214
Exchange rate differences, net	8,121	-	-
Interest in respect of loans to associates and other companies	29,135	26,720	21,676
Profits from transactions in financial derivatives	-	38,081	3,950
Profit from tradable securities held for trade	3,722	-	4,970
Others, net	823	1,069	5
	96,590	80,078	32,815

Note 18 – Transactions with Related Parties and Interested Parties

A. Management agreement with the Company CEO

In December 2021, the Company entered into a management agreement (which replaced the previous agreement from November 2018) with Adva Financial Consulting Ltd. (hereinafter in this subsection - "**Adva**" or "**the Management Company**") (a company owned by Mr. Nathan Hetz (the Company CEO, director and a controlling shareholder until November 26, 2019) and by his wife Mrs. Clara Hetz equally) to receive management services provided by Mr. Nathan Hetz for a three-year period starting January 1, 2022, (the "**Management Agreement**"), the main terms of which are as follows:

1. **Fixed component** – monthly management fees of NIS 275 thousand linked to the CPI for December 2018, plus VAT (in any case, the management fees will not be less than this nominal amount). Management fees for December 2023 amounted to a total of NIS 306 thousand.
   The management fees will also be paid for periods in which the management company will not provide management services to the Company, as follows: (1) 25 days for Mr. Nathan Hetz's annual vacation period; (2) up to 30 business days per calendar year for Mr. Nathan Hetz's sick days (which can be accumulated to up to 90 days).

2. **Annual bonus –** a bonus of NIS 2.4 million, linked to the CPI in lieu of December 2018, which will be paid in the following manner and under the following conditions:

   - NIS 1.2 million will be paid each year in which the annual FFO yield exceeds 6% (according to the equity[19] at the beginning of that year).
   - The balance of the bonus, which is not paid in any annual measurement, will be paid at the end of the 3-year agreement if the average FFO yield during the three-year agreement period exceeds 6%.

   * The FFO is the FFO according to the management's approach (in accordance with the remuneration policy) to be published by the Company in its Board of Directors Reports (included in the periodic report) for the years 2022-2024.

   In 2023, the Company paid the management company a total of NIS 1.2 million as a cash bonus for 2022, linked to the CPI in lieu of December 2018. In April 2024, the Company will pay the management company a cash bonus for 2023 in the amount of NIS 1.2 million, linked to the CPI in lieu of December 2018 (as of the date of publication of the report - NIS 1.3 million).

3. **Additional conditions:**

   1. In the event of any discontinuation of the agreement (whether due to its discontinuation of its cancellation by any of the parties), the Management Company shall be entitled to what it is owed in accordance with the agreement for 3 additional months from the end of the agreement, including a yearly bonus, until the conclusion of the three months in question.
   2. The Company and/or the Management Company have the right to cancel the agreement at any time before the end date, with 6 months advance written notice (during which the management agreement will continued to apply and Mr. Nathan Hetz will continue to provide the Company with management services), regarding its desire to end the agreement.
   3. The Company will provide Mr. Nathan Hetz with a vehicle and bear its maintenance costs, the cost of the tax for providing the vehicle to Mr. Nathan Hetz will be borne by Mr. Nathan Hetz. The Company will also bear all expenses of Nathan Hetz and/or the management company for Nathan Hetz's activity as Company CEO as is customary in the Company.

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[19] Company capital – Capital, less non-controlling interests, as of the beginning of the relevant year (December 31, 2023), plus capital raising and less special dividends during the same year, and all time-weighted.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

4. In accordance with Amendment 20 to the Companies Law, 1999 (hereinafter - the "**Companies Law**") and the remuneration policy, the agreement includes a provision according to which the management company will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the management company / Mr. Natan Hetz[20].
5. The remuneration policy and the agreement also determined that in the event of a significant change in legislation/regulation/ a significant change in accounting standards, the financial data will be calculated in the financial statements affecting the bonus in accordance with the legislation/regulation/accounting standards before the change.
6. In return or his service as Company officer, Nathan Hetz shall be entitled to remuneration and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law at sums and scopes set from time to time by the Company. The above insurance will provide Nathan Hetz with coverage during his entire term as an officer and for a period of seven years after he ceases to serve as officer. In return or his service as Company officer, Nathan Hetz will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time, except in respect of all events and causes that occurred until October 11, 2011.

B. Management agreement with the Chairman of the Company's Board of Directors

In November 2021, the Company entered into an agreement with Orwer Ltd. (hereinafter - "**Orwer**" or the "**Management Company**") (a company owned by Mr. Aviram Wertheim (Chairman of the Company's Board of Directors) and his wife, in equal parts) to receive management services by Mr. Aviram Wertheim, as the Chairman of the Company's Board of Directors, in partial position in the amount required to fulfill his duties[21] for the period starting January 1, 2022 and ending December 31, 2024, as long as Mr. Aviram Wertheim serves as the Chairman of the Company's Board of Directors, as approved by the General Assembly in October 2021 (the "**Management Agreement**"). The management agreement replaced a previous agreement for the years 2019-2021.

The following are the main points of the Management Agreement, on the basis of which the Company paid Orwer for the management services of the Chairman of the Board of Directors, in 2022:

1. **Fixed component** – monthly management fees of NIS 60 thousand, plus VAT, linked to the CPI for December 2018, but no less than the above nominal amount. As of December 31, 2023, the monthly management fees amounted to NIS 67 thousand.

20 It should be noted that according to the terms of the management agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the management agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

21 The scope of the position is currently estimated at 50%.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

2. **Annual cash bonus** (for the years 2022-2024) to be derived from the Company's annual FFO return on the Company's capital[22], where the minimum bonus (with a 6% FFO yield) is NIS 430 thousand and the maximum bonus (with an FFO yield of 10% or more) is NIS 720 thousand. When calculating the annual bonus, the negative FFO balance from previous years accrued during the years of Aviram Wertheim's term as Chairman of the Board of Directors will be offset. * The FFO means the FFO according to the management's approach (in accordance with the remuneration policy) to be published by the Company in its Board of Directors Reports for the years 2022-2024. The above bonus amounts are linked to the CPI for December 2018 and will not be less than the nominal amounts. The amount of the bonus between floor and ceiling is calculated linearly. The annual bonus, determined according to the FFO yield as stated above, will be increased or decreased according to the Company's rating by the credit rating companies, so the credit rating could lead to a decrease in the bonus even to the canceling of the Chairman's bonus on the one hand (in the event that the rating drops below B- (Maalot rating), B3 (Midroog rating)) or to its increase by up to 10% on the other hand (in the event that the rating exceeds AAA (Maalot rating) or Aa1 (Midroog rating). In the event that the rating companies' rating is not identical, the calculation will be made according to the average factor of the two rating companies;
In 2023, the Company paid Orwer a total of NIS 586 thousand (NIS 635 thousand after CPI-linking) for a cash bonus for 2022. In April 2024, the Company will pay the amount of NIS 570 thousand, CPI-linked, for the cash bonus for 2023 in respect of December 2018 (as of the date of publication of the report - NIS 635 thousand), in accordance with the bonus formula detailed above.

3. **Additional conditions –** Orwer is entitled to a retirement grant equal to management fees for 6 additional months from the end of the agreement, including an annual bonus (calculated on a relative basis), until the end of the 6 additional months. According to the agreement, in return or his service as a Company officer, Aviram Wertheim will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. This insurance will cover Aviram Wertheim for the entire period of his service as officer and for a period of seven years after he ceases his service as an officer. In return or his service as Company officer, Aviram Wertheim will be entitled to an exemption as this is defined in Mark C of Chapter Three, Part Six of the Companies Law, as will be customary at the Company from time to time.

   Regarding the capital remuneration granted to Mr. Aviram Wertheim in recent years, in accordance with the decision of the General Assembly, see Note 18c(2) below.

   According to Amendment 20 to the Companies Law and the remuneration policy, the agreement includes a provision according to which Orwer will repay or receive, as the case may be, amounts it was paid or which were supposed to have been paid under the terms of the agreement, if the amounts it was paid were paid on the basis of data that turned out to be incorrect and were restated in the Company's statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to Orwer / Mr. Aviram Wertheim[23].

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[22] "**Company capital**" – the capital, less non-controlling interests at the beginning of the relevant year, plus capital raising and less additional dividends during the year, and all time-weighted.

[23] It should be noted that according to the terms of the 2022 Agreement, in the event of a significant change in legislation/regulation/accounting standards during the period of the 2022 Agreement, the financial data will be calculated in the financial statements affecting the grant, in accordance with the legislation/regulation/accounting standards before the change.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

C. Remuneration of directors

1. Remuneration of directors -

On January 11, 2010, the Company's Board of Directors decided, following the approval of the Audit Committee on that day according to the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000 ("**the Remuneration Regulations**") and according to the Companies Regulations (Easements on Transactions with Interested Parties), 2000 ("**the Easements Regulations**"), that as of April 1, 2010, the Company will pay the external directors, and the other directors who are not external directors and who are not employed by the Company, an annual remuneration equal to the maximum amount as detailed in the Second Supplement to the Remuneration Regulations, as will be applicable from time to time, depending on the Company's rating as it will be from time to time. The participation remuneration for attendance at meetings of the Board of Directors and its committees is at the fixed amount as specified in the Third Supplement to the Remuneration Regulations. For attendance at meetings of the Board of Directors and/or Board committees via telecommunications and for participation in the decisions of the Board of Directors and of its committees without actually convening, these directors will be paid a relative portion of the fixed amount as determined in Regulation 5 of the Remuneration Regulations.

The decision by the Company's Board of Directors to compensate Board members, as detailed above, is also compatible with the Company's remuneration policy for the years 2019-2021 and with the Company's remuneration policy for the years 2022-2024. As of the date of publication of these financial statements, the maximum annual remuneration is NIS 120 thousand and the fixed participation remuneration is approx. NIS 3.6 thousand (these amounts are updated from time to time according to the updating mechanism in the Remuneration Regulations).

The total payments made to the external directors and directors of the Company (with the exception of Mr. Nathan Hetz and Mr. Aviram Wertheim) for 2022 (6 directors[24], without Mr. Nathan Hetz and Mr. Aviram Wertheim, as stated) amounted to NIS 783 thousand. The total payments to which the external directors and directors of the Company are entitled (with the exception of Mr. Nathan Hetz and Mr. Aviram Wertheim), for 2023 (6 directors[25], without Mr. Nathan Hetz and Mr. Aviram Wertheim, as stated) amounted to NIS 1,069 thousand.

2. Capital remuneration of directors -

On February 19, 2018, the Company's Board of Directors adopted an options plan in accordance with Section 102 of the Income Tax Ordinance in a capital plan with a trustee (hereinafter - the "**Framework Plan**"), and on October 10, 2021, the Framework Plan was amended (see Note 16e(1) above).

At the meetings of the General Assembly dated October 9, 2018 and October 6, 2021, a decision was made to approve the granting of options, to the directors (including Adva Sharvit (daughter of Nathan Hetz, who was one of the Company's controlling shareholders, until November 26, 2019)) who are not employed by the Company, in accordance with the Company's stock option plan in effect as determined by the Board of Directors in the years 2019-2021 and 2022-2024, respectively. The value of the options to be granted each year will be an amount equal to one half (50%) of the annual remuneration to which the directors are entitled as member of the Board of Directors (not including remuneration for meeting attendance) for the calendar year ending before granting the options. The exercise price, the vesting period, the exercise dates, the right to exercise options that have yet to be realized in the event of the end of service, and the other terms of the options will be determined in accordance with the remuneration policy.

In accordance with the principles of the remuneration policy and the resolutions of the General Assembly mentioned above, in the years 2020-2023, the eligible directors were granted options in accordance with the terms of the Framework Plan.

[24] It should be noted that Ms. Gittit Guberman ended her service in the Company in May 2022.

[25] It should be noted that Ms. Mia Likvernik ended her service in the Company in March 2023 and Ms. Roni Patishi Chillim commenced service in the Company in May 2023.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

In addition, in accordance with the decision of the Company's authorized bodies, each year from the years 2020-2021 in which Mr. Wertheim served as Chairman of the Board, he was granted a capital grant by allocating non-tradable options with an economic value (calculated according to an accepted economic model) in the amount of NIS 300 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount), and in 2022 Mr. Wertheim was granted a capital bonus in the amount of NIS 360 thousand. In addition, each of the years 2022-2024 in which Mr. Wertheim will serve as Chairman of the Board, he was/will be granted a capital grant by allocating non-tradable options with an economic value (calculated according to an acceptable economic model) in the amount of NIS 360 thousand (linked to the CPI for December 2018 and in any case not less than the above nominal amount).

The following is a list of the options granted or for which a decision has been made to grant them to the directors and the Chairman of the Board of Directors in accordance with the above, between the years 2021-2024:

Date of the decision	**Offeree directors** (Entitled directors serving on the date of the decision regarding the grant)	**Number of Board members**	**Number of options granted** (Includes 50% of the annual remuneration paid to each of the above directors (not including participation remuneration)	**Option exercise price on allocation date** (Unlinked, subject to adjustments)	**The cost of the total benefit included in the options issued to directors based on fair value according to the Black & Scholes Model on the grant date in accordance with guidelines in IFRS 2 - "Share-Based Payment" in NIS**
Board of Directors decision of March 16, 2021	Zvi Eckstein, Gittit Guberman, Amos Yadlin, Shlomi Shuv and Adva Sharvit	5	30,005	44.96	279,450
	Aviram Wertheim	1	32,212	44.96	300,000
Board of Directors decision of March 22, 2022	Zvi Eckstein, Gittit Guberman (**), Amos Yadlin, Mia Likvernik, Shlomi Shuv and Adva Sharvit	5	22,430	58.32	298,046
	Aviram Wertheim	1	28,069	58.32	372,979
Board of Directors decision of March 12, 2023	Zvi Eckstein, Amos Yadlin, Mia Likvernik, Shlomi Shuv and Adva Sharvit	5	57,186	35.01	256,770
	Aviram Wertheim	1	86,950	35.01	390,405
Board of Directors decision of March 12, 2024	Zvi Eckstein, Amos Yadlin, Roni Patishi Chillim, Shlomi Shuv and Adva Sharvit	5	54,505(*)	27.43	300,310
	Aviram Wertheim	1	72,724(*)	27.43	400,709

(*) The options have yet to be allocated

(**) In regard to Gittit Guberman, options with an economic value of NIS 20.5 thousand were allocated, in respect of the relative period until the end of her service (May 15, 2022).

The options were granted under the terms detailed above and subject to the terms of the applicable framework plan.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

D. Insurance, indemnity and exemption [26] [27]

Insurance arrangement for directors and officers in the Company, Amot and Energix -

The Alony-Hetz Group has an insurance arrangement for directors and officers for a period of up to 6 years, beginning on July 1, 2018 (hereinafter - the "**2018 Arrangement**"). The 2018 Arrangement is an umbrella arrangement for the entire Group, which includes, among others, the directors and officers of Amot and Energix.[28] The limit of liability for insurance under the 2018 arrangement, was up to USD 75 million per case and period, plus legal expense coverage. In addition, the Company, Amot and Energix, may, each at its sole discretion, purchase directors and officers insurance policies in an amount of additional insurance coverage of up to USD 25 million for directors and officers serving in each of the above companies (alone or together with any of the Group companies).

The policies that will be purchased under the 2018 Arrangement will insure the liability of the officers of the Company and its subsidiaries, as well as those who serve as directors on behalf of the Company in companies that are not subsidiaries. In addition, the policies that will be purchased under the 2018 Arrangement will also be insured in respect of events that can be insured according to the Streamlining of ISA Enforcement Procedures Law (Legislative Amendments), 2011 (hereinafter - the "**Enforcement Procedures Law**"), according to the Economic Competition Law, 1988 (the "**Competition Law**"), and/or according to any other law regarding officers' insurance in general and/or officers' insurance for administrative enforcement in particular, including and without detracting from the generality of that stated, according to Section 56h of the Securities Law and/or the provisions of Section 50p of the Competition Law.

According to the 2018 Arrangement, The Company will maintain the above insurance (according to the format as it will be determined from time to time) for the entire duration of an officer's service as well as for a period of 7 years from the end of service, will renew the policy on the proper date and bear all premium expenses and any associated or related expenses.

On May 2, 2018, the general meetings of Amot and Energix (after approval by the Remuneration Committee and the Board of Directors of each of the above companies, from March 2018) approved the joining of the 2018 Arrangement and the participation of Amot and Energix in the premium for the policies to be purchased over the aforementioned 6 years.

On September 8, 2020, the Company's General Assembly (in accordance with the recommendation of the Remuneration Committee of July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020) approved the following[29]:

a.) That the payment of the insurance premium for the purchase of umbrella insurance for the Alony-Hetz Group directors and officers for the period July 15, 2020 to July 14, 2021 will be in the amount of USD 298,798[30].

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[26] This section applies to all Company officers (including those who are not directors).

[27] In return for his service as a Company officer, Mr. Nathan Hetz (CEO and director) and Aviram Wertheim (Chairman of the Company's Board of Directors) will be entitled to indemnity and insurance as these are defined in Mark C of Chapter Three, Part Six of the Companies Law, at amounts and scope as determined from time to time by the Company. The above insurance will provide Nathan Hetz and Aviram Wertheim with coverage during their entire term as officers and for a period of seven years after they serving as officers.
Regarding the exemption to which Mr. Nathan Hetz (CEO and Director) and Mr. Aviram Wertheim (Chairman of the Board) are entitled, see below.

[28] The 2018 Arrangement was approved by the General Meeting at its meeting on July 12, 2018.
The Remuneration Committee, at its meeting on May 17, 2018 and the Company's Board of Directors at its meeting on May 23, 2018, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of all of the above arrangements also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

[29] The Remuneration Committee, at its meeting on July 15, 2020 and the Company's Board of Directors at its meeting on July 16, 2020, as well as the Remuneration Committees and the Board of Directors of Amot and Energix, approved (each company in relation to itself) the application of the arrangement, as detailed above, also in relation to directors who are controlling shareholders or their relatives as they are or will be from time to time.

[30] In practice, the premium paid in respect of the above policy is in the amount of approx. USD 294 thousand. The premium for the aforementioned period, and as long as it is not decided otherwise, in the following years as well, is distributed between the Company and Amot and Energix equally. With respect to previous insurance periods, the distribution of the premium was determined in accordance with the equity ratio of the three companies according to their last two annual financial statements (excluding non-controlling interests) before purchasing each policy.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

b.) That subject to the fact that the premium for the insurance policies of the directors and other officers to be purchased by the Company for periods from July 15, 2021 to June 30, 2024 under an umbrella insurance policy for the Alony-Hetz Group will be determined in negotiations between the Company and insurance companies and reinsurers (that are not related parties), and its cost will not be material to the Company at that time; the 2018 Arrangement ceilings, will not apply in relation to these insurance policies.

According to the principles determined in the above insurance arrangement, the Company purchases such insurance policies from time to time, with the last two policies it purchased (for the year from July 15, 2022 to July 14, 2023 and for the year from July 15, 2023 to July 14, 2024) are within a limit of liability in the amount of USD 65 million per case and per period in addition to legal expense coverage under Section 66 of the Insurance Contract Law, 1981 and at a cost of USD 365 thousand.

On March 12, 2024, the Company's Board of Directors approved (following the approval of the Remuneration Committee) a new arrangement, subject to the approval of the General Meeting to be summoned by the Company (the "**New Arrangement**"). The New Arrangement is subject to the approval of the authorized bodies of Amot and Energix.

Insurance in Carr: From time to time, Carr purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased in recent years is in the amount of USD 10 million per year, including coverage for legal expenses.

Insurance in BE: From time to time, BE purchases a directors', officers' and corporate liability insurance policy for a period of one year (each time). The liability limit purchased so far is in the amount of GBP 5 million per year, including coverage for legal expenses.

Indemnity and exemption –

The Company, Amot and Energix granted letters of indemnity and exemption to their officers, including directors who were also controlling shareholders at the time[31] [32]or their relatives, including officers serving in subsidiaries. According to the letters of indemnity, the indemnification amount will not exceed 25% of the equity of the Company, Amot or Energix (as applicable) according to the latest financial statements published prior to the payment date.

In March 2018, the Audit/Remuneration Committees (as applicable) and the Boards of Directors of Amot and Energix approved changes to the insurance, indemnity (and in Amot, also regarding the exemption) arrangement[33] for directors and officers. The changes were also approved by the General Assemblies of Amot and Energix in May and in relation to part of the insurance issue (meaning the umbrella insurance policies for directors and officers throughout the Group), they were also approved by the relevant bodies in these companies.

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31 Regarding the Company, the continued application of the letters of indemnity for the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its October 6, 2014 meeting for a period of 3 years from October 11, 2014 to October 10, 2017 and in the General Assembly of October 3, 2017 for a 3-year period from October 11, 2017 to October 10, 2020. On the other hand, the continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives in the same format was not renewed. Regarding a new exemption arrangement, see below.
Regarding Amot, the continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by the General Assembly in its February 16, 2015 meeting for a period of 3 years from November 15, 2014 to November 14, 2017. In its February 16, 2015 meeting, Amot's General Assembly did not approve the exemption for Company directors and officers who are controlling shareholders or related to controlling shareholders in the same format.
On May 2, 2018, Amot's General Assembly approved new letters of indemnity for directors and officers, which replaced the previous letters of indemnity. The General Assembly of May 2, 2018, also approved the granting of new letters of exemption, which will replace the existing letters of exemption from the grant date, in relation to events only from the grant date. The Assembly's approval is in relation to all directors and officers, as they will be from time to time (including directors and officers who are controlling shareholders or their relatives).

32 The continued application of the letters of indemnity to the controlling shareholders and their relatives serving and who may serve from time to time was approved by Energix's General Assembly in its October 4, 2014 meeting for a period of 3 years from April 6, 2014 to April 5, 2017 and in Energix's General Assembly of July 9, 2017 for a 3-year period from April 6, 2017 to April 5, 2020. The continued application of the exemption with respect to directors and officers who are controlling shareholders or their relatives, was not approved in Energix's July 30, 2014 General Assembly. In addition, in Energix's General Assembly of July 9, 2017, the meeting approved the issue of new letters of exemption to Energix's directors and officers, including directors and officers who are controlling shareholders or their relatives, serving on the date of the meeting's approval and who will serve from time to time (regarding the controlling shareholders, the approval is for 3 years starting from the meeting's approval from July 9, 2017 to July 8, 2020).

33 The exemption in its new format was approved by Energix's General Assembly on July 9, 2017.

Note 18 – Transactions with Related Parties and Interested Parties (continued)

Regarding the Company's existing remuneration arrangement:

On July 12, 2018 the Company's General Assembly approved the replacement of the letter of indemnity that existed at the time in the Company with a new letter of indemnity, granted by the Company to the directors and the other officers, as they may exist from time to time, including replacing the letters of indemnity of the directors and officers at the Company who are controlling shareholders or their relatives, and as they may be from time to time, all relative to the grounds occurring from the General Assembly's approval date (July 12, 2018) and thereafter. It should be clarified that the existing letter of indemnity will continue to apply to grounds that occurred up to the General Assembly's approval date (July 12, 2018).

Regarding the Company's existing exemption arrangement:

On July 12, 2018, the Company's General Assembly approved a new arrangement for the granting of new letters of exemption to Company directors and officers, including Company directors and officers who are controlling shareholders in the Company or their relatives, serving on the date of the General Assembly's approval and as may serve from time to time, as long as the letters of exemption granted by the Company to directors and officers who are not controlling shareholders or their relatives up to the date of the General Assembly approval and which are still in effect, will continue to apply in full, unchanged, regarding all grounds covered thereby that occurred up to the General Assembly approval date and the exemption granted by the Company to directors and officers who were controlling shareholders or their relatives on that date (i.e., Mr. Nathan Hetz and his daughter Adva Sharvit, who serves as a Company director), will continue to apply in full, unchanged, regarding all grounds covered thereby occurring up to October 11, 2011.

The exemption in accordance with the new arrangement will not apply to an action or failure to act of a director and/or officer in connection with a decision or transaction in which the controlling shareholder or any Company officer (including an officer other than one granted the letter of exemption) has any personal interest.

Indemnity in Carr:

The Articles of Association of Carr and its subsidiaries state that Carr will compensate its directors, officers, employees and representatives, past and present, for any liability imposed on them or an expense they may bear subject to the fact that they have acted in accordance with the law in their positions as directors, officers, employees or representatives, as the case may be, in the broadest manner allowed according to the laws of the State of Delaware.

Indemnity in BE:

In February 2020, the BE Board of Directors approved the granting of letters of indemnity to BE's directors and in any legal entity in which BE is a shareholder (hereinafter, in this subsection - "**Related Entity**"). According to the letter of indemnity, subject to English law, BE undertakes, among other things, to indemnify the director of BE or of an entity related thereto, subject to the foregoing, up to the maximum limit permitted by applicable law, for any liability or expense, as detailed in the indemnity letter, to be imposed due to or in connection with an action he performed in his capacity as a director, officer, employee or agent of BE or of a related entity or of another legal entity where the director serves at any time at the request of BE or a related entity, as of February 6, 2018 or from the date of his appointment as director, the later of the two.

In any case, the amount of indemnity to be paid by BE, to all directors of BE or an entity related thereto, as a group, will not exceed 25% of BE's equity according to BE's current financial statements published before the date of payment under the indemnity letter (in addition to amounts received by the director under an insurance policy or otherwise).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

E. Additional information -

For additional information regarding remuneration amounts paid to Company directors in respect of the years 2021-2023, see Note 18h below.

1. Regarding the management fee agreement with Amot, see Note 6c.4.
2. Regarding the management fee agreement with Energix, see Note 6e.5.
3. The Company has a facility arrangement (in effect until May 2024) for forward transactions with Energix for a period of up to 18 months (from the date of engagement in the transaction) for a total amount (at any given moment) of USD 60 million. As of the date of the report and as of its publication date, there are no forward transactions in effect between the parties.

F. Rental agreements -

In December 2015, the Company and Energix entered into rental agreements with Amot (each of the companies separately), as updated from time to time, according to which the Company and Energix rented from Amot during the reporting period, at rental terms customary in Amot in relation to building tenants ("**Market Terms**") (as they were at the time of the engagement) and in the normal course of business, offices with an area that currently (after the aforementioned updates) amounts to approx. 772 sq.m. (the Company) and approx. 1,056 sq.m. (Energix), on the 40th floor of the "Amot Atrium Tower" in Ramat Gan (the "**Building**"), as well as parking spaces in the parking garage of the building. After a rental period of 5 years, the option given to the Company and Energix to extend the rental period by an additional 5 years was exercised.

The Company's annual rental cost in respect of the management components amounted to approx. NIS 1.9 million in 2023 and that of Energix to approx. NIS 2.3 million.

In December 2023, Amot entered into an agreement with Energix to rent an additional area of approx. 837 sq.m. on the 18th floor of the "Amot Holon Campus" as well as parking spaces in the building's parking lot, for a period of 10 years (with an exit right after 7.5 years against payment of an agreed remuneration). The rent is at market conditions. The expected annual revenue for Amot for the above rental agreement and for the management component is approx. NIS 1,149 thousand (including the management component).

In addition, Amot rents to Energix rooftops that it owns, on which 30 small photovoltaic systems for electricity generation and 2 medium systems are installed, for a period of 20 years from the date of commercial operation of the facility, in exchange for 10% of the Energix's actual receipts for the electricity generation in the relevant system.

G. Negligible transaction -

The Company's Board of Directors has determined that a negligible transaction would be one meeting the following conditions:

1. It takes place in the ordinary course of the Company's business;
2. The transaction takes place under market conditions – the terms of the engagement are terms customary in the relevant market;
3. The transaction's projected contribution to profit and loss in annual terms (before the tax effect) or its annual financial scope in the event that the transaction is not recorded through the Statement of Income does not exceed 0.125% of the Company's equity according to its audited consolidated financial statements published as of December 31 of the year preceding the date on which the transaction was reported, or 0.5% of the Company's average profit or loss in absolute terms in the three calendar years preceding the date on which the transaction was reported according to the Company's audited consolidated financial statements; whichever is lower, whether in a single engagement or a series of engagements on the same issue over the course of the year; for this purpose, in the event that the Company does not have the full rights and obligations in the transaction, the transaction will be examined according to the Company's relative share in the transaction.
4. The transaction was approved by the Company's Board of Directors and the controlling shareholder/officer has informed the Company of his interest in the transaction (unless the personal interest is due solely to the presence of personal interest by a "**relative**" as defined in the Companies Law in a non-exceptional transaction).

Note 18 – Transactions with Related Parties and Interested Parties (continued)

The Company, Amot and Energix engage from time to time with Value Base Issuing Underwriting and Management Ltd. ("**Value Base**") (a company whose parent company's shareholders include, among others, Nathan Hetz (15.76%), the CEO and a director in the Company, Chairman of the Amot Board of Directors and Chairman of the Energix Board of Directors), to receive advice and for the management of an offering and/or for the distribution of an offering. It should be noted that the engagement is usually made as part of a comprehensive engagement with several distributors.

H. Benefits to key management personnel of the Company

	Number of recipients	For the year ended December 31		
	2023	2023	2022	2021
		NIS thousands	NIS thousands	NIS thousands
Management fees and bonuses	4	13,712	13,501	12,385
Amortization of benefits relating to share-based payments	9	2,577	2,418	2,301
Other directors' wages	6	783	1,069	743
Directors' and officers' insurance	16	379	421	394
		17,451	17,409	15,823

I. Additional information on transactions with related parties

	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
In current assets		
In other receivables	103	617
In current liabilities		
In payables and credit balances	500	332

Note 19 – Earnings per Share

	For the year ended December 31	For the year ended December 31	For the year ended December 31
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Profit used to calculate basic earnings per share from continuing operations	(2,392,409)	(281,467)	1,557,947
Adjustments:			
Adjustment of diluted profit from consolidated companies	(6,679)	(12,023)	(10,841)
Profit used to calculate diluted earnings per share	(2,399,088)	(293,490)	1,547,106
		Thousands of shares	
Weighted average number of shares of ordinary shares used to calculate basic earnings per share from continuing operations	179,722	176,049	173,455
Adjustments:			
Options	-	-	205
Weighted average number of shares of ordinary shares used to calculate diluted earnings per share	179,722	176,049	173,660
Weighted average number of securities excluded from the calculation of diluted earnings per share, as their effect was anti-dilutive:			
Options	1,581	2,144	1,886
	1,581	2,144	1,886

Note 20 – Taxes on Income

A. Composition of tax expenses

	For the year ended December 31		
	2023	2022	2021
	NIS thousands	NIS thousands	NIS thousands
Current taxes			
Current tax expenses	228,973	46,973	74,603
Taxes for previous years	(21,667)	(1,736)	50,534
Total current taxes	207,306	45,237	125,137
Deferred taxes	(60,037)	(34,986)	230,640
Tax income from a tax partner	(69,452)	(57,815)	(30,825)
Total tax expenses recognized in the statement	77,817	(47,564)	324,952

B. Tax laws applicable to the Group

The provision for current taxes made by the Company and its subsidiaries in Israel was determined based on the provisions of the Income Tax Ordinance (New Version) 1961.

The provision for current taxes of consolidated companies operating outside of Israel was determined taking into account the tax laws applicable in those countries.

C. Tax rates applicable to the Group

1. **Tax rates applicable to companies in Israel:**

The income tax rate applicable to the Company and the consolidated companies in Israel in 2021-2023 is 23%.

2. **Tax rates applicable to companies operating outside of Israel:**

- The tax rates applicable to companies operating in the United States range mainly from 21% to 30.8%. Dividends distributed by investments in the United States (Carr, Boston Partnerships) that originate in operating profits and capital gains will be liable for withholding tax in the in the United States at a rate of 30% and 21% and taxed in Israel at the corporate tax rate while receiving a credit for the withholding tax deducted in the United States.
- BE operates as a REIT according to UK tax provisions. A tax rate of 15% applies in the UK when distributing a dividend.
- A tax rate of 19% applies to Energix's activity in Poland, and in the United States the federal tax rate is 21% and the state tax is 5%.

Note 20 – Taxes on Income (continued)

D. Tax assessments

1. In December 2021, the Company signed an assessment agreement with the Income Tax Authority for the years 2015-2019, following which the Company paid taxes in the total amount of NIS 175 million in January 2022. The Company's books had full provisions, except for NIS 32 million which were recorded in 2021 as tax expenses in previous years.
2. The consolidated companies in Israel and the consolidated corporation in Canada under the Company's full ownership have self-assessments considered final, up to and including the 2018 tax year.
3. The consolidated corporations in the United States under the Company's full ownership have self-assessments considered final, up to and including 2019.
4. In December 2021, Amot signed a final tax assessment agreement with the Income Tax Authorities for the years 2016-2019, after which Amot paid taxes in the amount of approx. NIS 134 million (not including interest and linkage, Amot had full provisions, except for NIS 37 million which were recorded as tax expenses in previous years).
5. In December 2020, 10 of Amot's consolidated companies signed final tax assessment agreements with the Income Tax Authority for the years 2015-2018, after which Amot paid taxes in the amount of NIS 10 million (for which Amot had made full provisions). In February 2021, Amot also signed a partial tax assessment agreement for 2019, after which it paid taxes in the amount of NIS 4 million (for which Amot had made full provisions).
6. Amot has been issued final tax assessments up to and including the 2019 tax year, 10 of Amot's consolidated companies have been issued final tax assessments up to and including the 2018 tax year and a partial agreement for 2019, a consolidated company of Amot was issued final assessments up to and including the 2020 tax year, 15 of Amot's consolidated companies and 8 companies accounted for by Amot using the equity method have been issued tax assessments considered final up to and including the 2018 tax year.
7. Energix has tax assessments considered final up to and including the 2018 tax year. Energix's consolidated companies in Israel have yet to receive tax assessments since their establishment. Energix's consolidated companies in Poland have tax assessments considered final up to and including the 2017 tax year. Energix has final income tax payroll withholding assessments up to and including the 2017 tax year. Energix is in assessment discussions with tax authorities, and it estimates that no provision is required in the financial statements for these discussions.

E. Tax balances presented in the Statement of Financial Position:

	As of December 31	
	2023	**2022**
	NIS thousands	**NIS thousands**
Tax balances presented in the Statement of Financial Position		
Current assets (liabilities):		
Current tax assets	19,632	48,796
Current tax liabilities	(174,700)	(57,938)
	(155,068)	(9,142)
Non-current assets (liabilities) (*):		
In non-current assets	209,184	59,937
In non-current liabilities	(1,858,015)	(1,822,737)
	(1,648,831)	(1,762,800)

(*) Deferred taxes in respect of depreciation differences, income and expense timing differences, losses for tax purposes and expected capital gains were recorded according to expected tax rate of mainly 23%.

Note 20 – Taxes on Income (continued)

F. Composition and movement in deferred taxes

For 2023	As of December 31, 2022	Recorded to profit and loss (*)	Allocated to other comprehensive income	Classified against current tax liabilities	As of December 31, 2023
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,764,520)	(61,314)	(77)	-	(1,825,911)
Electricity-generating facilities	(170,564)	(34,896)	(4,020)	-	(209,480)
Associates	(198,415)	137,383	(832)	-	(61,864)
Financial assets measured at fair value through profit and loss	2,604	(3,580)	(131)	-	(1,107)
Projects in the United States (*)	26,385	158,569	24,521	-	209,475
Hedging	36,608	(25,458)	(11,173)	-	(23)
Losses for tax purposes	289,576	(175,739)	44,906	(429)	158,314
Others	15,526	66,907	(668)	-	81,765
	(1,762,800)	61,872	52,526	(429)	(1,648,831)

(*) Mainly deferred taxes in connection with electricity-generation projects in the United States, including in connection with a liability in respect of an agreement with the tax partner and in connection with development and initiation profits for the projects.

For 2022	As of December 31, 2021	Recorded to profit and loss (*)	Allocated to other comprehensive income	Classified against current tax liabilities	As of December 31, 2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Investment property	(1,566,135)	(198,342)	(43)	-	(1,764,520)
Electricity-generating facilities	(131,210)	(37,737)	(1,617)	-	(170,564)
Associates	(370,252)	221,782	(49,945)	-	(198,415)
Financial assets measured at fair value through profit and loss	3,592	(957)	(31)	-	2,604
Projects in the United States (*)	29,757	(7,900)	4,528	-	26,385
Hedging	(66,650)	(21,305)	119,358	5,205	36,608
Losses for tax purposes	218,520	77,164	(1,325)	(4,783)	289,576
Others	14,093	3,191	(1,155)	(603)	15,526
	(1,868,285)	35,896	69,770	(181)	(1,762,800)

(*) Mainly deferred taxes in connection with electricity-generation projects in the United States, including in connection with an obligation in respect of an agreement with the tax partner.

G. Losses for tax purposes carried forward to the coming years

As of December 31, 2023, the Company and its consolidated companies in Israel and abroad (not including companies in the Amot Group, Energix and BE) have losses carried forward for tax purposes to the coming years in the amount of NIS 1,190 million.

Amot and its consolidated companies have losses that can be carried forward for tax purposes to the coming years in the total amount of NIS 358 million.

Energix has losses that can be carried forward for tax purposes to the coming years in Israel and abroad in the amount of approx. NIS 340 million.

BE has losses that can be carried forward for tax purposes to the coming years in the amount of NIS 7 million.

Note 20 – Taxes on Income (continued)

H. Amounts for which deferred taxes were not recognized

Amounts for which deferred tax assets were not recognized (in loss terms - before tax):

	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
Losses for tax purposes for which deferred taxes were not recognized	1,203,463	147,700
Deductible timing differences (*)	1,822,500	143,478
	3,025,963	291,178

(*) In 2023, including temporary differences with regard to investments in investees for which no deferred tax assets were recognized.

Temporary differences for investments in investees for which deferred tax liabilities were not recognized (in loss terms - before tax):

As of December 31, 2023, the Company has temporary differences relating to investments in investees in the amount of NIS 1,444 million for which deferred tax liabilities were not created due to the lack of expected realization of these investments and the decision not to distribute taxable dividends in the foreseeable future. Of this amount, NIS 133 million stems from the undistributed profits of a consolidated company wholly owned by the Company abroad. In the event that the profits of investees abroad will be distributed in the future as a dividend, they will be taxed at a rate of 23% while receiving a tax credit in respect of the tax deducted at source overseas, or alternatively, corporate tax on the inherent dividend, and receipt of an indirect credit for the tax paid by the distributing company abroad and the tax deducted at source, all in accordance with the conditions specified in Section 126(c) of the Income Tax Ordinance.

I. Taxes on income related to other comprehensive income components:

For the year ended December 31, 2023		Amounts before tax	Tax effect	After-tax amounts
		NIS thousands	NIS thousands	NIS thousands
Other comprehensive income:				
Profit from the translation of financial statements of associates constituting foreign activities	(*)	719,644	-	719,644
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax		(727,121)	62,385	(664,736)
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging		24,868	(7,063)	17,805
Company share in other comprehensive income (loss) of associates		(22,212)	3,587	(18,625)
Total		(4,821)	58,909	54,088

This amount includes an amount in respect of exchange rate differences on tax reserves (*)

Note 20 – Taxes on Income (continued)

For the year ended December 31, 2022	**Amounts before tax**	**Tax effect**	**After-tax amounts**
	NIS thousands	**NIS thousands**	**NIS thousands**
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	697,288	-	697,288
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(587,469)	104,653	(482,816)
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(49,922)	16,512	(33,410)
Company share in other comprehensive income (loss) of associates	41,975	(9,382)	32,593
	101,872	111,783	213,655

For the year ended December 31, 2021	**Amounts before tax**	**Tax effect**	**After-tax amounts**
	NIS thousands	**NIS thousands**	**NIS thousands**
Other comprehensive income:			
Profit from the translation of financial statements of associates constituting foreign activities	(398,844)	290	(398,554)
Realization of capital reserve from translation differences to profit and loss, following decrease in holding in associate	2,037	1,051	3,088
Realization of Company share in other comprehensive income of associate in profit and loss, following a decrease in the rate of holding in the associate	1,156	376	1,532
Realization of capital reserve from exchange rate differences, in respect of credit and derivatives designated for hedging of investment in associate, to profit and loss following decrease in holding in associate, net of tax	(4,819)	1,262	(3,557)
Profit (loss) from exchange rate differences in respect of credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	267,498	(61,716)	205,782
Profit from exchange rate differences and changes in fair value of instruments used for cash flow hedging	(38,213)	12,372	(25,841)
Company share in other comprehensive income (loss) of associates	36,479	(7,510)	28,969
Total	(134,706)	(53,875)	(188,581)

Note 20 – Taxes on Income (continued)

J. Theoretical tax

The difference between the tax amount calculated according to regular tax rates and the amount of provisions for taxes is explained as follows:

	For the year ended December 31		
	2023	**2022**	**2021**
	NIS thousands	**NIS thousands**	**NIS thousands**
Profit before taxes on income	(2,074,022)	291,008	2,358,445
Statutory tax rate	23.00%	23.00%	23.00%
	(477,025)	66,932	542,442
Group share in the profits of associates for which deferred taxes were not recognized	8,297	(3,408)	(513)
ITC revenue – see Note 7d.	(53,478)	(44,518)	(23,735)
Exempt income, non-deductible expenses, taxable income not recorded in the books and expenses not recorded in the books but recognized for tax purposes	11,250	(978)	10,733
Tax effect in respect of temporary differences for which deferred taxes were not recorded (deferred taxes created against losses carried forward)	41,674	(3,853)	(1,334)
Taxes for previous years	(21,666)	(1,736)	50,544
Effect of deferred taxes created at tax rate different from the main tax rate	(3,175)	(8,841)	(1,356)
Differences relating to investment property (*)	556,331	(40,295)	(262,306)
Others, net	15,608	(10,867)	10,477
	554,841	(114,496)	(217,490)
	77,816	(47,564)	324,952
Effective tax rate	(3.75%)	(16.34%)	13.78%

(*) Differences relating to investment property stem from the investment property in the following companies:

(1) BE - In 2023, the Group did not record deferred tax income in the amount of NIS 269 million (in 2022 - deferred tax income in the amount of NIS 68 million; in 2021 - deferred tax expenses in the amount of NIS 224 million).

(2) Amot - Mainly the effect of the CPI on the change in the reserves for deferred taxes of the investment property assets due to the adjustment of the tax base of the assets to the CPI. In 2023, 2022 and 2021 - a decrease in tax reserves in the amount of NIS 69 million, NIS 108 million and NIS 38 million, respectively.

(3) Carr and the Boston Partnerships - In accordance with the accounting policy described in Note 2c(4) the Company records deferred taxes for the assets of Carr and the Boston Partnerships. In 2023, the Group did not record deferred tax assets in the amount of NIS 357 million due to the fact that their utilization is not expected.

Note 21 – Operating Segments

The Group has two areas of activity: (1) Main area of activity – long-term investments in cash-generating real estate companies in Israel and in other western countries, which includes its investments in Amot, Carr, and BE;

and (2) Additional area of activity – investment in renewable energies - the investment in Energix.
Segment results are measured based on the Company's share in the operating results of each investment as included in the reports reviewed regularly by the chief decision maker and by management.

Segment revenues and results

	For the year ended December 31, 2023							
	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	371,116	(1,383,740)	(993,819)	(284,180)	130,138	(3,128)	459,616	(1,703,997)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	(10,275)	-	(14)	(7,010)	(17,299)
Revenue from decrease in holdings in investees	-	449	-	-	-	-	-	449
Other revenue, net (*)	11,086	-	-	-	10,050	-	1,058,670	1,079,806
	382,202	(1,383,291)	(993,819)	(294,455)	140,188	(3,142)	1,511,276	(641,041)
Administrative and general	-	-	-	-	-	32,137	169,661	201,798
Financing expenses, net	-	-	-	-	-	230,862	560,663	791,525
Other expenses, net (*)	-	-	-	-	-	-	439,658	439,658
	-	-	-	-	-	262,999	1,169,982	1,432,981
Profit before tax	382,202	(1,383,291)	(993,819)	(294,455)	140,188	(266,141)	341,294	(2,074,022)
Additional information regarding segment results:								
Revenue (in the investee's books) including revaluation profits (losses)	1,355,596	(2,328,985)	(953,911)		681,906			
Revaluation profits (losses) (in the investee's books), before tax (**)	244,722	(3,124,860)	(1,168,887)		-			
Revenue from the tax partner	-	-	-		69,452			
Net profit (loss) (in the investee's books)	682,607	(2,830,161)	(1,192,651)		258,068			
Company share in net profits (loss)	371,116	(1,383,740)	(993,819)		130,138			

Note 21 – Operating Segments (continued)

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

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

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

(***) The amounts do not include revenue from the tax partner in the amount of NIS 69,452 thousand.

Segment assets and liabilities:

	As of December 31, 2023							
	Income-generating property segment				Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,506,094	1,568,555	2,656,530	525,811	1,147,571	9,929	(7,863,990)	2,550,500
Investment in securities measured at fair value through profit and loss	-	-	-	165,382	-	3	56,837	222,222
Other assets	-	-	-	-	-	1,063,965	34,894,479	35,958,444
	4,506,094	1,568,555	2,656,530	691,193	1,147,571	1,073,897	27,087,326	38,731,166
Liabilities	-	-	-	-	-	6,651,740	21,015,303	27,667,043

Note 21 – 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)
Revenue from decrease in holdings in investees	-	2,293	-		-		18,098	20,391
Other revenue, 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:								
Revenue (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)		-			
Revenue from the tax partner	-	-	-		57,815			
Net profit (loss) (in the investee's books)	1,171,146	(1,607,059)	(184,016)		235,910			
Company share in net profits (loss)	629,678	(780,842)	(151,653)		122,215			

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

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

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

(***) The amounts do not include revenue from the tax partner in the amount of NIS 57,815 thousand.

Note 21 – Operating Segments (continued)

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	31,389,531	31,925,397
	4,698,814	2,844,673	3,246,772	914,121	1,136,147	471,083	22,900,067	36,211,677
Liabilities	-	-	-	-	-	5,601,631	17,018,626	22,620,257

Note 21 – Operating Segments (continued)

Segment revenues and results

	Income-generating property segment				Energy segment	Unattributed results	Adjustments	Total
	Amot	Carr	BE	Others	Energix			
	NIS thousands							
Group share in investees' profits, net	519,319	53,723	965,535	75,244	42,178	1,742	(1,531,022)	126,719
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	27,432	-	15,833	557	43,822
Revenue from decrease in holdings in investees	-	-	-	123	-	4,907	12,366	17,396
Other revenue, net (*)	9,128	-	-	-	5,765	4,279	2,954,778	2,973,950
	528,447	53,723	965,535	102,799	47,943	26,761	1,436,679	3,161,887
Administrative and general	-	-	-	-	-	39,464	132,905	172,369
Financing expenses, net	-	-	-	-	-	99,091	303,384	402,475
Other expenses, net (*)	-	-	-	-	-	-	228,598	228,598
	-	-	-	-	-	138,555	664,887	803,442
Profit before tax	528,447	53,723	965,535	102,799	47,943	(111,794)	771,792	2,358,445

Additional information regarding segment results:

	Amot	Carr	BE	Others	Energix
Revenue (in the investee's books) including revaluation profits (losses)	1,584,243	684,439	1,127,553		266,626
Revaluation profits (losses) (in the investee's books), before tax (**)	742,641	(10,827)	975,455		-
Revenue from the tax partner	-	-	-		30,825
Net profit (loss) (in the investee's books)	932,186	115,586	994,332		79,204
Company share in net profits (loss)	519,319	53,723	965,535		42,178

Note 21 – Operating Segments (continued)

Geographic information

	For the year ended December 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	The UK	Israel	Poland	USA	Others and unassigned expenses	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Revenue and profits								
Revenues from rental fees and management of investment property	1,109,087	-	214,976	-	-	-	-	1,324,063
Fair value adjustments of investment property	242,718	-	(1,168,887)	-	-	-	-	(926,169)
Group share in profits (losses) of associates, net	24,177	(1,667,921)	(57,125)	-	-	-	(3,128)	(1,703,997)
Revenues from sale of electricity and green certificates	-	-	-	153,296	479,287	48,130	-	680,713
Other	(7)	448	(17,284)	1,192	-	-	-	(15,651)
	1,375,975	(1,667,473)	(1,028,320)	154,488	479,287	48,130	(3,128)	(641,041)
Costs and expenses								
Cost of investment property rental and operation	143,532	-	25,362	-	-	-	-	168,894
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	32,858	56,943	21,000	-	110,801
Depreciation and amortizations	3,658	-	2,225	53,805	57,742	36,182	6,351	159,963
	147,190	-	27,587	86,663	114,685	57,182	6,351	439,658
Administrative and general expenses							201,798	201,798
Profit before financing	1,228,785	(1,667,473)	(1,055,907)	67,825	364,602	(9,052)	(211,277)	(1,282,497)

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2023							
	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)	18,943,253	-	4,953,648	-	-	-		23,896,901
Investments in associates	419,816	2,094,366	26,389	-	-	-	9,929	2,550,500
Connected electricity-generating facilities	-	-	-	921,775	1,519,479	2,775,480	-	5,216,734
Electricity-generating facilities in development	-	-	-	1,289,195	89,187	992,517		2,370,899
Right-of-use asset	-	-	-	198,241	132,834	180,368		511,443
Securities measured at fair value through profit and loss (**)	-	-	222,222	-	-	-		222,222
	19,363,069	2,094,366	5,202,259	2,409,211	1,741,500	3,948,365	9,929	34,768,699

(*) The balance is in respect of an investment in Carr in the amount of NIS 1,568,555 thousand and for an investment in Boston in the amount of NIS 525,811 thousand.

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

Note 21 – Operating Segments (continued)

Geographic information (continued)

	For the 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
Revenue and profits								
Revenues from rental fees and management of investment property	1,026,351	-	192,827	-	-	-	-	1,219,178
Fair value adjustments of investment property	981,516	-	(295,598)	-	-	-	-	685,918
Group share in profits (losses) of associates, net	24,208	(968,407)	(6,491)	-	-	-	(2,899)	(953,589)
Revenues from sale of electricity and green certificates	-	-	-	130,099	353,835	41,503	-	525,437
Other	(320)	2,295	(830)	19,984	-	-	-	21,129
	2,031,755	(966,112)	(110,092)	150,083	353,835	41,503	(2,899)	1,498,073
Costs and expenses								
Cost of investment property rental and operation	129,600	-	17,200	-	-	-	-	146,800
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	22,939	25,025	8,177	-	56,141
Depreciation and amortizations	3,237	-	2,020	48,310	29,000	25,404	4,427	112,398
	132,837	-	19,220	71,249	54,025	33,581	4,427	315,339
Administrative and general expenses							179,082	179,082
Profit before financing	1,898,918	(966,112)	(129,312)	78,834	299,810	7,922	(186,408)	1,003,652

Note 21 – Operating Segments (continued)

Geographic information

	As of December 31, 2022							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	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)	18,160,760	-	5,509,162	-	-	-		23,669,922
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
	18,563,848	3,601,155	5,778,485	1,897,076	1,518,532	1,698,632	12,714	33,070,442

(*) The balance is in respect of an investment in Carr in the amount of NIS 2,844,673 thousand and for an investment in Boston in the amount of NIS 756,482 thousand.

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

Note 21 – Operating Segments (continued)

Geographic information (continued)

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

Note 22 – Financial Instruments

A. Capital management policy

The Group manages the capital to ensure that the Group's companies will be able to continue to operate as a going concern while maximizing the return for shareholders and optimizing the Company's debt and equity balances.

The Company's capital structure includes debt instruments, cash and cash equivalents and the equity of the Company's majority shareholders. The Company's Board of Directors and the Company's CEO regularly monitor the Company's capital structure. This monitoring includes, among other things, an examination of the cost of capital and an examination of the risks associated with each of the capital components. Based on the recommendations of the Board of Directors, the Group manages its capital structure by paying dividends, issuing capital, raising debt and repaying debt.

The Company's bonds (Series I, J, K, L, M and O) are rated AA- with stable rating outlook by Maalot the Israel Securities Rating Company Ltd. (hereinafter - "**Maalot**"). The issuer's rating is the same.

The Company's bonds (Series I, J, L, M and O) are rated Aa3 (with a stable outlook) by Midroog Ltd. (hereinafter - "**Midroog**"). The issuer's rating is the same.

Amot's bonds (Series D, E, F, G and H) are rated Aa2 with a stable rating outlook by Midroog Ltd., and are rated AA with a stable rating outlook by Maalot, the Israel Securities Rating Company Ltd.

Energix's bonds (Series A and B) of Energix are rated A2 with a stable rating outlook by Midroog Ltd. and are rated A with a stable rating outlook by Maalot, the Israeli Securities Rating Company Ltd.

Regarding the main financial covenants related to the bonds, see Note 11.

Regarding the main financial criteria with banks, see Note 12.

B. Financial instrument groups

Financial instrument balances by category

	As of December 31	
	2023	**2022**
	NIS thousands	**NIS thousands**
Financial assets		
Cash and cash equivalents	2,197,677	1,694,701
Deposits (including pledged deposits)	661,562	506,995
Loans and receivables	483,652	396,783
Derivative financial instruments	168,023	272,788
Financial assets measured at fair value through profit and loss	222,222	216,251
	3,733,136	3,087,518
Presented under current assets	3,117,855	2,409,023
Presented under non-current assets	615,281	678,495
Financial liabilities		
Derivative financial instruments	829,326	738,511
Lease liability	593,048	458,336
Contingent liabilities for success fees	82,192	-
Financial liabilities at amortized cost	23,088,144	19,146,020
	24,592,710	20,342,867
Presented under current liabilities	4,401,632	2,506,182
Presented under non-current liabilities	20,191,078	17,836,685

Note 22 – Financial Instruments (continued)

C. Financial risk management

The Group's activities expose it to risks related to various financial instruments, such as market risk (including currency risk, fair value interest rate risk, cash flow risk for interest rates and changes in the CPI), liquidity risk and credit risk. The Group's risk management plan focuses on minimizing potential adverse effects on the Group's financial performance. In some cases, the Group uses derivative financial instruments to hedge certain exposures to risks.

Risk management is primarily carried out by the CEO and CFO through regular monitoring of developments in the relevant markets.

The following is information regarding the risks associated with financial instruments:

1. Credit risk

Credit risk refers to the risk that the opposing party will fail to meet its contractual obligations and cause a financial loss to the Group. The Group's management estimates that the Group's credit risk as of the date of the report is low for the following reasons:

- Cash and cash equivalents, deposits, monetary funds and derivative financial instruments in Israel and abroad are held in institutions which the Company management believes estimates possess a high level of financial strength.
- In Israel and the UK, the Group has a policy that ensures that the revenues from rental fees and property management are received after engaging with clients who have an appropriate payment history, while providing appropriate collateral to secure future payments. In some of the cases the rental fees are paid in advance.
- Most of the Group's revenues from the sale of electricity in Israel are received from the essential service provider, the Electric Company.
- Most of the Group's revenues from the sale of electricity and green certificates in Poland are received from an international broker. Based on the Group's past experience, payments from the broker are paid regularly to the Group. As a rule, the Group engages with companies with stable financial strength and low credit risk.
- Electricity and green certificates are sold in the United States to a financially strong local electric company with a high credit rating.

2. Liquidity risk

<u>Liquidity risk management</u>

Liquidity risk refers to the risk that the Group will have difficulty meeting obligations related to its financial liabilities that are settled in cash or another financial asset.

Liquidity risk management is the responsibility of the Group companies' management, which manage short, medium and long-term financing and liquidity risk management plans according to the Group companies' needs. The Group manages liquidity risk by maintaining appropriate cash surplus levels, by performing financial projections and by comparing future yields from financial assets and financial liabilities.

The ultimate responsibility for liquidity risk management is that of the Board of Directors, which has established an appropriate work plan for the management of liquidity risk in relation to management requirements regarding short-, medium- and long-term financing and liquidity. The Group manages liquidity risk by managing the available credit facilities (see Note 12), bank and loan instruments, through continuous supervision of actual and expected cash flows and adjusting the maturity characteristics of financial assets and liabilities. In addition, the Group maintains high accessibility to the capital market and public and private debt.

Note 22 – Financial Instruments (continued)

Interest and liquidity risk tables:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates: For information regarding financial liabilities that constitute derivative financial instruments, see Section 3 below:

	As of December 31, 2023						
	Average nominal interest rate	First year	Second year	Third year	Fourth year	Fifth year and thereafter	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Utilized NIS credit facilities	6.87	192,411	-	-	-	-	1,419,109
NIS loans – CPI-linked with fixed interest	2.04	97,802	104,256	99,620	98,815	1,586,263	1,986,756
GBP loans (*)	3.93	904,174	260,795	1,082,757	-	-	2,247,726
USD loans (***)	5.99	749,570	85,599	88,068	98,496	1,570,291	2,592,024
PLN loans (**)	5.25	87,095	75,939	77,602	78,672	933,566	1,252,874
NIS bonds – unlinked with variable interest	6.74	426,592	402,819	379,239	355,660	-	1,564,311
NIS bonds and convertible bonds – unlinked with fixed interest	2.88	450,394	440,273	430,000	986,404	3,398,171	5,705,242
NIS bonds – CPI-linked with fixed interest	1.88	791,054	938,495	920,217	1,182,135	7,038,227	10,870,128
Others – Liability for a lease and for an agreement with the tax partner	5.49	46,845	75,813	101,544	42,195	1,283,018	1,549,414
		3,745,938	2,383,989	3,179,047	2,842,376	15,809,536	29,187,584

Note 22 – Financial Instruments (continued)

	As of December 31, 2022						
	Average nominal interest rate	First year	Second year	Third year	Fourth year	Fifth year and thereafter	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS loans – CPI-linked with fixed interest	3.09	91,046	89,287	85,990	81,646	1,376,878	1,724,847
GBP loans (*)	3.39	340,342	845,579	223,212	766,667	-	2,175,800
PLN loans (**)	5.10	33,126	40,894	38,000	37,358	423,901	573,279
NIS bonds – unlinked with variable interest	5.49	76,826	412,359	392,995	373,788	354,582	1,610,549
NIS bonds and convertible bonds – unlinked with fixed interest	2.72	558,469	419,114	408,431	397,598	3,360,708	5,144,320
NIS bonds – CPI-linked with fixed interest	1.79	994,109	745,479	884,244	866,532	6,415,408	9,905,772
Others – Liability for a lease and for an agreement with the tax partner	5.26	60,106	47,674	48,085	44,347	1,272,881	1,473,093
		2,154,024	2,600,387	2,080,957	2,567,936	13,204,357	22,607,660

(*) The above loans bear variable interest. The Group fixed the interest rate for the balance of the loan by means of hedge instruments (of the SWAP type and CAP options) – for information, see Note 12d.

(**) The above loans bear variable interest. In relation to approx. 70% of the loan amount, the Group engaged in a CAP option - for information, see Note 12c.

(***) The above loans bear variable interest. In relation to 100% of the loan amount, the Group engaged in a SWAP transaction - for information, see Note 12c.

The above tables do not include an engagement in cross currency swap transactions with financial entities in Israel for the conversion of some of the bonds of the Company and of Energix into a liability in USD, GBP and PLN.

<u>Financial assets</u>:

The Group has several main sources for repayment of its financial liabilities. As of December 31, 2023, the sources include cash and cash equivalents in the amount of NIS 2.2 billion, deposits pledged for the repayment of loans in the amount of NIS 0.6 billion and unutilized lines of credit in the amount of NIS 2.1 billion. The Company also has non-pledged tradable assets in the amount of NIS 8.5 billion.

3. Market risks

Market risk is the risk that a change in market prices such as: price, foreign currency exchange rates, the CPI and interest rates will affect the Group's revenue or the value of its holdings in financial instruments. The purpose of market risk management is to manage and supervise exposure to market risk using accepted parameters.

The following are the groups exposed to market risk:

A. <u>Foreign currency risks</u>

The Group operates internationally and is exposed to currency risk resulting from changes in the exchange rates of various foreign currencies, mainly the USD, the GBP and the PLN. Currency risk stems from transactions denominated in foreign currency and from the existence of financial assets and financial liabilities denominated in foreign currency that is not the Company's functional and reporting currency (NIS).

Note 22 – Financial Instruments (continued)

The Company's practice is to hedge its exposure to foreign currency for investments abroad, as follows:

1. The investment component financed in foreign capital is hedged through credit in the investment currency or through financial derivatives (forward and cross currency swap transactions). Therefore, this component is not exposed to changes in the foreign currency against the NIS.
2. The investment component financed by equity is partially hedged as follows and is therefore exposed to changes in foreign exchange rates against the NIS.
3. During recent years, the Company has hedged its currency exposure so that 35%-45% of the Company's equity is "allocated" (through hedging, as needed) to the NIS. The balance of the Company's equity in the amount of 55%-65% remains exposed to the Company's various functional currencies, including the NIS, according to the and the balance of the capital remains exposed to the Company's various operating currencies according to the ratio of investments on an expanded solo basis. At the beginning of the fourth quarter of 2023, in view of the sharp devaluation of the NIS against the USD and the GBP, at the time, the Company updated its policy so that the full equity attributed to each investment remains exposed to the functional currency of that investment.
4. The investment ratio is determined according to market value.

The Company's CEO and CFO routinely monitor the net position of all foreign currency activities and, as necessary, derivative transactions are executed on the same currency. From time to time, the Group has a positive or negative cash flow from the payment of transactions in the above currencies. The currency exposure stemming from the expected net cash flow is mainly managed through currency swap transactions between the various currencies.

Energix routinely hedges its net investments in projects exposed to changes in foreign exchange rates against the NIS, so that no more than 20% of the equity invested in those projects, relative to an individual currency, will be exposed to foreign currency. The net hedge of the investment is executed through derivative transactions.

The following are details regarding the main foreign currency risk hedging agreements:

Hedge of investment in foreign activity:

- Foreign currency risk for investments in foreign activity (for holdings in Carr and in the Boston property companies as an investment in an associate), the balance of which, as of December 31, 2023, is USD 577 million and is partially hedged by foreign currency forward transactions in the amount of USD 282 million and by a cross currency swap transaction in the amount of USD 60 million.
- Foreign currency risk for investments in foreign activity (for holdings in BE as an investment in investees), the balance of which, as of December 31, 2023, is GBP 575 million, is partially hedged by foreign currency forward transactions in the amount of GBP 280 million and by a cross currency swap transaction in the amount of GBP 12 million.
- Foreign currency risk in respect of investments in the Brockton Funds (as securities measured at fair value through profit and loss) the balance of which, as of December 31, 2023, is GBP 36 million (the part held directly by the Company) is fully hedged by foreign currency forward transactions in the amount of GBP 36 million.
- Foreign currency risk for Energix's activity in Poland, the foreign currency exposure balance of which, as of December 31, 2023, is PLN 955 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of PLN 747 million and by cross currency swap transactions in foreign currency in the amount of PLN 233 million.
- Foreign currency risk for Energix's activity in the United States, the foreign currency exposure balance of which, as of December 31, 2023, is USD 461 million (before hedging transactions), is partially hedged by foreign currency forward transactions in the amount of USD 299 million and by cross currency swap transactions in foreign currency in the amount of USD 58 million.

Note 22 – Financial Instruments (continued)

The following table lists the foreign currency swap derivative transactions as of December 31, 2023:

Settlement date	Type of transaction	Sale	Sale currency (Delivery)	Purchase	Purchase currency (Receipt)	Average exchange rate	Fair value	Settlement type
In thousands	In thousands	In thousands	In thousands	In thousands	In thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	490,975	USD	1,578,660	NIS	3,215	(179,580)	Gross
Short-term	Forward	111,434	GBP	446,570	NIS	4,007	(62,314)	Gross
Short-term	Forward	697,500	PLN	563,416	NIS	0,808	(55,683)	Gross
Long-term	Forward	89,400	USD	287,760	NIS	3,219	(29,535)	Gross
Long-term	Forward	204,780	GBP	825,897	NIS	4,033	(95,456)	Gross
Long-term	Forward	50,000	PLN	38,040	NIS	0,761	(6,345)	Gross
(*)	CCS	118,333	USD	385,579	NIS	3,258	(45,080)	Gross
(*)	CCS	233,333	PLN	211,470	NIS	0,906	(3,795)	Gross
(*)	CCS	12,200	GBP	51,728	NIS	4,240	(7,137)	Gross

The following table lists the foreign currency swap derivative transactions as of December 31, 2022:

Settlement date	Type of transaction	Sale	Sale currency (Delivery)	Purchase	Purchase currency (Receipt)	Average exchange rate	Fair value	Settlement type
In thousands	In thousands	In thousands	In thousands	In thousands	In thousands	NIS thousands	NIS thousands	NIS thousands
Short-term	Forward	632,555	USD	2,065,481	NIS	3,265	(147,600)	Gross
Short-term	Forward	359,984	GBP	1,463,796	NIS	4,066	(51,809)	Gross
Short-term	Forward	715,000	PLN	510,558	NIS	0,714	(44,219)	Gross
Long-term	Forward	347,000	USD	1,136,416	NIS	3,275	(41,441)	Gross
Long-term	Forward	162,277	GBP	643,007	NIS	3,962	(14,641)	Gross
Long-term	Forward	90,000	PLN	59,130	NIS	0,657	(7,511)	Gross
(*)	CCS	136,667	USD	445,533	NIS	3,260	(35,194)	Gross
(*)	CCS	266,667	PLN	241,680	NIS	0,906	39,798	Gross

The Company engaged in cross currency swap transactions with a financial entity in Israel so some of the bonds (Series I) were converted into a liability in USD. The transactions are settled in installments according to the repayment schedule of the bonds (Series I).

The Company engaged in cross currency swap transactions with a financial entity in Israel so that some of the bonds (Series M) were converted into a liability in GBP. The transactions are settled in installments according to the repayment schedule of the bonds (Series M).

(*) Energix engaged in cross currency swap transactions with a financial entity in Israel so some of the bonds (Series A) were converted into a liability in PLN and in USD. The transactions are settled in installments according to the repayment schedule of the bonds (Series A).

Note 22 – Financial Instruments (continued)

Sensitivity analysis of financial instruments to changes in exchange rates

The following table lists sensitivity tests for changes of 10% in the main foreign currency exchange rates against the NIS and their effect on equity (before the tax effect) as of December 31, 2023 and 2022 (before the tax effect). 10% is the rate that is analyzed because the Company's management believes that it represents the reasonably possible change in the exchange rates.

December 31, 2023	**Effect on the comprehensive income**			
	In USD	**In PLN**	**Other (mainly EUR)**	**In GBP**
10% change (+/-)	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Assets				
Cash and cash equivalents	40,674	9,092	4,685	8,522
Designated cash and pledged deposits	62,822	12	-	-
Financial assets at amortized cost	1,461	7,096	-	19,394
Financial assets measured at fair value through profit and loss	-	-	-	22,222
Derivative financial instruments - for interest rate and electricity price hedging	1,650	6,314	-	7,273
Liabilities				
Financial liabilities at amortized cost	(226,123)	(78,820)	(779)	(213,148)
Others - Liability for a lease, for an agreement with the tax partner and for a contingent liability for non-controlling interests in the United States	(30,591)	(14,140)	-	(7,808)
Derivative financial instruments - for interest rate and electricity price hedging	(12,948)	-	-	-
	(150,107)	(70,446)	3,906	(163,545)

- **<u>The effect of a change in the exchange rate on derivative financial instruments for a foreign currency swap (which are not shown in the above table)</u>:**

  An increase (decrease) of 5% and 10% in the USD will decrease (increase) the value of the derivative financial instruments by NIS 127 million and by NIS 254 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will decrease (increase) the value of the derivative financial instruments by NIS 76 million and by NIS 152 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will decrease (increase) the value of the derivative financial instruments by NIS 45 million and by NIS 90 million, respectively.

December 31, 2022	**Effect on the comprehensive income**			
	In USD	**In PLN**	**Other (mainly EUR)**	**In GBP**
10% change (+/-)	**NIS thousands**	**NIS thousands**	**NIS thousands**	**NIS thousands**
Assets				
Cash and cash equivalents	5,233	21,981	196	13,998
Designated cash and pledged deposits	3,760	11	-	-
Financial assets at amortized cost	2,924	7,948	-	15,592
Financial assets measured at fair value through profit and loss	-	-	-	21,623
Derivative financial instruments - for interest rate hedging	-	9,075	-	12,140
Liabilities				
Financial liabilities at amortized cost	(6,319)	(5,020)	(766)	(207,415)
Others – Liability for a lease and for an agreement with the tax partner	(14,804)	(12,115)	-	(6,979)
Derivative financial instruments - for electricity price hedging	(19,655)	-	-	-
	(28,861)	21,880	(570)	(151,041)

Note 22 – Financial Instruments (continued)

- **The effect of a change in the exchange rate on derivative financial instruments for a foreign currency swap (which are not shown in the above table):**

  An increase (decrease) of 5% and 10% in the USD will decrease (increase) the value of the derivative financial instruments by NIS 196 million and by NIS 393 million, respectively.

  An increase (decrease) of 5% and 10% in the GBP will decrease (increase) the value of the derivative financial instruments by NIS 111 million and by NIS 221 million, respectively.

  An increase (decrease) of 5% and 10% in the PLN will decrease (increase) the value of the derivative financial instruments by NIS 43 million and by NIS 86 million, respectively.

B. Market risks – Price risk

Exposure to changes in market prices of electricity and green certificates

Energix's operations in Israel are based on fixed rate tenders. In Poland and the United States, Energix is exposed to changes in electricity prices and in green certificates in the market, regarding the generated capacity that is not subject to a fixed tariff according to a tender (in the new projects in Poland whose commercial operation was completed in 2022) or to sale agreements for electricity and/or green certificates at predetermined prices (in some Energix projects in the United States). Energix moderates this exposure by engaging in price hedging transactions for various periods. This exposure may affect Energix's revenue, its cash flow, and accordingly also its compliance with various criteria and coverage ratios which it undertook as part of the financing agreements.

As part of the management of such exposure, Energix uses various means:

- Fixing the prices of electricity and green certificates it sells by entering into transactions for the sale, at future dates and at a fixed price, of part of the electricity capacity and green certificates that it is expected to generate. The outputs are sold to the purchasing entity at a fixed price. For information regarding the engagement in transactions for the fixing of prices of electricity and green certificates in Poland, see Note 7f above.
- Hedging of electricity prices through swap transactions in which Energix entered into an agreement with a third party (who does not directly purchase the electricity or certificates), to replace the market price with a predetermined price. For information regarding the engagement in transactions to hedge changes in electricity prices in the United States, which are treated as accounting cash flow hedging, see Note 7d above. These transactions are treated as accounting cash flow hedging. As of the date of the financial statement, Energix estimated the fair value of the transaction, by means of an independent appraiser, with a liability balance of approx. NIS 116 million. For information regarding the accounting treatment of cash flow hedging, see Note 2m.3.

  The following table shows the effect of a 10% increase or decrease in relevant electricity prices in the United States on the comprehensive income in respect of derivative financial instruments exposed to electricity price risk in the United States (before the tax effect):

	As of December 31, 2023	
	10% increase	**10% decrease**
	Comprehensive income (NIS thousands)	
Financial derivatives – SWAP transaction for electricity price hedging in the United States	(43,586)	43,777

Note 22 – Financial Instruments (continued)

C. Market risks – Interest risk

Fair value risk – The Group has investments in financial instruments bearing fixed interest, as well as financial liabilities classified as long-term loans and bonds issued by the Company, Amot and Energix bearing fixed interest. The Group does not have exposure to the risk of a change in the fair value of these financial instruments, which will affect the Company's profit and loss, as these financial instruments are measured at amortized cost.

Cash flow risk – Financial liabilities bearing variable interest rates expose the Group to cash flow risk due to changes in interest rates. As of December 31, 2023 and as of December 31, 2022, 92% of the long-term financial liabilities (loans and bonds) bear fixed interest.

The interest rate risk is managed by the Group companies' management by maintaining a mix of fixed- and variable-interest loans as well as by examining engagement in interest-rate swaps.

Interest rate sensitivity analysis

The following table details the effect of an increase of 3% in the SONIA/WIBOR/ Bank of Israel interest rate on the profit and loss in respect of financial liabilities exposed to cash flow risk due to a change in interest rate (before the tax effect)[34]:

	As of December 31, 2023		As of December 31, 2022	
		3% increase		3% increase
	Book balance	Loss	Book balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Loans in PLN	203,661	6,585	64,806	1,993
Variable interest bonds	1,407,272	41,981	1,411,905	41,981
Total	1,610,933	48,566	1,476,711	43,974

D. Market risks – Risks due to changes in the CPI

CPI-linked loans expose the Group to cash flow risk due to changes in the CPI that are not accompanied by a corresponding change in the fair value of the financial instruments. As of December 31, 2023, approx. 53% of the long-term financial liabilities (loans and bonds) are CPI-linked (as of December 31, 2022 - 55%).

The effect of a 3% increase in the CPI on profit and loss for financial liabilities exposed to such risk (before the tax effect) is as follows:

	As of December 31, 2023		As of December 31, 2022	
		3% increase		3% increase
	Book balance	Loss	Book balance	Loss
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
CPI-linked loans	1,688,361	(50,651)	1,505,247	(45,157)
CPI-linked bonds	9,583,197	(287,496)	8,616,868	(258,506)
Total	11,271,558	(338,147)	10,122,115	(303,663)

(*) Including NIS bonds in the amount of approx. NIS 1.9 billion that were converted to CPI-linked bonds through a swap transaction.

34 After the effect of the Group's transactions (of the SWAP and CAP option type) to hedge the exposure to rising interest rates - see Note 12 above.

Note 22 – Financial Instruments (continued)

E. Collateral – For information on the book value of financial assets used as collateral for the liabilities listed above, see Note 13.

D. Expanded solo information

Financial instrument balances by category

	As of December 31	
	2023	2022
	NIS thousands	NIS thousands
Financial assets		
Cash and cash equivalents	1,024,887	409,110
Loan to a consolidated company	-	77,497
Other receivables	9,441	8,773
Derivative financial instruments	10,432	20,846
Financial assets measured at fair value through profit and loss	165,385	157,657
	1,210,145	673,883
Presented under current assets	1,042,821	506,294
Presented under non-current assets	167,324	167,589
Financial liabilities		
Derivative financial instruments	381,446	222,680
Payables and credit balances	121,648	93,711
Short-term credit, long-term loans and bonds	6,106,542	5,201,822
	6,609,636	5,518,213
Presented under current liabilities	965,369	862,989
Presented under non-current liabilities	5,644,267	4,655,224

Note 22 – Financial Instruments (continued)

D. Expanded solo information (continued)

Liquidity risk:

Financial liabilities (projected principal and interest) that do not constitute derivative financial instruments:

The following table presents the flow of financial liabilities (projected principal and interest) that do not constitute derivative financial instruments, by contractual maturity dates:

	As of December 31, 2023						
	Average nominal interest rate	Projected cash flow	First year	Second year	Third year	Fourth year	Fifth year and thereafter
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS bonds – unlinked with variable interest	**6.74%**	1,564,311	426,592	402,819	379,239	355,660	-
NIS bonds – unlinked with fixed interest	**3.39%**	4,583,315	367,534	358,386	349,087	339,863	3,168,445
Linked fixed-interest NIS bonds	**2.56%**	1,357,181	27,947	27,947	27,947	27,947	1,245,393
		7,504,807	822,074	789,152	756,273	723,470	4,413,838

	As of December 31, 2022						
	Average nominal interest rate	Projected cash flow	First year	Second year	Third year	Fourth year	Fifth year and thereafter
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
NIS bonds – unlinked with variable interest	**5.49%**	1,610,549	76,826	412,359	392,995	373,788	354,582
NIS bonds – unlinked with fixed interest	**3.68%**	3,919,480	470,286	332,466	323,318	314,019	2,479,391
Linked fixed-interest NIS bonds	**3.47%**	555,468	244,750	6,398	6,398	6,398	291,524
		6,085,498	791,862	751,224	722,711	694,205	3,125,496

The Company, expanded solo, has several main sources for repayment of its financial liabilities. As of December 31, 2023, the sources include cash and cash equivalents in the amount of approx. NIS 1 billion and unutilized credit facilities of NIS 550 million. The Company also has non-pledged tradable assets in the amount of NIS 8.5 billion.

Note 23 – Fair Value of Financial Instruments

The Group's financial instruments mainly include cash and cash equivalents, deposits, tradable securities, customers, other receivables, long-term investments in tradable securities, short-term credit, other payables and long term financial liabilities (mainly loans and bonds), transactions in derivatives.

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

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

	As of December 31, 2023		As of December 31, 2022	
	Book value	Fair value	Book value	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities				
Long-term loans (including maturities)	5,664,380	5,365,126	3,879,948	3,575,817
Bonds (including maturities)	16,101,306	15,256,035	14,869,207	14,222,509
	21,765,686	20,621,161	18,749,155	17,798,326

- The balance of long-term loans includes variable-interest loans that were converted into fixed-interest loans through SWAP transactions and CAP options on the interest.
- The fair value of long-term loans is determined according to discounted cash flows. Interest rates used for discounting are based on a quote obtained from a financial institution for a loan under similar conditions. Calculation of the fair value of long-term fixed-interest loans is according to Level 2. The fair value of the Group's variable interest loans is near their book value, and therefore these loans are not presented in the above note.
- Bonds in the above table include only the liability component of convertible bonds (Series B) issued by Energix. The fair value of the bonds is determined by discounting the expected cash flows according to interest rates of similar debt instruments that do not include a conversion option and is in accordance with Level 2.
- The fair value of the traded bonds, except for Energix's convertible bonds (Series B), is determined based on prices quoted on the stock exchange in Israel and is in accordance with Level 1.

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

For the purpose of measuring the fair value of financial instruments, the Group classifies its financial instruments, which are measured in the Statement of Financial Position according to their fair value, to a hierarchy that includes the following three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical financial assets and liabilities.

The fair value of tradable securities is determined according to the closing rates as of December 31, 2023 and 2022, quoted on the TASE, multiplied by the quantity of the tradable financial instrument held by the Group on that date.

Level 2: Data that are not the quoted prices included in Level 1, that are observed directly (i.e. prices) or indirectly (data derived from prices) regarding financial assets and liabilities.

Financial derivatives (forward contracts, SWAP and CCS) – The fair value of assets and liabilities is determined according to quotes from banking institutions with which the Group has engaged or by an independent appraiser. These quotes are derived from spot rates and interest rate differences between the currencies in the transactions.

Level 3: Data regarding financial assets and liabilities not based on observable market data.

The fair value of other non-negotiable investments is determined according to the present value of future cash flows discounted at a discount rate that reflects the level of risk inherent in the financial instrument.

Classification of financial instruments measured at fair value is based on the lowest level at which significant data was used to measure the fair value of the entire instrument.

Note 23 – Fair Value of Financial Instruments (continued)

The following is information regarding the Group's financial instruments measured at fair value, by level:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	6,372	-	6,372
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	861	-	861
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	8,401	-	8,401
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	5,684	5,684
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	98,284	-	98,284
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	48,419	-	48,419
Financial assets measured at fair value through profit and loss:				
Tradable securities	3	-	-	3
Real estate investment funds (1)	-	-	222,219	222,219
	3	162,337	227,903	390,243
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(205,024)	-	(205,024)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(121,966)	(121,966)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(45,080)	-	(45,080)
Financial derivatives (Swap contract for swapping NIS principal and interest with GBP principal and interest) designated for hedging	-	(7,137)	-	(7,137)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(4,656)	-	(4,656)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(7,510)	-	(7,510)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(437,952)	-	(437,952)
Contingent consideration for a transaction carried out by Energix with non-controlling interests in the United States (1)	-	-	(82,192)	(82,192)
	-	(707,359)	(204,158)	(911,517)

Note 23 – Fair Value of Financial Instruments (continued)

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

	For the year ended December 31, 2023
	NIS thousands
Balance as of January 1, 2023	19,686
Amounts recorded to profit and loss in the period	(522)
Amounts recorded to other comprehensive income in the period	4,581
Balance as of December 31, 2023	23,745

2. Description of valuation processes used to determine the fair value of Brockton Real Estate Investment Funds:

Brockton III Fund:

Investment in the Brockton III Fund is recorded in the Company's books according to the Company's share in the Fund's equity, which approximates the Fund's fair value. The fair value of the Fund's assets is measured based on various valuation methodologies, the common valuation methodologies including:

- Use of an EBITDA multiplier based on multipliers used in fair value assessments in traded companies or in data from the most recent transactions carried out in the market.
- Discounting of cash flows from net rental revenues according to discount rates used for the most recent real estate transactions.
- For properties in development, a property's fair value is determined by estimating the fair value of the property after its completion, net of the present value of estimated construction costs expected for its completion.

3. Description of valuation processes used to determine the fair value of the SWAP contract for fixing electricity prices in the United States:

In the measurement of the fair value of hedging transactions on electricity prices in the US, the Group uses quoted market data as well as estimates and assessments based on data other than observed quoted prices such as yield curves and future electricity prices in the US electricity market. These estimates include assumptions regarding future electricity prices for periods in which there are no observable electricity prices in the market as well as assumptions regarding the discount rates that are used to determine the fair value of these derivatives. Changes in assessments and estimates as mentioned may lead to material changes in the fair values. These basic assumptions are the result of subjective judgment exercised in an environment of uncertainty, sometimes extremely significant, and therefore changes in the basic assumptions may lead to changes in the fair value of these derivatives, sometimes materially, and therefore affect the Group's financial position as of December 31, 2023 and the results of its operations for that year.

4. Description of valuation processes used in determining the fair value of a contingent consideration for a transaction carried out by Energix with non-controlling interests in the United States:

During the reporting period, a subsidiary owned by Energix acquired the non-controlling interests in a joint venture in the United States. The acquisition transaction was carried for a cash amount of approx. USD 7 million and an additional amount that will be paid as a success fees, conditional on the projects owned by the 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. The success fees are measured at fair value based on Energix's estimate regarding the probability of the projects reaching commercial operation.

Note 23 – Fair Value of Financial Instruments (continued)

	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 (1)	-	-	(196,547)	(196,547)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(35,194)	-	(35,194)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(315,485)	-	(315,485)
	-	(541,963)	(196,547)	(738,510)

1. **Financial instruments at fair value measured according to Level 3:**

	For the year ended December 31, 2022
	NIS thousands
Balance as of January 1, 2022	143,802
Investments	4,418
Amounts recorded to profit and loss in the period	467
Amounts recorded to other comprehensive income in the period	(129,001)
Balance as of December 31, 2022	19,686

Note 23 – Fair Value of Financial Instruments (continued)

The fair value of non-traded financial instruments is estimated using accepted pricing models, such as the present value of future cash flows discounted at discount rates reflecting, according to the Company's management, the level of risk inherent in the financial instrument. The Company relies partially on discount interest rates quoted in an active market as well as on various valuation techniques based, among other things, on interest quotes from financial bodies. The fair value estimate was calculated by estimating future cash flows and determining the discount rate according to rates close to the date of the Statement of Financial Position and based, among other things, on assumptions by the Company's management. Therefore, for most of the financial instruments, the fair value estimate below is not necessarily an indication of the realization value of the financial instrument as of the end of the reporting period. The fair value assessment was prepared in accordance with discount rates close to the date of the Statement of Financial Position and does not take into account the interest rate fluctuations from the calculation date until the date of publishing of the financial statements. Under other discount rate assumptions, fair values will be received that may be materially different from those estimated by the Company's management, mainly with regards to financial instruments at fixed interest or those bearing no interest. Furthermore, in determining fair value, the Company did not account for commissions that may be payable upon repayment of the instrument nor do they include the tax effect. The gap between the balances in the Statement of Financial Position as of December 31, 2023 and 2022 and the fair value balances as estimated by Company's management may not necessarily materialize.

B. The main methods and assumptions used to calculate the fair value of financial instruments (whether for the purpose of determining their value in the financial statements or for the presentation of their fair value in this note only):

1. **Financial instruments included under current asset items** – (cash and cash equivalents, deposits, trade receivables and other receivables) – The balance in the Statement of Financial Position as of December 31, 2023 and 2022 approximates the fair value.

2. **Financial instruments included under current liability items** – (short term credit and other payables) – The balance in the Statement of Financial Position as of December 31, 2023 and 2022 approximates the fair value.

3. **Financial Instruments included under non-current liabilities** – see Note 22b above.

Note 24 – Changes in Liabilities due to Financing Activity

	Balance as of December 31, 2022	Cash flows from financing activities	Change in fair value	Exchange rate differences	Other changes	Balance as of December 31, 2023
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	21,129	879,590	-	(18,997)	-	881,722
Bonds	14,677,923	672,399	(13,740)	-	308,773	15,645,355
Loans from banking corporations	3,867,372	1,388,028	-	237,303	112,199	5,604,902
Lease liability	458,336	(22,211)	-	26,440	130,483	593,048
Liability for agreement with tax partner	243,771	651,032	-	(2,326)	(72,070)	820,407
Contingent consideration for a transaction carried out by Energix with non-controlling interests in the United States	-	-	-	-	82,192	82,192
	19,268,531	3,568,838	(13,740)	242,420	561,577	23,627,626

	Balance as of December 31, 2021	Cash flows from financing activities	Change in fair value	Exchange rate differences	Other changes	Balance as of December 31, 2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Credit from banking corporations and other credit providers	9,909	11,220	-	-	-	21,129
Bonds	12,522,792	1,856,489	(59,369)	-	358,011	14,677,923
Loans from banking corporations	3,580,777	(111,510)	-	34,898	363,207	3,867,372
Lease liability	291,582	(13,616)	-	21,533	158,837	458,336
Liability for agreement with tax partner	271,245	(46,267)	-	(32,716)	51,509	243,771
	16,676,305	1,696,316	(59,369)	23,715	931,564	19,268,531

Note 25 – Events Subsequent to the Balance Sheet Date

1. Regarding the Board of Directors' decision on the dividend policy for 2024, and regarding the dividend distribution for the first quarter of 2024, see Note 16d.
2. Regarding the decision of the Company's Board of Directors on capital remuneration for directors, officers and employees in 2024, see Note 16e.
3. Regarding an engagement in an amendment to a credit facility agreement with the Bank of Israel, see Note 12b.
4. Regarding Amot's engagement with Gav Yam for the sale of half of its rights in the land adjacent to the ToHa project and regarding Amot's acquisition of additional land at the corner of HaSolelim Street and HaOmanim Street and regarding Amot's sale of properties at a value of approx. NIS 178 million, see Note 4b.
5. Regarding Carr's engagement in a transaction for the acquisition of land in Alexandria, Virginia, see Note 6g.
6. For Carr's engagements in financing arrangements after the date of the report, see Note 6g.5.
7. For BE's engagements in financing arrangements after the date of the report, see Note 12d.
8. For Amot's private issue of bonds (Series H), see Note 11(l).

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OF FINANCIAL REPORTING AND DISCLOSURE

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

AMOT PLATINUM, PETAH TIKVA

Annual Report on the Effectiveness of the Internal Control on Financial Reporting and Disclosure according to Regulation 9B(a) of the Securities Regulations (Periodic and Immediate Reports), 1970, for 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 controls over financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Nathan Hetz, CEO;
2. Moti Barzilay, VP of Business Development;
3. Oren Frenkel, Chief Financial Officer;
4. Hanan Feldmus, Legal Counsel;

Internal control over financial reporting and disclosure includes controls and procedures existing in the Corporation, which have been designed by the CEO and the senior executive in finance or under their supervision, or by those who actually perform these functions, under the supervision of the Corporation's Board of Directors, which are intended to provide reasonable assurance as to the reliability of the financial reporting and preparation of the reports in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in its reports according to the provisions of the law has been collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.
Internal control includes, among other things, controls and procedures designed to ensure that information the Corporation is required to disclose has been accumulated and passed on to the Corporation's management, including the CEO and the senior executive in finance or whoever actually performs these functions, in order to allow decisions to be made in a timely manner, taking the disclosure requirement into consideration.
Due to its structural limitations, internal control over financial reporting and disclosure is not intended to provide absolute certainty that misrepresentation or omission of information in the statements will be avoided or discovered.

Management, under the supervision of the Board of Directors, conducted an examination and assessment of the internal control over financial reporting and disclosure in the corporation and its effectiveness.
The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by management under the supervision of the Board of Directors was carried out with the implementation of the guidelines published by the Securities Authority in November 2010 in connection with the implementation of the evaluation of the effectiveness of internal control over financial reporting and disclosure by the Board of Directors and management, in accordance with Regulation 9b of the Securities Regulations (Periodic and Immediate Reports), 1970.

Management's assessment of the effectiveness of internal control over financial reporting and disclosure under the supervision of the Board of Directors: A process based on the Corporation's assessment of risks pertaining to the financial reporting and disclosure.

The Company's management, under the supervision of the Board of Directors, examined the potential risks of material misstatement in the financial statements, based on its knowledge of the Corporation, its operations, organizational structure and its various processes, and based on its understanding of the Corporation’s reporting and disclosure risks. The Corporation's management focused on the financial reporting items and on disclosure items which may be more likely to include a material error. The Corporation's management, under the supervision of the Board of Directors, has also examined the planning and operational effectiveness of the controls and the procedures that adequately address these risks.
The Corporation’s assessment of the effectiveness of the internal control was based on the following four components:

1. Organization-level controls;
2. General information system controls;
3. Controls over the processes for closing the accounting period and preparing financial statements and disclosure;
4. Controls in very significant business processes:
    - Very significant business process – investments in companies.
    - Very significant business process - accounts and debt management.
    - Very significant business processes in the subsidiary Amot Investments Ltd. (hereinafter - “**Amot**”): investment property and revenues from rental fees and investment property management.
    - Very significant business processes in the subsidiary Energix Renewable Energies Ltd. (hereinafter - “**Energix**”): procurement for projects and revenues from the sale of electricity and green certificates.
    - Very significant business processes in the subsidiary Brockton Everlast Inc. Limited (hereinafter - “**BE**”): investment property and revenues from rental fees of investment property.

Evaluation of the general effectiveness, including: Updating of the document “Mapping and Identifying the Accounts and Business Processes” regarding the processes which the Corporation’s management considers to be very significant for the financial reporting and disclosure.
Updating of the processes and controls, examining key controls and examining the effectiveness of controls in the context of internal control components.
Performing a validation (testing) process for the effectiveness of internal control on the financial reporting and disclosure.

The management of the subsidiaries - Amot, Energix and BE - independently performed, each in relation to itself, a process of assessing the effectiveness of the internal control over financial reporting and disclosure under the supervision of the Amot, Energix and BE Boards of Directors, respectively. With regard to Amot, Energix and BE, the Company’s Board of Directors and management relied on the process of examining and assessing the effectiveness of internal control and the report on the effectiveness of the internal control over the financial reporting and disclosure reported by the Amot management, the Energix management and the BE management, respectively.

Based on the management’s assessment of the effectiveness under the supervision of the Board of Directors as described above, and based on the assessment of the effectiveness of the Amot management, the Energix management and the BE management under the supervision of the Amot Board of Directors, the Energix Board of Directors and the BE Board of Directors, respectively, **the Corporation’s Board of Directors and management have concluded that the internal control over the financial reporting and disclosure in the Corporation, as of December 31, 2023, is effective.**

Executive statements:

(a) Statement of the CEO in accordance with Regulation 9B(d)(1) of the Securities Regulations (Periodic and Immediate Reports), 1970

Executive Statement

Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have reviewed the periodic reports of Alony-Hetz Properties and Investments Ltd. (hereinafter - the "**Corporation**") for 2023 (hereinafter - the "**Reports**");
2. To the best of my knowledge, the statements do not include any misrepresentation of a material fact nor do they lack the representation of a material fact that is necessary so that the representations included therein, in view of the circumstances in which those representations were included, will not be misleading with respect to the reporting period;
3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the financial position, results of operations and cash flows of the Corporation for the dates and periods referred to in the Reports;
4. I have disclosed to the Corporation's independent auditor, the Board of Directors and the Audit and Financial Statements Committees, based on my most up-to-date evaluation of internal control over financial reporting and disclosure;
   A. All significant deficiencies and weaknesses in the determination or operation of internal controls over financial reporting and disclosure that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law, and –
   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, by myself or with others in the Corporation:
   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –
   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to reasonably assure the reliability of the financial reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;
   C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as of the reporting date.

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

March 12, 2024 -- Signature, Nathan Hetz, CEO

(b) Statement of the Most Senior Finance Officer in accordance with Regulation 9B(d)(2) of the Securities Regulations (Periodic and Immediate Reports), 1970.

Executive Statement

Statement of the Most Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the financial statements and other financial information contained in the reports of Alony-Hetz Properties and Investments Ltd. (hereinafter - the **"Corporation"**) for the year 2023 (hereinafter - the **"Reports"**);

2. To the best of my knowledge, the financial statements and other financial information included in the reports do not include any misrepresentation of a material fact and do not lack the representation of a material fact that is necessary in order that the representations included therein, in view of the circumstances in which those representations are included, not be misleading in relation to the reporting period;

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

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

   A. All significant deficiencies and material weaknesses in the determination or operation of internal controls over financial reporting and disclosure, as it relates to the financial statements and the other financial information included in the financial statements, that are reasonably likely to negatively impact the Corporation's ability to collect, process, summarize and report financial information in a manner that would cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the law; and –
   B. Any fraud, whether material or not, involving the CEO or his direct subordinates or other employees who have a significant role in the internal control over financial reporting and disclosure;

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

   A. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under my supervision, designed to ensure that material information referring to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent that it is relevant to the financial statements and to other financial information included in the statements, is brought to my attention by others in the Corporation and in its consolidated companies, particularly during the preparation period of the reports; and –
   B. I have established controls and procedures, or have verified the establishment and existence of controls and procedures under our supervision, designed to reasonably assure the reliability of the financial

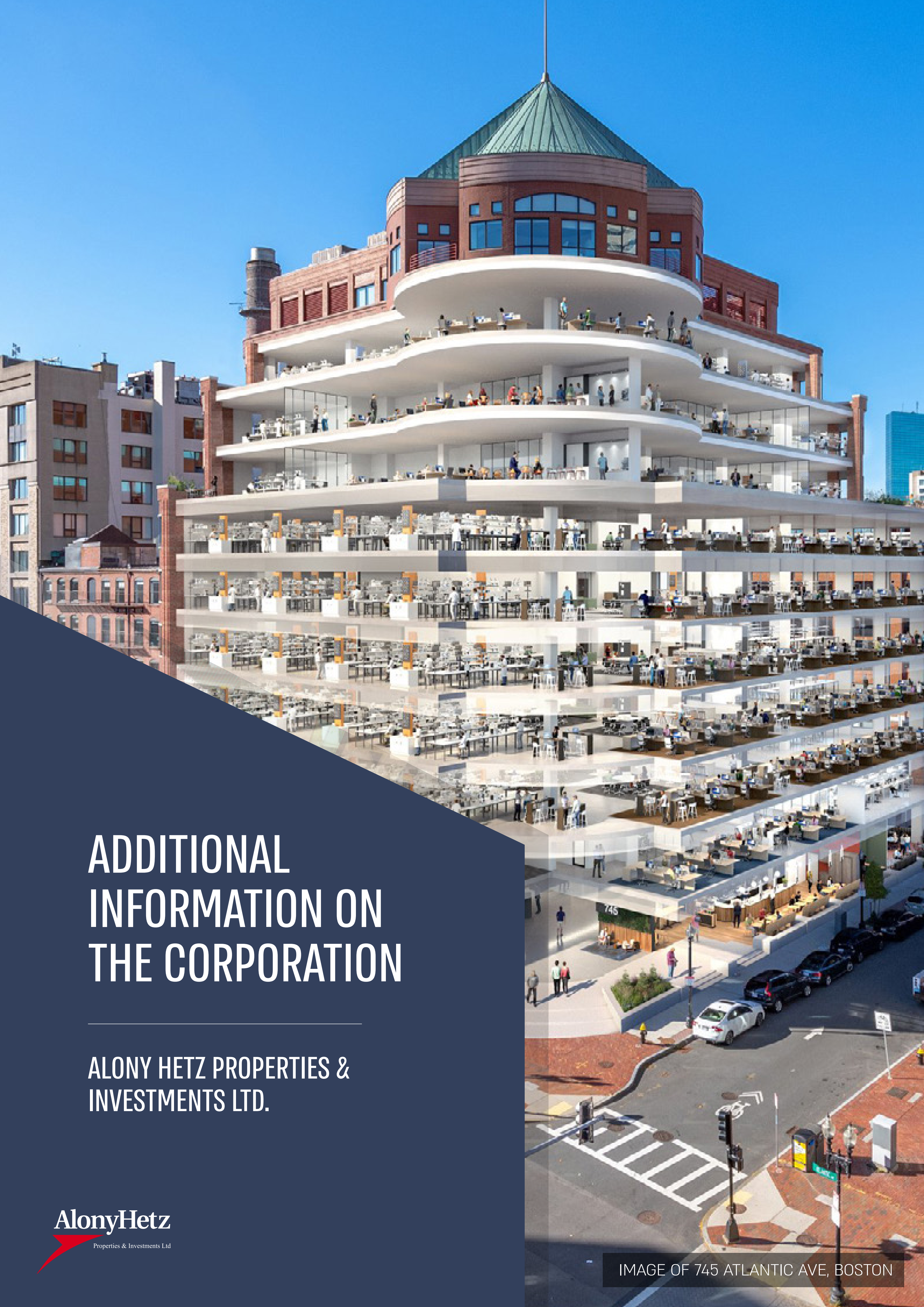
reporting and preparation of financial statements in accordance with provisions of the law, including generally accepted accounting principles;

C. I have assessed the effectiveness of internal control over the financial reporting and disclosure, as it relates to the financial statements and other financial information included in the reports as of the reporting date; my conclusions regarding my assessment have been brought up before the Board of Directors and management, and are integrated into this report.

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

March 12, 2024

Signature, Oren Frenkel, Chief Financial Officer;



ADDITIONAL INFORMATION ON THE CORPORATION

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

IMAGE OF 745 ATLANTIC AVE, BOSTON

Additional Information on the Corporation

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970

(Hereinafter - the "**Regulations**")

Contents

Company Name:	Alony-Hetz Properties and Investments Ltd.
Company registration no.:	520038506
Address:	Address: Amot Atrium Tower, 2 Jabotinsky Street, Ramat Gan
Phone:	03-7521115
Fax:	03-7514730
Email:	office@alony-hetz.com
Website:	www.alony-hetz.com
Balance Sheet Date:	December 31, 2023
Date of the report:	March 12, 2024
Reporting period:	The year ended December 31, 2023

All data in this report is presented in the presentation currency, as defined in Note 2(e) to the financial statements, unless stated otherwise.

Regulation 10c – Use of Proceeds from Securities with Reference to Proceeds' Designation according to the Prospectus

In the Company's shelf prospectus dated May 6, 2021, the validity of which was extended on April 30, 2023 until May 5, 2024 (the "**Shelf Prospectus**") and in the previous shelf prospectus, no amount was raised. In the above shelf prospectuses, it was determined that if securities are offered according to the shelf prospectuses, the proceeds received from these offerings will be designated for various purposes, as the Company decides from time to time and/or as specified in the shelf offer report. During 2023 and subsequent to the date of the report, the Company raised debt through shelf offering reports. The consideration received in respect of these issues is intended for the Company's ongoing operations, including the recycling of existing debt and/or investing, according to the decisions of the Company's Board of Directors and/or the Company's management from time to time.

Regulation 11 – Investments in significant subsidiaries and significant associates as of December 31, 2023

A.

Company name	Number of shares/ participation units	Market value as of December 31, 2023 NIS thousands	Balance sheet value as of December 31, 2023 NIS thousands	Ownership as of the date of the statement of financial position	Right to appoint directors
Amot Investments Ltd.	240,718,672	4,814,373	4,506,094	51.14%	51.14%
Energix - Renewable Energies Ltd.[1]	276,060,936	3,688,174	1,147,571	50.31%	50.31%
Carr Properties Holdings LP	8,099,182	-	1,568,555	52.33%	50%
Brockton Everlast Inc.	579,605,983	-	2,656,530	83.41%	Regarding the right to appoint directors in BE, see Note 6.d.4 to the financial statements.

B. Material loans and material capital notes issued (received) by the Company to subsidiaries and associates: As of December 31, 2023, the Company has capital notes for subsidiaries, wholly owned by the Company, in the amount of NIS 3.8 million.

Regulation 12 – Changes in Investments in Significant Subsidiaries and in Significant Associates in the Reporting Period

Date	Description	Company name	Number of shares/units/options	Cost (proceeds) in NIS thousands
April 2023	Investment in units (*)	Brockton Everlast Inc.	7,547,750	50,079
September 2023	Investment in units (*)	Brockton Everlast Inc.	26,535,090	184,149
November 2023	Off-market purchase	Amot Investments Ltd.	12,000,000	(220,320)
December 2023	Investment in units (*)	Brockton Everlast Inc.	5,896,680	40,270

(*) Indirectly, through wholly owned private subsidiaries. The investment is in units of Brockton Holding LP, which owns BE.

Regulation 13 – Income from significant subsidiaries and associates and the corporation's income from them for the year ended December 31, 2023 (in Thousands of NIS) (*)

Company name	Net profit (loss) for the period	Other comprehensive income (loss) for the period	Dividends/capital amortization received	Management fees and participation in expenses, net	Interest income (expenses), net
Amot Investments Ltd.	1,171,146	-	343,697	9.5	-
Energix - Renewable Energies Ltd.	258,068	68,465	126,988	10	-
Carr Properties Holdings LP (*)	(2,830,149)	(46,263)	(**) -	438	-
Brockton Everlast Inc.	(1,192,651)	(24,886)	58,595	551	3,973

(*) The data for net income for the period and other comprehensive income include non-controlling interests.

Not including DRIP - See Section 2.3.9 of the Board of Directors' Report.

Regulation 20 – Trading on a Stock Exchange – Securities Listed for Trade – Dates and Reasons for Suspension of Trade

- During 2023, no non-tradable options issued to directors, officers and employees were exercised.
- There was no suspension of trading during the reporting period, except in respect of the publication of financial statements.

Regulation 21 – Remuneration of Interested Parties and Senior Officers

21.1. The following are details regarding the remunerations granted in the reporting year, as recognized in the Company's financial statements for the reporting year, which were paid to each of the seven highest remunerated senior officers of the Company or in a corporation under its control that were granted in connection with their term in the Company or in a corporation under the Company's control (of which, 3 officers serve in the Company itself) (the data are in NIS thousands):

Name of recipient	Position	Employment percentage	Holdings in Company capital[2]	Remuneration for management fees / wages[3]	Remuneration for annual bonus	Remuneration for deferred bonus	Total remuneration	Benefit in respect of share-based payment	Value additi benef
Mr. Nathan Hetz	CEO	Full time	14.45%	3,637	1336	1336[4]	**6,312**	-	
Mr. Asa Levinger	CEO of Energix Renewable Energies Ltd.	Full time	-	1,645	-	-	**1,645**	5,642	
Mr. David Marks	CEO Brockton Everlast Inc.	Full time	-	4,079	-	-	**4,079**	3,492	1
Mr. Jason Blank	Deputy Chairman of the Board of Directors and President Brockton Everlast Inc.	Full time	-	4,079	-	-	**4,079**	3,492	
Mr. Richard Selby	Chief Investment Manager Brockton Everlast Inc.	Full time	-	4,079	-	-	**4,079**	3,492	
Mr. Moti Barzilay	VP of Business Development	Full time	-	2,298	1,100 [7]	-	**3,398**	1,089	1
Mr. Oren Frenkel	CFO	Full time	-	1,723	490	-	**2,573**	1,172[8]	1

21.2. Additional information on the terms of employment of senior officers

21.2.1. Background - remuneration policy:

On October 6, 2021, the Company's General Assembly approved the remuneration policy for officers for the years 2022-2024, which is based on the Company's remuneration policy for the years 2019-2021 (hereinafter - the "**Existing Remuneration Policy**"). For additional information regarding the existing remuneration policy, please refer to the Immediate Report for the convening of the General Assembly on August 25, 2021 (Ref: 2021-01-137562) and to the Immediate Report on the Results of the General Assembly published on October 6, 2021 (Ref: 2021-01-152283) (together: "**the October 2021 Assembly Reports**"). On September 29, 2023,

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[2] Holdings in Company capital as of December 31, 2023 (not including reference to options in circulation of each officer).
[3] With the exception of Avshalom Mosler, Asa Levinger, Jason Blank, David Marks and Richard Selby, who receive remuneration as wages, the other remunerations recipients receive management fees.
[4] The deferred bonus will actually be paid at the end of 2024 if the average FFO yield in 2022-2024 exceeds 6%.
[5] Mainly for a company car benefit.
[6] Mainly for insurance benefits.
[7] It should be noted that in September 2023, the General Assembly approved the amendment of the remuneration policy for the years 2022-2024, among other things in connection with the total remuneration ceiling for Company officers. Following this amendment, in 2023, the Company paid Mr. Moti Barzilai (for 2022) a supplement in the amount of NIS 138 thousand for the annual bonus. In this regard, reference is hereby made to Footnote 7 of Regulation 21 in the Additional Information chapter of the periodic report for 2022 published by the Company on March 13, 2023 (Ref.: 2023-01-026136).
[8] Which include non-tradable options with an economic value of NIS 360 thousand that can be exercised immediately.

the General Assembly approved an amendment to the existing remuneration policy. For information regarding the amendment, a reference is hereby made to the Immediate Report for the convening of the General Assembly that was published by the Company on August 15, 2023 (Ref: 2023-01-094089) and the Immediate Report on the Results of the General Assembly published on September 27, 2023 (Ref: 2023-01-110379) (collectively - the "**2023 Assembly Reports**").

21.2.2. Company CEO

On October 6, 2021, the General Assembly confirmed terms of engagement between the Company and the Company's CEO for a three-year period starting January 1, 2022. For additional information, see the October 2021 Assembly Reports and Note 18(a) to the financial statements.

1. Other senior officers
   VP of Business Development

The Company has an agreement with Mr. Moti Barzilay dated June 26, 2019 (as amended in January 2022 and in May 2022), for management services as the Company's VP of Business Development. Under the agreement, each party may terminate the agreement at any time, with written notice of 6 months. According to the agreement, as amended in May 2022, the monthly management fees in respect of April 2022 and thereafter were updated to the amount of NIS 180 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount). The monthly management fees for February 2024 amounted to approx. NIS 193 thousand (including linkage differences). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the VP of Business Development for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2024 meetings, the Remuneration Committee and the Board of Directors decided the following:

A) Annual cash bonus for the year 2023 in the amount of NIS 1,100 thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy, as amended.
B) Capital bonus for 2024 with an economic value of NIS 1,160 thousand, according to the existing remuneration policy, as amended - see Subsection 3 below.

Regarding the officers liability insurance and provision of exemptions and indemnities to the VP of Business Development, see Note 18d to the financial statements.

2. CFO

The Company has an agreement with Mr. Oren Frenkel dated June 26, 2019 (as amended in January 2022 and in May 2022) for the receipt of management services as the Company's CFO. Under the agreement, each party may terminate the agreement at any time, with advanced written notice of 6 months. According to the agreement, as amended in May 2022, the monthly management fees in respect of April 2022 and thereafter were updated to the amount of NIS 135 thousand, CPI-linked, with the base index being the CPI for February 2022 (the management fees will not be less than the above nominal amount). The monthly management fees for February 2024 were approx. NIS 145 thousand (including linkage differences). In addition, according to the agreement, on the date of approval of the Company's annual financial statements, the Company's Board of Directors (after a discussion in the Remuneration Committee, to the extent it is required by law) will discuss the eligibility of the CFO for an annual cash bonus and a capital remuneration in the Company's securities, in accordance with the remuneration policy. At their March 2023 meetings, the Remuneration Committee and the Board of Directors decided the following:

A) Annual cash bonus for the year 2023 in the amount of NIS 850 thousand, according to the annual bonus formula in the remuneration policy and with the addition of a discretionary bonus, in accordance with the existing remuneration policy, as amended.
B) Capital bonus for 2024 with an economic value of NIS 1,230 thousand, according to the existing remuneration policy (including non-tradable options that are immediately exercisable with an economic value of NIS 360 thousand) - see Subsection 3 below.

Regarding the officers liability insurance and provision of exemptions and indemnities to the CFO, see Note 18d to the financial statements.

3. Capital remuneration for the VP of Business Development and for the CFO

The following are details on option warrants (non-tradable) exercisable into Company shares, which, according to the previous remuneration policy and according to the Company's existing remuneration policy, have been allocated to the Company's VP of Business Development and to the CFO and have not yet been exercised as of the publication of this report, and option warrants for which a decision was made for their allocation on March 12, 2024, but have not yet been allocated:

Date of the Board of Directors' Decision to grant the options	VP of Business Development - Economic value of the options in NIS thousands on the grant date	VP of Business Development - number of options	VP of Finance - Economic value of the options in NIS thousands on the grant date	VP of Finance - number of options	Exercise price as of December 31, 2023 (in NIS)	Expiration date
March 16, 2021	1,000	107,373	720	77,309	40.38	30.4.2024
March 22, 2022	1,080	81,276	810	60,957	55.16	June 21, 2025
March 12, 2023	1,130	251,670	1,320	293,987[9]	33.55	June 11, 2026
March 12, 2024	1,160	210,526	1,230	223,231[10]	27.4352	June 11, 2027

According to the agreements signed with the Company's VP of Business Development and the CFO, they are entitled to a company car and mobile phone. In addition, the agreements with them determine that management fees will also be paid for up to 22 business days (monthly gross) per calendar year, in which the management services are not provided and that failure to provide management services for a period of up to 18 business days per calendar year (which can be accumulated up to a total of 90 days) as a result of illness will not impact the payment of full management fees.
The management agreements with the Company's VP of Business Development and the CFO determine that the officers will repay the company or receive from the company, as applicable, amounts paid or which should be paid to them as a capital bonus or a cash bonus, if the amounts paid to them were paid on the basis of data that turned out to be misrepresented and restated in the Company's financial statements. The Company will be entitled to deduct the amount of the repayment due to it from any amount it must pay to the Company's VP of Business Development and/or to the VP of Finance, as the case may be.

4. **Senior executives at Brockton Everlast Inc.**
Jason Blank (Deputy Chairman of the Board of Directors and President of BE), David Marks (BE CEO) and Richard Selby (Chief Investment Manager) constitute the active senior management team of Brockton Everlast Inc. who hold (together) BE as of December 31, 2023 and as of the date of the report at 3% and 2.74%, respectively (hereinafter - "**BE Managers**" and "**BE**", respectively). Two of BE's managers, Jason Blank and David Marks, also serve as directors of BE. The main terms of engagement with the BE Managers until the end of 2027, as the partnership agreement was updated in respect of 2022 and thereafter are as follows:
A) An annual remuneration for each of the BE Managers, including related expenses, of GBP 900,000 in return for their work at BE.

[9] Including 105,791 immediately exercisable options
[10] Including 65,336 immediately exercisable options

The BE Managers will also be entitled to this salary for absence from work for annual vacation and for sick leave.

B) Under the Long Term Incentive Plan ("**LTIP**") adopted by BE, the three BE executives are entitled, collectively, to 60% of an amount equal to 12% of the future growth in BE's NAV beyond the threshold of 6% per year to be paid by BE with reference the period beginning January 1, 2023 and ending December 31, 2027 (hereinafter - the "**Relevant Period**"), where the relevant period includes a maximum grant ceiling (to all BE employees, including the BE Managers) in the amount of GBP 48 million. The BE Managers must invest in BE 50% of the consideration received by them (less tax) under the LTIP plan related to the relevant period, in exchange for the allotment of BE units[11].

C) As part of an incentive plan through the granting of options, BE Managers are entitled to receive options for the years 2022 to 2027, which will be granted to them during a period that will begin on the date of updating the partnership agreement and end on the date of approval of BE's financial statements for the year 2027 (hereinafter - the "**Option Grant Period**"), exercisable for BE units (hereinafter - the "**Options**"), as follows: the options are granted to BE Managers during the option grant period, such that each year they will be granted an amount of options exercisable for BE units equivalent to GBP 500,000 (calculated as detailed below), so that during the option grant period, each of them will be granted an amount of options exercisable for BE units equivalent to GB{ 3,000,000. The number of units will be calculated on the basis of the NAV known at the time of approval of BE's annual financial statements for the relevant year preceding the option grant date (i.e. for the years 2022 up to and including 2027). The options are exercisable for BE units from time to time, by each of the BE Managers for an amount of GBP 0.01, during a period that will begin on the date of approval of BE's financial statements for 2027 and end on December 31, 2032 (hereinafter - the "**Exercise Period**"). In addition, there is an adjustment mechanism for the number of options allocated but not yet exercised in each case of a dividend distribution to the partners in BE. There is also a mechanism for accelerating the exercise of the options on dates prior to the start of the exercise period, upon the occurrence of certain events that include a merger, listing for trading, termination of Alony-Hetz's control or cases of the termination of employment of any of the BE Managers (in such a case the acceleration of the exercise applies only to that BE Manager).

D) The BE managers are committed to secrecy, non-solicitation of employees and non-competition. The agreement with them includes a mechanism determining different results, including expropriation of their holdings in BE, in the event that one of them ceases working at BE on a date before 2027, whether voluntarily or if they violated their commitment to BE.

5. **CEO of Energix Renewable Energies Ltd.**

Mr. Asa (Assi) Levinger, the Energix CEO, is employed according to an employment agreement signed between him and Energix and updated from time to time. In August 2022, the Energix General Assembly (hereinafter in this subsection - the "**General Assembly**") approved a new remuneration package and updated the terms of employment of the Energix CEO, according to the decisions of the Energix Remuneration Committee and Board of Directors at their meetings in August 2022. According to the terms of the remuneration package, the terms of employment of the Energix CEO, in effect for six years starting July 1, 2022 are as follows:

A) The Energix CEO's (gross) salary is NIS 120 thousand. The monthly salary of the Energix CEO will be linked (on a monthly basis) to the last known index published as of the date of approval of the General Assembly, provided that it is no less than NIS 120 thousand plus the related terms, social benefits and company car, the cost of his monthly wage will amount to a total of NIS 150 thousand (the "**wage cost**").

B) The Energix CEO will be entitled to a measurable annual grant ceiling in a fixed amount of 6 months of the wage cost, with the actual amount of remuneration being dependent on performance according to the measurable component of the remuneration plan. It should be clarified that the annual grant may be paid in cash or as a capital remuneration instead of cash.

[11] The share price will be determined according to the equity per share (IFRS) on the date of the investment with reference to the relevant period.

C) The CEO of Energix shall be entitled to long-range capital remuneration worth NIS 3,000 thousand per year, each year for 6 years. Accordingly, after the approval of the General Assembly, the Energix CEO was granted options to purchase Energix’s ordinary shares with a total value of NIS 18,000 thousand, which will vest to realization in three equal portions over a period of 4, 5 and 6 years from the date of approval of Energix’s Board of Directors for the updated remuneration package. The exercise price will be NIS 17.68, the exercise of the warrants is in a cashless mechanism and is subject to achieving a target price per share of NIS 21.44, which reflects a price that is twice the share price prior to the approval of Energix’s Board of Directors (subject to adjustments and dividend distributions).

D) It should be noted that the long-term capital remuneration granted to the Energix CEO as part of the 2022 remuneration package is in addition to and in continuation to the long-term capital remuneration granted to the Energix CEO as part of the 2019 remuneration package, which includes a long-term capital remuneration in relation to three years starting in June 2022, with a total value of NIS 3,375 thousand.

E) The employment agreement of the Energix CEO will expire on July 1, 2028, or earlier, subject to advance notice of 90 days by Energix or 6 months by the Energix CEO. In the event that the employment of the Energix CEO is terminated by Energix (not under circumstances that disqualify him for severance pay), the Energix CEO will be entitled to a 3-month adaptation period, during which he will be entitled to full pay, including the related conditions.

F) The wage cost of the Energix CEO (employer cost, not including bonuses and options) in 2023 amounted to approx. NIS 1,795 thousand.

G) The following is a breakdown of the grants given to the Energix CEO in respect of 2023, as approved by Energix’s Remuneration Committee and Board of Directors in February 2024 and March 2024, respectively:

(1) Information regarding the annual bonus in respect of 2023, which is given in full as capital remuneration instead of cash, and therefore the Company's Board of Directors used its authority and accelerated all the options so that they can be exercised immediately:

<table>
<tr><th>Type of remuneration</th><th>Bonus ceiling according to remuneration plan and in accordance with the Energix CEO's employment agreement</th><th>Bonus ceiling for 2022 according to decisions by Energix’s Remuneration Committee and Board of Directors</th><th>Actual entitlement</th><th>Value in NIS</th><th>Actual bonus</th></tr>
<tr><td>Measurable bonus component A</td><td rowspan="3">6 months of wage cost The annual ceiling and the weighting for each component are determined in advance in the Remuneration Committee and the Board of Directors</td><td>1.8 months of wage cost (30% of 6 months)</td><td rowspan="3">4.7 months of wage cost</td><td rowspan="3">For the measurable component: approx. NIS 744 thousand</td><td rowspan="3">The total bonus in the amount of NIS 744 thousand was converted into approx. 214 thousand options that vested immediately</td></tr>
<tr><td>Measurable bonus component B</td><td>1.8 months of wage cost (30% of 6 months)</td></tr>
<tr><td>Measurable bonus component C</td><td>1.68 months of wage cost (40% of 6 months)</td></tr>
</table>

(2) March 5, 2024, Energix's Board of Directors approved the allocation of an annual tranche of capital remuneration for 2023 under Energix’s capital remuneration plan from 2024 for the Energix CEO, as follows:

Number of options	213,847
Of which, options replacing a cash bonus, fully accelerated	213,847
Share price (in NIS)	13,390

Exercise price (in NIS) (*)	14,461
Fair value of options	3.4791
Expected volatility	35.40%
Lifespan of options (in years)	3.08
Final exercise date	36 months from actual date of granting
Risk-free interest rate	3.87%
Expected dividend rate	

(*) The exercise price of any option will be determined based on the higher of the following: (a) the average of the share prices on the stock exchange in the 30 trading days preceding the date of the Board of Directors' decision to grant the options; or (b) 8% above the stock price at the end of the stock exchange day of trade preceding the date of the Board of Directors' decision to grant the options.

21.3. Details of the remuneration granted to interested parties in the Company not listed in Section 1 above, by the Company or by a corporation under its control

21.3.1. Chairman of the Company's Board of Directors

On October 6, 2021, the General Assembly approved the management agreement of the Chairman of the Company's Board of Directors for the years 2022-2024. For additional information on the existing management agreement with the Chairman of the Company's Board of Directors and for the capital remuneration granted to the Chairman of the Board of Directors, see the 2021 Assembly Reports and Note 18b to the financial statements.

21.3.2. Remuneration of directors

For details regarding the remuneration of directors and capital remuneration of directors, see Note 18c to the financial statements.

21.3.3. Exemption and indemnity

Regarding letters of exemption and letters of indemnity that were given to the Company's directors and officers, see Note 18d to the financial statements.

21.3.4. Liability insurance for officers

Regarding officers' liability insurance, including directors' liability insurance, see Note 18d to the financial statements.

Regulation 21A – The Company's Controlling Shareholders

The Company does not have a controlling shareholder.

Regulation 22 – Transactions with Controlling Shareholders or Transactions in which Controlling Shareholders have a Personal Interest

As stated in Section 21A above, the Company does not have a controlling shareholder.

Regulation 24 – Shares and other Company Securities Held by Interested Parties and Senior Officers in the Corporation

For details regarding holdings of interested parties and senior officers in shares and other securities of the Company, and in the securities of Amot and Energix as of December 31, 2023, see the immediate reports published by the Company on January 7, 2024 (Refs: 2024-01-003117 and 2024-01-003147) (hereinafter, in this section - the "**Immediate Reports**"). The information in the immediate report is presented herein by way of reference.

Regulation 24A – Registered and Issued Capital and Convertible Securities, as of March 12, 2024

	NUMBER OF CONVERTIBLE SHARES/SECURITIES
Registered capital	1,000,000,000 (*)

	NUMBER OF CONVERTIBLE SHARES/SECURITIES
Issued capital (ordinary shares)	179,807,812
Issued capital held by shareholders who are not the Company or a subsidiary	179,722,472 **
Issued capital owned by the Company (dormant shares)	85,340
Non-tradable options to employees and officers[12]	1,580,616

(*) Of which 500,000,000 are regular shares and 500,000,000 are preferred shares.

(**) This total does not include 85,340 dormant shares owned by the Company.

Regulation 24B – Shareholders' Registry

For the Company's shareholders' registry, see the immediate report published by the Company on February 28, 2024 (Ref: 2024-01-020130). The information presented in the report is presented here by way of reference.

Regulation 25A – Registered Address

See the beginning of first page of this report for Additional Information Regarding the Corporation (Page 2 above).

12 It should be noted that on March 12, 2024, the Company's Board of Directors approved the allocation of 786,031 option warrants to the Chairman of the Company's Board of Directors, to the directors, officers and employees, which, as of the publication of this periodic report, have not yet been allocated and which have not been taken into account.

Regulation 26 – The Corporation's Directors as of the Date of the Report

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	RONI PATISHI-CHILLIM
ID:	055585277	51673192	33433152	051112027	001331206	028951192	027237296
Date of birth:	October 25, 1958	October 7, 1952	8/10/1976	20/11/1951	9/04/1949	25/09/1971	August 10, 1974
Address:	8 Hatarbut, Ramat Hasharon	12 Litvinsky, Ramat Gan	1 Simtat HaRimon, Rishpon	11 Smadar, Carmei Yosef	22a Hatet-Zayin, Tel Aviv	1 Yafe Nof, Givatayim	2 Nana, Bnei Zion
Citizenship:	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli	Israeli
Membership on Board of Directors committees:	No	No	Member of the Financial Statement Approval Committee from April 3, 2023.	Member of the Remuneration Committee, member of the Audit Committee from April 3, 2023.	Member of the Audit Committee (Chairman), Financial Statement Approval Committee and Remuneration Committee	Member of the Audit Committee, Financial Statement Approval Committee (Chairman) and Remuneration Committee (Chairman)	No
Independent/external director?	No	No	No	Yes - independent director	Yes - external director	Yes - external director	Yes - independent director
Employed by the corporation, a subsidiary, an associate or an interested party?	Active salaried Chairman of the Board of Directors	Company CEO since January 1, 1993	No	No	No	No	No
In office as of:	November 26, 1996	October 28, 1990	August 16 1998	November 23, 2015	May 13, 2018	July 12, 2018	May 23, 2023
Education:	BA Degree in Business Administration and Accounting - College of Management, Academic Studies, Certified Public Accountant.	BA in Economics and Business Administration, Bar Ilan University, BA in Accounting, Tel Aviv University, Certified Public Accountant.	Ph.D in Neuroscience, Haifa University, MBA in Business Administration, the Hebrew University of Jerusalem, MSc in Neurobiology (Neuroscience), Haifa University, BSc in Marine Biology from Ruppin College.	BA in Economics, Ben Gurion University, MA in Public Administration, Harvard University.	BA in Economics, Tel Aviv University, PhD in Economics, University of Minnesota	BA in Business Administration with Specialization in Accounting, College of Management Academic Studies MBA in Business Administration, Ben Gurion University	MBA in Business Administration with a specialization in Finance from Boston University and BA in Business Administration and General and Comparative Literature from the Hebrew University
Employment over the past five years:	Alony-Hetz Properties and Investments Ltd.	Company CEO from January 1, 1993, Chairman of the Board of Directors of Amot Investments Ltd., Chairman of the Board of Directors of Energix Renewable Energy Ltd., Chairman of the Board of Directors of	PhD student of Neuroscience - Haifa University. Chairman of the Hetz Center at the Givat Olga Technoda, CEO of the Hetz Umatara NGO and Director at the Feat Fund Limited Partnership.	Head of the Institute for National Security Studies INSS (until May 2021), Chairman of the Ben Gurion Heritage Institute on a voluntary basis, Chairman of the Fidel Association on a voluntary basis. Owner of an international	Professor of Economics, Head of the Aharon Institute for Economic Policy at Reichman University, lecturer on Economics at Wharton School of Business Administration at the University of	Head of the Accounting program and Deputy Dean of the Arison School of Business Administration at Reichman University, academic supervisor for accounting courses and academic consultant for	Partner in the venture capital fund Israel Cleantech Management Ltd.; VP of Finance at Adama Solutions for Agriculture Ltd. ("**Adama**") until 2021; CEO of Lycored until

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	RONI PATISHI-CHILLIM
		Carr Properties and Chairman of the Board of Directors of Brockton Everlast.		lecture and consulting company. From February 2023, Founding President and Member of the Board of Directors of MIND Israel (Public Benefit Company), a consulting firm for advanced strategic thinking.	Pennsylvania, academic and strategic advisor at the Center for Financial Growth, Bank Hapoalim.	accounting at the Open University, the Department of Management and Economics, owner and CEO of IFRS Consulting.	2020 (from the Adama Group);
Serves on the board of directors of:	The Company (Chairman), Amot Investments Ltd., Energix Renewable Energies Ltd., Carr Properties Corporation and director in consolidated companies of the Company, of Carr, in joint Alony-Hetz Properties and Investments and Oxford Properties companies and in private companies owned by him and by family members.	The Company, Amot Investments Ltd. (Chairman), Energix Renewable Energy Ltd. (Chairman), Carr Properties Corporation (Chairman), Brockton Everlast Inc. (Chairman), director in the consolidated companies of the Company, of Energix, and of Carr, in joint companies of Alony-Hetz Properties and Investments Ltd. and of Oxford Properties and director in private companies under its ownership and under the ownership of his family and in Mind Israel (External Director).	The Company, Feat Fund Investments - Limited Partnership.	The Company, Ben Gurion Heritage Institute, Chairman of the Fidel Fund and Mind Israel (Public Benefit Company).	External director in the Company.	External director in the Company, Director at the Israeli Association of Valuators (Non-Profit), external director at Midroog Ltd.	The Company, member of the Investments Committee at "NEOME - Women Investment Club", Advisory Board member at a start-up company called EVA - Environmental Viable Applications.
Family member of another interested party in the corporation?	No	Father of Adva Sharvit	Daughter of Nathan Hetz	No	No	No	No
Does the Company consider them as having accounting	Yes	Yes	No	No	Yes	Yes	Yes

THE DIRECTOR	AVIRAM WERTHEIM CHAIRMAN OF THE BOARD OF DIRECTORS	NATHAN HETZ	ADVA SHARVIT	AMOS YADLIN	ZVI ECKSTEIN	SHLOMI SHUV	RONI PATISHI-CHILLIM
and financial expertise for the purpose of complying with the minimum number on the Board of Directors?							
Cyber expertise	No	No	No	No	No	No	No

Regulation 26A – Senior Executives of the Corporation

SENIOR OFFICERS	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	MAYA YAAKOV	NAAMA EMMANUEL	MORAN SADE	YISRAEL GEWIRTZ
ID:	022939276	023944176	055080428	036402733	039265327	037058443	033762139
Date of birth:	13/9/1967	24/7/1968	25/1/1958	13/7/1979	15/12/1983	6/03/1985	19/02/1977
In office as of:	October 2005	April 2008	March 2007	June 2008	April 2014	October 2022	May 2017
Position at the corporation:	VP of Business Development	CFO	Legal Counsel	Accountant	Accountant	Accountant	Internal Auditor
Position in the corporation's subsidiary or interested party	Director at Amot, director at Energix, director at Carr Properties Corporation, director at joint Alony-Hetz Properties and Investments and Oxford Properties companies, director at Brockton Everlast Inc. and director at Company subsidiaries. Member of Brockton Capital Funds steering committees	Director at Energix, director at Brockton Everlast Inc. and director at consolidated companies of the Company and Energix.	None	None	None	None	Internal Auditor at Energix Renewable Energies Ltd.

SENIOR OFFICERS	MOTI BARZILAY	OREN FRENKEL	HANAN FELDMUS	MAYA YAAKOV	NAAMA EMMANUEL	MORAN SADE	YISRAEL GEWIRTZ
Interested party or family member of interested party or senior officer in the corporation:	No	No	No	No	No	No	No
Education:	MBA, BA in Economics and Accounting, Tel Aviv University. Certified Public Accountant	MST, University of San Jose, CA. BA in Business Administration and Accounting, College of Management Certified Public Accountant	Attorney, BA of Law, Tel Aviv University.	MBA (with a Specialization in Business Taxation), College of Management, BA in Accounting and Economics, Tel Aviv University. Certified Public Accountant.	BA in Accounting, Management and Economics, Tel Aviv University. Certified Public Accountant	MA in Finance for Accountants, the College of Management Academic Track and BA in Accounting and Business Administration, the College of Management Academic Track.	BA in Accounting and Economics, Bar Ilan University. Certified Public Accountant. Certification in Risk Management Assurance (CRMA) and Certified Internal Auditor (CIA) from the U.S. Institute of Internal Auditors
Employment over the past five years:	Current position	Current position	Current position Until March 2022, also served as Company Secretary.	Current position	Current position	Comptroller at Energix Renewable Energies Ltd., Financial Reporting Manager at El Al.	Partner in Fahn Kanne Management and Control Ltd.

Regulation 26B – Independent Authorized Signatories

The Company has no independent authorized signatories.

Regulation 27 – The Corporation's Accountant

Deloitte Brightman Almagor Zohar & Co., 1 Azrieli Center, Tel Aviv

Regulation 28 – Amendment of Memorandum or in Articles of Association

There were no changes made to the Company's Memorandum or Articles of Association in 2023.

For an up-to-date version of the Company's Articles of Association, see the immediate report published by the Company on July 12, 2018 (Ref: 2018-01-063447).

Regulation 29 – Recommendations and Decisions of the Board of Directors

A)

1. At its meeting on March 12, 2023, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share for the first quarter of 2023, in accordance with the dividend policy for 2023. In addition, at its above meeting, 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.
2. At its meeting on May 22, 2023, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share, for the second quarter of 2023, in accordance with the dividend policy for 2023.
3. At its meeting on August 14, 2023, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share for the third quarter of 2023, in accordance with the dividend policy for 2023.
4. At its meeting on November 19, 2023, the Company's Board of Directors decided to approve the distribution of a quarterly dividend in the amount of NIS 0.32 per share for the fourth quarter of 2023, in accordance with the dividend policy for 2023.
5. The Company did not engage in transactions with interested parties that are not in accordance with market conditions. For details of transactions between the Company and its interested parties, see Note 18 to the financial statements and Regulation 21 above.

B) General Assembly decisions: In 2023, no special General Assemblies were held and no decisions were made contrary to the recommendation of the Board of Directors.

Regulation 29A – Company Decisions

6. Regarding Company decisions on the subject of indemnification, exemption and insurance, see Note 18 to the financial statements.
7. On May 18, 2021, the Company's Board of Directors (on the recommendation of the Audit Committee) approved the Company to extend, by three years, the existing arrangement with Energix for the execution forward transactions. For additional information, see Note 18e.3 to the financial statements. It should be noted that the framework transaction was defined as an exceptional transaction by the Audit Committee only for the sake of caution.

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

IMAGE OF TOHA2, TEL AVIV

CORPORATE GOVERNANCE QUESTIONNAIRE

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

Corporate Governance Questionnaire for 2023

	Board of Directors' Independence	Answer
1.	Two or more external directors served at the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which two external directors did not serve does not exceed 90 days, as noted in Section 363a(b)(10) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which two external directors did not serve during the reporting year (including a period of service approved retroactively, while separating between the different external directors).	Correct Director A: Prof. Zvi Eckstein – served throughout the year. Director B: Shlomi Shuv – served throughout the year. Number of external directors serving in the corporation as of the publication of this questionnaire: 2.
2. a	Rate[1] of independent directors[2] serving in the corporation as of the date of publication of this questionnaire.	4/7
2. b	Rate of independent directors determined in the corporation's[3] bylaws[4]	N/A (no instructions were determined in the bylaws).
3.	In the reporting year, an examination was conducted with the external directors (and the independent directors) and they were found to be in compliance with the provisions of Section 240(b) and (f) of the Companies Law in the reporting year regarding the absence of affiliation of the external (and independent) directors serving in the corporation, and they comply with the conditions required for serving as an external (or independent) director.	Correct
4.	None of the directors serving at the corporation during the reporting year are subordinate[5] to the CEO, directly or indirectly (with the exception of a director who is an employee representative, if the corporation has employee representation). If your answer is "Incorrect" (meaning that the director is subordinate to the CEO) – note the rate of directors failing to meet this restriction.	Correct
5.	All directors who announced the existence of their personal interest in approving a transaction on the agenda of the meeting were absent from the discussion and did not vote as aforesaid (except for discussion and/or voting under the circumstances in Section 278(b) of the Companies Law): If your answer is "Incorrect" - Was it for the presentation of a specific subject in accordance with Section 278(a) final clause? And note the rate of meetings in which such directors attended the discussion and/or participated in the vote, except for the circumstances noted in Subsection (a)	Correct

[1] In this questionnaire, "**rate**" means a certain number out of the total. For instance, 3/8.
[2] Including "external directors", as defined in the Companies Law.
[3] In this questionnaire – "bylaws" including in accordance with a specific legal provision applicable to the corporation (for instance in a banking corporation – the Supervisor of Banks instructions).
[4] A bond company does not have to answer this section.
[5] Regarding this question – the very fact of service as a director in an investee corporation under the corporation's control will not be considered "subordination", while on the other hand, the service of a director in a corporation serving as an officer (with the exception of a director) and/or an employee in a corporation held by the corporation will be considered "subordinate" for this question.

6.	The controlling shareholder (including his relatives or representatives on his behalf), who is not a director or other senior officer of the corporation, was not present at board meetings held during the reporting year[6].	N/A (the corporation does not have a controlling shareholder).

[6] It should be noted that our answer relates to the controlling shareholder (including his relative and/or his representative), who is not a director, but not to other senior officers of the corporation.

	Qualifications and capabilities of the directors	Answer
7.	The corporation's bylaws do not have a provision limiting the possibility of immediately terminating the service of all of the corporation's directors who are not external directors (in this regard – a regular majority vote is not considered a limitation).[7]	Correct
7a.	Director's term of office determined in the bylaws:	N/A
7b.	Required majority determined in the bylaws for the termination of the service of directors:	N/A
7c.	Legal quorum determined in the bylaws at the general assembly for the termination of the service of directors:	N/A
7d.	Required majority for making these changes in the bylaws:	N/A
8.	The corporation was responsible for preparing a training program for new directors, on the subject of corporate business and regarding the laws applicable to the corporation and the directors, and also prepared an advanced program for the training of incumbent directors, which is adapted, inter alia, to the role of the director in the corporation.	Correct The program was operated in the reporting year.
9a.	The corporation established a mandatory minimum number of directors on the board of directors who are required to have accounting and financial expertise. If your answer is "Correct" - note the minimum number determined.	Correct, A minimum number of 3 directors was determined.
9b.	Number of directors serving in the corporation during the reporting year – In the event of changes in the number of directors during the reporting year, the lowest number should be listed (with the exception of a period of 60 days from the change) of directors of any kind serving in the reporting year.	Number of directors with accounting and financial expertise[8]: 5. Number of directors with professional qualifications[9]: 2.
10a.	Throughout the reporting year, the composition of the board of directors consisted of members of both genders. If your answer is "Incorrect" - note the period of time (in days) in which this was not upheld. This question may be answered "Correct" if the period of time in which directors of both genders did not serve does not exceed 60 days, however, any (Correct/Incorrect) answer must note the period of time (in days) in which directors of both genders did not serve in the corporation.	Correct
10b.	Number of directors of each gender serving on the corporation's board of directors as of the publication of this questionnaire:	Men: 5 Women: 2

[7] A bond company does not have to answer this section.
[8] After the assessment of the Board of Directors, in accordance with the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications), 2005.
[9] See footnote 8.

	Board meetings (convening of the General Assembly)	Answer
11a.	The number of board meetings held during each quarter in the reporting year:	A total of 11 meetings were held during 2023, as follows: First quarter (2023): 3 Second quarter: 3 (including one written decision) Third quarter: 1 Fourth quarter: 4
11b.	Next to the name of each of the directors serving in the corporation during the reporting year, note their participation rate in meetings of the board of directors (in this sub-section – including the meetings of the board of directors committees in which they are members, and as noted below) that took place during the reporting year (and referring to their term in office): (Add additional lines according to the number of directors)	

	Name of director	Attendance rate at Board meetings	Attendance rate at Audit Committee meetings[10]	Attendance rate at Financial Statements Review Committee meetings[11]	Attendance rate at Remuneration Committee meetings[12]	Attendance rate at additional board committees in which they are members (noting the name of the committee)
11b.	Aviram Wertheim	100%	N/A	N/A	N/A	N/A
	Nathan Hetz	100%	N/A	N/A	N/A	N/A
	Zvi Eckstein	100%	100%	100%	100%	N/A
	Amos Yadlin	91%	100%	N/A	100%	N/A
	Mia Likvernik [13]	66%	N/A	100%	N/A	N/A
	Roni Patishi-Chillim[14]	100%	100%	100%	N/A	N/A
	Shlomi Shuv	100%	100%	100%	100%	N/A
	Adva Sharvit	100%	N/A	100%	N/A	N/A

12.	During the reporting year, the board of directors held at least one discussion on the subject of the management of the corporation's business by the CEO and the officers subordinate to him, without their presence, and they were given the opportunity to state their position.	Correct

[10] For directors who are members of this committee.
[11] For directors who are members of this committee.
[12] For directors who are members of this committee.
[13] Ms. Mia Likvernik ended her service on March 29, 2023.
[14] Ms. Roni Patishi-Chillim ended here service on May 23, 2023.

	Separation between the positions of CEO and Chairman of the Board of Directors	Answer
13.	A chairman of the board of directors served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no chairman of the board served in the corporation does not exceed 60 days (as stated in Section 363a(2) of the Companies Law), however, any (Correct/Incorrect) answer must note the period of time (in days) in which a chairman of the board did not serve in the corporation.	Correct
14.	A CEO served in the corporation throughout the reporting year. This question may be answered "Correct" if the period of time in which no CEO served in the corporation does not exceed 90 days as stated in Section 363a(6) of the Companies Law, however, any (Correct/Incorrect) answer must note the period of time (in days) in which a CEO did not serve in the corporation: ____.	Correct
15.	In a corporation in which the chairman of the board also serves as the corporation's CEO and/or has the authorities of the CEO, the double service has been approved in accordance with Section 121(c) of the Companies Law[15].	N/A
16.	The CEO is <u>not</u> related to the Chairman of the Board.	Correct
16a.	State family relationship between the parties:	N/A
16b.	The service was approved in accordance with Section 121(c) of the Companies Law[16]	N/A
17.	The controlling shareholder or his relative <u>does not</u> serve as CEO or senior officer in the corporation, except as a director.[17]	N/A

[15] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[16] In a bond company – approval in accordance with Section 121(d) of the Companies Law.
[17] Note that as of November 26, 2019, the Company does not have a controlling shareholder.

	Audit Committee	Answer
18.	The following did not serve on the Audit Committee in the reporting year.	
18a.	The controlling shareholder or his relative	N/A (the Corporation does not have a controlling shareholder).
18b.	Chairman of the Board of Directors	Correct
18c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct
18d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct
18e.	A director whose main earnings are from the controlling shareholder.	N/A (the Corporation does not have a controlling shareholder).
19.	Those who are not entitled to be members of the Audit Committee, including the controlling shareholder or his relatives, were not present in the reporting year at the meetings of the Audit Committee, except in accordance with Section 115(e) of the Companies Law.	Correct
20.	A legal quorum for discussions and decision-making at all of the Audit Committee meetings held in the reporting year was a majority of the committee members, and most of those present were independent directors, and at least one of them was an external director. If your answer is "Incorrect" - state the number of meetings in which the requirement was not upheld.	Correct
21.	The Audit Committee held at least one meeting during the reporting year in the presence of the internal auditor and the auditing accountant, and without the presence of officers of the corporation who are not committee members, on the subject of deficiencies in the corporation's business management.	Correct
22.	In all Audit Committee meetings at which people not entitled to be committee members were in attendance, it was with the approval of the chairman of the committee or at the committee's request (regarding the corporation's legal counsel and secretary, who is not a controlling shareholder or related to one).	Correct
23.	During the reporting year, arrangements were in effect that had been established by the Audit Committee regarding the treatment of complaints of the corporation's employees in the matter of deficiencies in the management of its business and regarding the protection given employees who complained.	Correct
24.	The Audit Committee (and/or the Financial Statements Review Committee) is satisfied that the extent of the work of the auditing accountant his wage regarding the financial statements in the reporting year are sufficient for performing appropriate auditing and reviewing work.	Correct

	The duties of the Financial Statements Review Committee (hereinafter – the Committee) in its preliminary work for the approval of the financial statements	Answer
25a.	Note the amount of time (in days) that the Board of Directors has determined as a reasonable time for submitting the Committee's recommendations for the Board of Directors' discussion for approval of the financial statements.	3 days
25b.	Number of days that passed between submission of the recommendations to the board of directors and the date of the Board meeting for the approval of the financial statements	First quarter report: 4 Second quarter report: 3 Third quarter report: 2.5 Annual report: 5
25c.	Number of days that passed between submission of the Draft Financial Statements to the directors and the date of the Board discussion for the approval of the financial statements:	First quarter report: 4 Second quarter report: 3 Third quarter report: 2.5 Annual report: 5
26.	The corporation's auditing accountant participated in all of the meetings of the committee and the board of directors, in which the corporation's financial statements were discussed, which refer to periods included in the reporting year. If your answer is "Incorrect", note his participation rate.	Correct
27.	The Committee complied with all of the conditions below during the entire reporting year and until the publication of the annual report:	
27a.	The number of its members was not less than three (on the date of the committee discussion and approval of the statements).	Correct
27b.	All of the conditions in Section 115(b) and (c) of the Companies Law (regarding the tenure of members of the Audit Committee) were complied with.	Correct
27c.	The Chairman of the Audit Committee is an External Director.	Correct
27d.	All of the members are directors and the majority are independent directors.	Correct
27e.	All of its members are capable of reading financial statements and at least one of the independent directors has accounting and financial expertise.	Correct
27f.	The Committee members submitted declarations prior to their appointment.	Correct
27g.	The legal quorum for discussions and decision-making in the Committee is a majority of its members, on the condition that the majority of those present are independent directors, at least one of whom is an external director.	Correct
27h.	If your answer for one or more of the sub-sections of this question is "Incorrect", specify regarding which report (periodic/quarterly) the condition was not complied with and the condition that was not complied with.	N/A

	Remuneration Committee	Answer
28.	In the reporting year, the committee consisted of at least three members and there was a majority of external directors (on the date of the committee's discussion).	Correct
29.	The terms of service and employment of all members of the Remuneration committee in the reporting year are in accordance with the Companies Regulations (Rules regarding Remuneration and Expense Reimbursement of External Directors), 2000.	Correct
30.	The following did not serve on the Remuneration Committee in the reporting year -	
30a.	The controlling shareholder or his relative	N/A (the corporation does not have a controlling shareholder).
30b.	Chairman of the Board of Directors	Correct
30c.	A director who is employed by the corporation or by a controlling shareholder in the corporation or by a corporation under his control.	Correct
30d.	A director who provides services on a permanent basis to the corporation or to the controlling shareholder in the corporation or to a corporation under his control.	Correct
30e.	A director whose main earnings are from the controlling shareholder.	N/A (the corporation does not have a controlling shareholder).
31.	The controlling shareholder or his relative did not attend the Remuneration Committee meetings in the reporting year, unless if the chairman of the committee stated that any of them were needed to present a certain subject.	N/A (the Corporation does not have a controlling shareholder).
32.	The Remuneration Committee and the Board of Directors did use their authority under Sections 267a(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a remuneration policy despite the opposition of the General Assembly. If your answer is "Incorrect", note the type of transaction approved as stated and the number of times their authority was used in the reporting year.	Correct

	Internal Auditor	Answer
33.	The Chairman of the Board of Directors or the corporation's CEO is the Internal Auditors organizational supervisor at the organization.	Correct
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan for the current year. The audit topics examined by the internal auditor in the reporting year: (a) Internal Enforcement Plan; (b) Information Systems - Backups; (c) Insurance and (d) Wages (including executive wages).	Correct
35a.	Scope of internal auditor transactions in the corporation in the reported year (in hours[18])	275 hours
35.b	A discussion was held in the reporting year (in the Audit Committee or in the Board of Directors) regarding the Internal Auditor's findings.	Correct
36.	The Internal Auditor is not an interested party in the corporation, a relative, an auditing accountant or anyone acting on his behalf and does not conduct significant business relations with the corporation, its controlling shareholder, his relative or corporations under his control.	Correct

	Transactions with interested parties	Answer
37.	The controlling shareholder or his relative (including a company under his control) are not employed by the corporation or provide management services. If your answer is "Incorrect" (meaning that the controlling shareholder or their relatives are employed by the corporation or provide management services), note – - Number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): - Were such employment agreements and/or management services approved by the legally mandated organs.	N/A (the Corporation does not have a controlling shareholder).
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's area of activity (in one area or more). If your answer is "incorrect" – note whether an arrangement was determined for setting boundaries between the corporation's activity and that of its controlling shareholder.	N/A (the Corporation does not have a controlling shareholder).

Signatures:

Chairman of the Board of Directors: Aviram Wertheim

Chairman of the Audit Committee: Zvi Eckstein

[18] Including work hours invested in audits of investees. It should be noted that the public subsidiaries, Amot Investments Ltd. and Energix Renewable Energy Ltd., have their own internal auditors.

Chairman of the Financial Statements Review Committee: Shlomi Shuv

Date of signing: March 12, 2024

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 December 31, 2023

Regarding the status of liabilities by repayment dates as of December 31, 2023, see the Immediate Report dated March 13, 2024.

THE WILSON, WASHINGTON DC

ATTACHMENT OF THE FINANCIAL STATEMENTS OF AN ASSOCIATE - CARR

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

CARR PROPERTIES HOLDINGS L.P.

Consolidated Financial Statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022

CARR PROPERTIES HOLDINGS L.P.

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Report of Independent Auditors

To the Management of Carr Properties Holdings L.P.

Opinion

We have audited the accompanying consolidated financial statements of Carr Properties Holdings L.P. and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

February 15, 2024

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

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties (cost of $1,973,818 and $2,606,762)	5,11	$ 1,191,124	$ 2,107,521
Properties in development (cost of $106,018 and $8,876)	5,11	23,379	8,876
Investments in associates and joint ventures	6	435,546	671,714
Goodwill	8	9,326	9,326
Derivative assets, net of current	12	18,045	36,524
Straight line rent receivable		100,608	112,003
Deferred leasing costs and other, net		34,555	37,003
		1,812,583	2,982,967
Current assets			
Trade receivables, net		9,185	4,594
Prepaid expense and other assets		16,572	11,314
Restricted cash	10	1,705	6,364
Cash and cash equivalents		31,050	36,629
Derivative assets	12	2,266	—
		60,778	58,901
Total assets		$ 1,873,361	$ 3,041,868
EQUITY			
Equity attributable to common shareholders	18	$ 1,666,082	$ 1,666,533
Equity reserve from increase in CPP		9,725	9,488
Equity reserve for cash flow hedges		(4,298)	6,400
Retained earnings (accumulated deficit)		(845,337)	(137,667)
Equity attributable to non-redeemable non-controlling interests	18	59,698	114,400
Total equity		885,870	1,659,154
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	9,10	$ 396,620	$ 604,289
Notes payable, net of current portion and deferred financing fees	9,10	244,818	372,641
Lease liabilities, net of current portion	7	150,617	145,908
Redeemable non-controlling interests, net of current portion	18	24,194	—
Security deposits		3,388	4,427
Other liabilities		7,278	10,720
		826,915	1,137,985
Current liabilities			
Current portion of notes payable, net of deferred financing fees	9,10	127,854	136,902
Current portion of lease liabilities	7	360	614
Redeemable non-controlling interests, current	18	2,251	70,987
Rent received in advance		6,335	7,967
Trade and other payables		23,776	28,259
		160,576	244,729
Total liabilities		987,491	1,382,714
Total equity and liabilities		$ 1,873,361	$ 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	February 15, 2024	

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

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

	Notes	For The Years Ended December 31, 2023	2022
Revenues			
Rental revenue		$ 175,780	$ 170,239
Recoveries from tenants		21,915	18,598
Parking income		10,687	9,637
Property management fees and other	15	7,834	4,974
Total revenues		216,216	203,448
Operating expenses			
Property operating expenses			
Direct payroll and benefits		8,311	9,289
Repairs and maintenance		10,475	10,335
Cleaning		5,656	5,523
Utilities		8,623	8,584
Real estate and other taxes		35,102	35,487
Other expenses	14	31,818	22,008
Property operating expenses		99,985	91,226
Non-property general and administrative expenses	13	18,496	19,838
Total operating expenses		118,481	111,064
Other operating loss			
Net loss from fair value adjustment of investment properties	5	(564,959)	(496,719)
Net realized loss on investment properties	5	(8,711)	(3,166)
Loss from investments in associates and joint ventures	6	(249,504)	(28,882)
Total other operating loss		(823,174)	(528,767)
Operating (loss)		(725,439)	(436,383)
Other (expense) income			
Other income		788	365
Revaluation of redeemable non-controlling interests		26,660	23,501
Interest expense	9	(59,762)	(49,746)
Pre-tax (loss)		(757,753)	(462,263)
Income and franchise tax expense (benefit)		(35)	1,154
Net (loss)		$ (757,718)	$ (463,417)
Attribution of net (loss) income			
Common shareholders		$ (707,670)	$ (430,521)
Non-redeemable non-controlling interests		(50,048)	(32,896)
		$ (757,718)	$ (463,417)
Other comprehensive income			
Items that may be subsequently reclassified to income or loss:			
Unrealized (loss) gain on cash flow hedges	12	$ 5,186	$ 27,067
Hedging (gains) losses reclassified to net income	12	(17,556)	(1,202)
Other comprehensive (loss) income		(12,370)	25,865
Total comprehensive loss		$ (770,088)	$ (437,552)
Attribution of comprehensive (loss) income			
Common shareholders		$ (718,368)	$ (408,948)
Non-redeemable non-controlling interests		(51,720)	(28,604)
		$ (770,088)	$ (437,552)

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

CARR PROPERTIES HOLDINGS L.P.
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/ (Accumulated Deficit)	Total Shareholders' Equity	Non-Redeemable Non-Controlling Interests	Total Equity
		Units	Amount						
Balance as of December 31, 2021		1,393,348	$ 1,606,196	$ 9,829	$ (15,173)	$ 292,854	$ 1,893,706	$ 144,161	$ 2,037,867
Issuance of preferred shares by a subsidiary, net of offering costs		—	—	—	—	—	—	(72)	(72)
Non-controlling interest partner distribution	5	—	—	—	—	—	—	(1,795)	(1,795)
Issuance of common shares, net of offering costs	19	45,755	60,337				60,337	—	60,337
Issuance of common shares, non-cash		41,391	—	—	—	—	—	—	—
Change in equity reserve from increase in CPP		—	—	(341)	—	—	(341)	4,116	3,775
Net loss		—	—	—	—	(430,521)	(430,521)	(32,896)	(463,417)
Other comprehensive income	12	—	—	—	21,573	—	21,573	4,292	25,865
Non-controlling interest partner contribution								500	500
Dividends	19	—	—	—	—	—	—	(3,906)	(3,906)
Balance as of December 31, 2022		1,480,494	1,666,533	9,488	6,400	(137,667)	1,544,754	114,400	1,659,154

	Notes	Equity Attributable to Common Shareholders		Equity Reserve From Increase in CPP	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (Accumulated Deficit)	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	—	—	—	—	—	—	(2,722)	(2,722)
Issuance of common shares from stock split	19	672	—	—	—	—	—	—	—
Redeemable Non-Controlling Interests		(432)	(451)	—	—	—	(451)	—	(451)
Change in equity reserve from increase in CPP		—	—	237	—	—	237	3,668	3,905
Net loss		—	—	—	—	(707,670)	(707,670)	(50,048)	(757,718)
Other comprehensive loss	12	—	—	—	(10,698)	—	(10,698)	(1,672)	(12,370)
Dividends	19	—	—	—	—	—	—	(4,034)	(4,034)
Reverse stock split		(1,465,262)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Balance as of December 31, 2023		15,472	$ 1,666,082	$ 9,725	$ (4,298)	$ (845,337)	$ 826,172	$ 59,698	$ 885,870

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

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

	Notes	For The Years Ended December 31, 2023	2022
Cash flows from operating activities			
Net (loss) income		$ (757,718)	$ (463,417)
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	5	564,959	496,719
Loss from investments in associates and joint ventures	6	249,504	28,882
Net realized loss on investment properties	5	8,711	3,166
Return on investments in associates and joint ventures	5	—	180
Income and franchise tax expense (benefit)		(35)	1,154
Interest expense, net excluding amortization of deferred financing fees	9	57,907	48,153
Amortization of deferred financing fees		1,989	1,728
Amortization of equipment leases		421	404
Amortization of Equipment & Software		210	248
Amortization of deferred leasing costs and lease incentives		6,205	5,426
Amortization of note payable premium		(134)	(135)
Provision for bad debt expense		454	859
Impairment of Straight-Line Rent Receivables		7,689	2,384
LTIP Compensation/(Revaluation)		(1,188)	816
Revaluation of redeemable non-controlling interests		(26,660)	(23,501)
Changes in assets and liabilities			
Trade receivables		(5,125)	680
Straight line rent receivable		(6,498)	(18,686)
Purchase of interest rate cap		—	(11,530)
Prepaid expense and other assets		(2,670)	(356)
Trade and other payables		3,964	(4,655)
Rent received in advance		(563)	(1,329)
Cash generated by operations		**101,422**	**67,190**
Cash paid for interest		(52,291)	(42,240)
Net cash provided by operating activities		**49,131**	**24,950**
Cash flows from investing activities			
Proceeds from sale of income generating property	5	246,524	—
Deconsolidation of cash and cash equivalents associated with 1615 L Street	5	(8,255)	—
Contributions to investment in associates and joint ventures	6	(33,285)	(9,879)
Return of capital from investments in associates	6	19,949	14,735
Acquisition of development property land		—	(2,708)
Additions to deferred leasing costs		(4,238)	(9,362)
Additions to tenant improvements		(21,866)	(11,456)
Additions to construction in progress, including capitalized interest		(2,941)	(5,453)
Other capital improvements on income generating properties		(14,949)	(20,419)
Decrease (increase) in restricted cash		277	(567)
Net cash (used in) investing activities		**181,216**	**(45,109)**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	18	(20,734)	(61,978)
Distribution to non-controlling interest partner	5	(2,722)	(1,795)
Contribution from non-controlling interest partner		—	500
Principal portion of lease payments		(291)	(1,185)
Issuance of common shares, net of offering costs	18	—	60,337
Borrowings under credit facility	9	132,000	95,000

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

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

	Notes	For The Years Ended December 31, 2023	2022
Repayments under credit facility	9	(340,500)	(60,000)
Borrowings on notes payable	9	—	546
Repayments of notes payable	9	(2,758)	(2,684)
Payment of deferred financing fees		(899)	(139)
Distributions to shareholders and non-redeemable non-controlling interests		(128)	(115)
Issuance of preferred shares of consolidated subsidiary, net of offering costs		106	(72)
Net cash (used in) provided by financing activities		**(235,926)**	**28,415**
Net (decrease) increase in cash and cash equivalents		**(5,579)**	**8,256**
Cash and cash equivalents, beginning of the period		**36,629**	**28,373**
Cash and cash equivalents, end of the period		**$ 31,050**	**$ 36,629**
Supplemental disclosures of non-cash information:			
Capitalized interest		$ 312	$ 774
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		202	175
Lease liabilities arising from obtaining/revaluing right-of-use assets	7	2,184	1,275
Non-cash interest expense	9	2,563	2,737
Disposition of 300 E Second	5	(11,218)	—
Deconsolidation of property and other assets associated with 1615 L Street	5	(124,602)	—
Deconsolidation of debt and other liabilities associated with 1615 L Street	5	138,935	—
Issuance of redeemable non-controlling interests	18	2,401	1,775
DRIP reinvestment of non-controlling interests at CPP	18	3,906	—

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 91.18% 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. The Partnership has 13 consolidated properties, including 1 joint operation, and 3 non-consolidated properties owned through joint ventures.

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

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

The ownership interests of Alony-Hetz, CET, and Clal Insurance Enterprise Holdings Ltd. ("Clal") in Holdings as of December 31, 2023, were 52.33%, 38.89%, and 8.76%, respectively. The remaining interests in Holdings are held by five additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Presentation

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

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

(c) Principles of Consolidation

General

The consolidated financial statements include financial statements of the Partnership and its subsidiaries. Subsidiaries are all entities which the Partnership has control over, 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. Barriers that would deter the Partnership from exercising its power over the entity may indicate control does not exist. 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. Significant influence is derived when the Partnership is the general partner or managing member, participates in the policy making processes, including preparation of the budgets and initiation of contracts, or is involved in certain decisions in the investee.

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

With regard to distributions from associates and joint ventures, the Partnership uses the information that is available to it to determine the nature of the underlying activity that generated the distributions. Using the nature of distribution approach, cash flows generated from the operations of an associate or joint venture are classified as a return on investment (cash inflow from operating activities) and cash flows from property sales, debt refinancing or sales of our investments are classified as a return of investment (cash inflow from investing activities).

Joint Arrangements

The Partnership may enter into contractual arrangements related to the ownership of investment or development properties. The Partnership evaluates such 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.

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 CPP and its subsidiaries are reflected as "Equity attributable to non-redeemable non-controlling interests" on the Consolidated Balance Sheets. Certain redeemable non-controlling interests retain redemption rights and are classified within current and non-current liabilities as "Redeemable non-controlling interests" on the Consolidated Balance Sheets depending on contractual provisions of the redemption features. Redeemable non-controlling interests are recorded at contractual redemption amounts based on the Net Asset Value of CPP at each respective period end. The associated gains and losses are recorded within "Revaluation of redeemable non-controlling interests" on the Consolidated Statement of Operations and Comprehensive Income (Loss).

(d) Leases

The Partnership is the lessee to 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 or upon reassessment of a contract that contains multiple lease components or both lease and non-lease components, the Partnership allocates the consideration in the contract to each component on the basis of their relative stand-alone prices. However, for the leases of land and air rights, 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 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. The ROUA for ground and air rights leases qualify as investment property and as such are measured at fair value. 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, 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 subsequently measured at amortized cost using the effective interest method. The associated interest expense 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 or the acquisition of a business.

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.

(f) Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both 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 "Net realized loss on 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 based on 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, projected 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 associated with ground leases or air rights, while others are expensed as incurred.Those cash outflows recognized as a liability are excluded from the determination of fair value.

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, including tenant improvements, that are placed into service from “Properties in development” to “Income generating properties” when those portions are deemed to be substantially complete 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.

Total properties in development measured at cost at December 31, 2023 and 2022 totaled $23.4 million and $8.9 million, respectively. Real estate taxes, insurance, and any directly attributable costs are capitalized onto the cost basis of properties in development. Borrowing costs incurred for the construction of assets are also capitalized during the period of time that is required to complete and prepare the asset for its intended use. Thereafter, borrowing costs are charged to earnings. Interest capitalized, including debt financing costs, on investment property that is being constructed, developed, or redeveloped totaled $0.3 million at a weighted average rate of 6.08% for the year ended December 31, 2023, and $0.9 million at a weighted average rate of 3.76% for the year ended December 31, 2022.

Development rights are 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 impairment test at least annually 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, repairs and maintenance, 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. The Partnership categorizes assets and liabilities 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).

There were no transfers in and out of level 1, 2, or 3 for the years ended December 31, 2023 and 2022.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement requires the use of unobservable inputs and is not based on observable market information, that measurement falls under Level 3 of the fair value hierarchy.

Investment Properties

The Partnership records investment properties at fair value. The fair value of investment properties is estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investment properties without a public market are valued based upon fair value assumptions and valuation techniques utilized by the Partnership. Such valuation techniques include income capitalization and sales comparison approaches. The Partnership also considers actual sale negotiations and bona fide purchase offers received from third parties, as well as independent external appraisals. In general, the Partnership considers multiple valuation techniques when measuring the fair value of an investment property. However, in certain circumstances, a single valuation technique may be appropriate. Independent third-party appraisal reports are prepared annually and updated quarterly for all properties subject to fair value measurement.

> *Income Capitalization Approach:* This approach is based on the principle that value is created by the expectation of future income. This approach is particularly applicable in the case of income producing properties. One technique to convert income to value is direct capitalization, which involves dividing the net operating income by a market capitalization rate. A second technique is the discounted cash flow analysis, in which projected cash flows (net operating income less periodic capital expenditures and reversion value at the conclusion of the holding period) are converted to present value by applying an annual discount rate. In both techniques, net operating income and cash flow are estimated based on an analysis of market rent and occupancy levels and projected property expenses. Key inputs and assumptions include rental income and expense amounts and related growth rates, as well as discount and income capitalization rates. Significant increases (decreases) in any of these inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumptions used for the discount and the capitalization rate is accompanied by a directionally opposite change in the fair value measurement and a change in the

assumptions used for the future cash flows is accompanied by a directionally similar change in the fair value measurement.

Sales Comparison Approach: This approach is a method of estimating fair value based on analyzing transactions of similar properties in the market area. A major premise of this approach is that the fair value of the property is directly related to the prices of comparable, competitive properties. The reliability of this approach is dependent upon the availability of comparable data, the verification of sales data, the degree of comparability and the absence of atypical conditions affecting the sales price. Once sales data is gathered, adjustments involving the judgment of management are made to the comparable properties to determine a value range for the property being valued. Generally, a point of value within the adjusted range is selected.

Cost Approach: The application of the cost approach is based on the principle of substitution and the concept that a market participant would not pay more for a property than the cost to develop a substitute property of equivalent desirability and utility. This approach involves the valuation of the land as if vacant, estimation of the replacement cost of the existing or proposed structure and site improvements, estimation of accrued depreciation found in the improvements and estimation of an appropriate entrepreneurial profit as applicable. The cost approach is typically utilized to determine value for new or proposed properties, special use properties or where the cost of reproducing the improvements is easily and accurately quantified and there is no economic obsolescence.

Derivative Instruments

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 in "Derivative Assets" 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)" on the Consolidated Statements of Operations and Comprehensive Income (Loss) and is subsequently reclassified into "Interest Expense" in the period the hedged forecasted transactions affect earnings. 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.

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

(j) Revenue Recognition and Straight-Line Rent

Rental Revenue

The Partnership leases office space to tenants under various non-cancelable operating leases with remaining lease terms expiring through February 29, 2040. 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.

The Partnership assesses its straight-line rent receivable balances for impairment when lease payments are in doubt. To the extent the Partnership expects future credit losses on straight line-rent receivable balances, impairment losses are recognized for the total expected credit losses over the term of the lease within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Impairment losses on our straight-line rent receivable balances totaled $10.2 million and $2.4 million for the years ended December 31, 2023 and 2022, respectively. See note 14 - "Other Property Operating Expenses" for further disclosure.

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

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

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

Years Ending December 31,	Amount
2024	140,616
2025	124,320
2026	119,194
2027	112,324
2028	91,409
Thereafter	425,138
	$ 1,013,001

Recoveries from Tenants

The Partnership incurs certain property operating expenses that are subject to reimbursement by the tenant. For all investment properties, the Partnership reports these operating expenses, subject to tenant recovery, 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 over the estimated term of the project. 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 third-party management agreements. The Partnership operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(k) Deferred Financing Fees and Notes Payable

The Partnership defers the costs incurred to obtain debt financing. These costs are amortized over the terms of the underlying obligation using the straight-line method, which approximates the effective interest method, to "Interest expense" on the Consolidated Statements of Operations and Comprehensive Income (Loss). Deferred financing costs are netted against the related loan balance on the Consolidated Balance Sheets. Deferred financing fees, net of accumulated amortization, were $3.8 million and $4.9 million at December 31, 2023 and 2022, respectively. Amortization expense totaled $2.0 million and $1.7 million for the years ended December 31, 2023 and 2022, respectively.

The Partnership initially recognizes notes payable at fair value, net of transaction costs incurred within "Notes payable, net of deferred financing fees" on the Consolidated Balance Sheets. Notes payable are subsequently measured at amortized cost. Amounts payable within one year of the balance sheet date are classified as current.

The Partnership initially recognizes draws on the credit facility at fair value, net of transaction costs incurred within "Credit facility, net of deferred financing fees" on the Consolidated Balance Sheets. Amounts outstanding are subsequently measured at amortized cost.

(l) Deferred Leasing Costs

The Partnership defers costs incurred to obtain new tenant leases or to extend existing tenant leases. Deferred leasing costs are direct costs that are essential in originating a lease and include third-party commissions and legal leasing costs. These costs are amortized over the life of the related lease. If a tenant terminates its lease prior to the contractual termination, the unamortized balance of any previously deferred leasing costs are expensed in the period the lease is terminated. Amortization expense on deferred leasing costs is recorded within "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income. Deferred leasing costs, net of accumulated amortization, are included within "Deferred leasing costs and other, net" on the Consolidated Balance Sheets.

(m) Trade Receivables

Trade receivables are recorded initially at cost and are carried net of a provision for bad debt expense. The Partnership applies the simplified approach to measuring expected credit losses. The determination as to the collectability of trade receivables and, correspondingly, the adequacy of this allowance is based primarily upon evaluations of individual receivables, current economic conditions, historical experience, days past due, and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense, reported in "Other expenses" on the Consolidated Statements of Operations and Comprehensive Income (Loss). Accounts receivable are written-off when they are deemed to be uncollectible and the Partnership is no longer actively pursuing collection.

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

Bad debt expense, net of recoveries, totaled $0.5 million and $0.9 million for the years ended December 31, 2023 and 2022, respectively. See note 14 - "Other Property Operating Expenses" for further disclosure.

The aging analysis of trade receivables, net of the provision for bad debts of $5.0 million and $0.6 million as of December 31, 2023 and 2022, respectively, is as follows:

	December 31,	
Trade receivables	2023	2022
Current	$ 7,881	$ 4,159
30 - 90 days	873	518
Over 90 days	5,418	482
AR allowance (1)	(4,987)	(565)
Trade receivable, net	$ 9,185	$ 4,594

(1) AR allowance is not inclusive of straight-line rent allowance and lease incentive allowance, which is reflected in "Straight line rent receivable" on the Consolidated Balance Sheets.

(n) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits, and short-term investments with original maturities of three months or less and are subject to an insignificant risk of changes in value. The majority of the Partnership's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit. The Partnership has not experienced any losses to date on its invested cash. For the purpose of the Consolidated Statements of Cash Flows, cash and cash equivalents are comprised of the following:

	December 31,	
	2023	2022
Cash on hand and demand deposits	$ 30,813	$ 36,412
Short-term investments	237	217
Cash and cash equivalents	$ 31,050	$ 36,629

(o) Prepaid Expenses and Other Assets

Prepaid expenses and other assets include deposits, prepaid insurance and other prepaid operating expenses.

(p) Trade and Other Payables

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

(q) Security Deposits

Certain leases require tenants pay a deposit as a guarantee to return the property at the end of the lease term in a good condition or to cover a portion of future lease payments for leases with terms ranging from 12 to 199 months. Such deposits are treated as financial liabilities and are initially recorded at face value as defined in the terms of the lease agreements, which approximates fair value. Security deposits are maintained as a non-current liability until refunded to the tenant. Amounts expected to be refunded within the next 12 months are recorded in "Trade and other payables" on the Consolidated Balance Sheets.

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

(r) Income Taxes

The Partnership owns 100% interest in CPC, which has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Partnership is a flow-through entity for income tax purposes and generally will not be subject to federal income tax on its taxable income. The only provision for federal income taxes in the accompanying consolidated financial statements relates to the Partnership's indirect ownership in the taxable REIT subsidiaries ("TRSs") of CPC.

No provision has been made in the consolidated financial statements for federal, state, or local income taxes, for which the partners of CPH are individually responsible for reporting and paying directly, nor for non-income measure taxes (which include the net worth tax in Massachusetts and the gross margin tax in Texas). The Partnership is directly liable for certain taxes, primarily District of Columbia, Texas, and Massachusetts taxes and federal and state taxes of its TRS. The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, and local jurisdictions, where applicable. The tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2020 forward (with limited exceptions). If such examinations result in changes to the Partnership's profits and losses, the tax liability of the partners could be changed accordingly. Deferred income tax assets and liabilities are provided for using the liability method on temporary differences between the tax basis and carrying amounts of assets and liabilities. Deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the liability is settled, based on the tax rates and laws that have been enacted at the balance sheet date.

The Partnership's primary investment is the units it owns in CPC, whose primary investment is the units it owns in CPP, a limited partnership that is taxed as a partnership for federal and state income tax purposes. While the majority of CPP's net income is not taxed at the entity level and is passed through to the partners, CPP is liable for its share of federal income taxes on the taxable income of the TRSs it owns, which are taxed as a corporation for federal and state income tax purposes.

The significant components of the Partnership's deferred tax assets and liabilities, which are included within "Deferred leasing costs and other, net" and "Other liabilities", respectively, on the Consolidated Balance Sheets are as follows:

	Year Ended December 31,	
Deferred tax assets:	**2023**	**2022**
Deferred tax assets	$ 2,248	$ 2,348
Deferred tax liabilities:		
Deferred tax liabilities	$ (2)	$ —

The Deferred tax assets relate primarily to the net operating losses reflected on the District of Columbia tax return filed by the Partnership (approx. $2.0 million), with the remainder originating from activity at the TRSs, including net operating losses, general business credits, and depreciation timing differences.

The tax provision for the year ended December 31, 2023 is as follows:

Provision	Federal	State	Total
Current(1)	$ —	$ —	$ —
Deferred(1)	94	8	102
	$ 94	$ 8	$ 102

(1) This tax provision excludes net worth and gross margin tax expense of $0.1 million that is included within "Income and franchise tax expense (benefit)" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

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

The tax provision for the year ended December 31, 2022 is as follows:

Provision	Federal	State	Total
Current(1)	$ 251	$ —	$ 251
Deferred(1)	(28)	373	345
	$ 223	$ 373	$ 596

(1) This tax provision excludes franchise tax expense of $0.4 million that is included within "Income and franchise tax expense (benefit)" on the Consolidated Statements of Operations and Other Comprehensive Income (Loss).

The tax loss carryforward of $24.0 million and $25.0 million ($2.0 million and $2.1 million deferred tax asset) as of December 31, 2023 and 2022, respectively, primarily relates to tax losses incurred in the District of Columbia prior to August 19, 2013 which was initially accounted for as a purchase price adjustment as of Inception, and for losses incurred in 2014 and 2019. The DC tax loss carryforward generated during tax years before 2018 begins to expire in 2028 whereas the tax loss carryforward generated in subsequent years do not expire.

(s) Commitments and Contingencies

For properties in development, the Partnership or its subsidiaries have made commitments as to the completion of construction of the development properties and repayment of any construction-related indebtedness. Commitments to repay investment-related debt and complete construction represent contingent funding commitments by the Partnership to invest additional amounts in its investment properties.

(t) Preferred Stock

Various consolidated entities of the Partnership issue preferred stock for tax planning purposes. These entities have authorized and issued 1,063 and 938 shares of 12.5% cumulative preferred stock as of December 31, 2023 and 2022, respectively. Total proceeds from the issuances were $0.1 million and $0.2 million for years ended December 31, 2023 and 2022, respectively. The net proceeds and related dividends were classified as non-controlling interests. Dividends are paid semi-annually at a rate of 12.0%-12.5% per year on all preferred stock.

(u) Performance Plan Accruals

All employees of the Partnership participated in an annual performance bonus plan (the "Bonus Plan") under which employees were awarded bonuses based on their performance against assigned goals and objectives. The estimated cost of the bonus is accrued ratably over the year, and the accrual is adjusted based upon actual performance at the end of the respective year. Bonus payments are made in the first quarter following the performance year. As of December 31, 2023 and 2022, the Partnership accrued $4.6 million for payments due under the Bonus Plan. The bonus is recorded within "Trade and other payables" on the Consolidated Balance Sheets, and within "Direct payroll and benefits" and "Non-property general and administrative expenses" on the Consolidated Statements of Operations and Comprehensive Income based upon the employee's job function. Amounts capitalized as part of development projects are classified as part of "Investment properties, at fair value."

Some of the Partnership's employees participate in the 2018 Equity Incentive Plan (the "Equity Incentive Plan"). The Equity Incentive Plan provides for the issuance of Long-Term Incentive Plan ("LTIP") Units which may be in the form of Service Units ("LTIP Service Units"), Performance Units ("LTIP Performance Units") or both. See note 16 - "Commitments and Contingencies" for further disclosure.

(v) Property Operating Expenses

Expenses classified as "Property operating expenses" on the Consolidated Statements of Operations and Comprehensive Income consists of expenses directly and indirectly associated with operating the properties, including payroll, repairs and maintenance, cleaning, utilities, real estate and other taxes, and other various expenses.

(w) Retirement Plans

The Partnership operates a defined contribution plan qualified under Section 401(k) of the US Internal Revenue Code. Participants may contribute a portion of their compensation each pay period not exceeding a limit set annually by the Internal Revenue Service. The Partnership matches 100% of the first 4% of contributions made by employees. The Partnership has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense each pay period, and are recorded within "Direct payroll and benefits" and "Non-property general and administrative expense" on the Consolidated Statements of Operations and Comprehensive Income based upon the classification of the employee.

(x) Interest Expense

Premium and issuance costs on the Partnership's notes payable or credit facility are recognized over their respective terms using the straight-line method which approximates the effective interest method, except for borrowing costs relating to properties in development, which are capitalized. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the discount rate at which the estimated future cash payments or receipts throughout the expected life of the financial instrument, or for a shorter period where appropriate, equals the net carrying amount of the financial asset or financial liability.

(y) Use of Estimates

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses for the reporting periods. Actual results could differ from those estimates. The material judgments, apart from those involving estimations, that management has made in the process of applying the Partnership’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements are set forth below:

- Investment properties and the real estate investments owned by associates are carried at fair value as determined by management, using independent third-party appraisals, and reflect the price that an underlying property would bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the prices are not affected by undue stimulus. Factors beyond the Partnership’s control may cause significant swings in assigned values, resulting in significant changes in reported earnings. Most of the Partnership’s properties are located in the Greater Washington, D.C. metropolitan area, making the Partnership vulnerable to changes in economic conditions in the region, including the adverse impact of decreased government spending. Any adverse change in the region’s economic conditions may reduce the ability of the Partnership to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, significantly decreasing cash flow.

- The Partnership determines whether joint arrangements should be accounted for as joint operations or joint ventures, associates, or consolidated non-wholly owned entities and determines which investments should be reported as assets held for sale.

3. Standards Issued

Disclosure of Material Accounting Policies - Amendments to IAS 1

In February 2021, the IASB issued amendments to IAS 1 to require reporting entities to disclose its material accounting policies instead of its significant accounting policies. The amendments are effective for reporting periods beginning on or after January 1, 2023.

The Partnership adopted the amendments as of January 1, 2023, and they did not have a material impact on the Partnership's financial position or results from operations.

Non-current Liabilities with Covenants - Amendments to IAS 1

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.

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

4. Operating Segments and Concentration

The Partnership presently operates under one operating segment, defined as the acquisition, development, ownership and management of commercial real estate investments, primarily in the office buildings sector in the Greater Washington, D.C. Metropolitan area as well as Boston and Austin.

5. Investment Properties

Income Generating Properties

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

Balance, December 31, 2021	**$**	**2,403,873**
Capital expenditures additions and other[1]		31,113
Net loss from fair value adjustment of income generating properties		(496,719)
Reclassification of The Elm from properties in development		91,376
Reclassification of Signal House from properties in development		77,878
Balance, December 31, 2022	**$**	**2,107,521**
Capital expenditures additions and other		36,636
Net loss from fair value adjustment of income generating properties		(564,959)
Sale of The Elm		(250,096)
Reclassification of redevelopment asset to properties in development[2]		(23,379)
Deconsolidation of 1615 L Street		(114,599)
Balance, December 31, 2023	**$**	**1,191,124**

(1) During June 2022, The Elm, and Signal house were fully placed in service. All 2022 capital expenditures are reflected above. Capital expenditures for the properties prior to being placed in service are in the Reclassification lines above.
(2) In December 2023, we reclassified an existing income generating property located in Arlington, Virginia to 'Properties in development' in conjunction with its planned re-development into a multifamily asset.

Acquisitions

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

On January 9, 2024, The Partnership entered into a purchase and sale agreement with 901 N. Pitt Street, LLC, for $15.4 million for the land and office building located at 901 N. Pitt Street in Alexandria, Virginia. The Partnership paid a $1.0 million deposit for the purchase of the property. On February 5, 2024, the Partnership completed the purchase of the land and building. The Partnership borrowed $10.0 million from the Revolver in order to pay the seller $4.0 million as a reimbursement of pre-development expenses.

Dispositions

There were no income generating dispositions completed for the year ended December 31, 2022.

On August 25, 2023, the Partnership completed the sale of The Elm and its accompanying assets and liabilities at a contractual price of $250.0 million. The Partnership used the proceeds to pay down $234.5 million of the credit facility. The Partnership incurred $3.6 million of transaction costs upon disposition.

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

On December 1, 2023, the Partnership deconsolidated the subsidiary that owns a commercial office building located at 1615 L Street ("1615 L Street"). The Partnership lost the power to affect the returns of 1615 L Street in conjunction with an event of default on the loan encumbering the asset, but retained significant influence over the subsidiary. See note 9 - "Debt" for additional detail regarding the default. A gain of $6.1 million was recorded upon deconsolidation within "Net realized loss on investment properties" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss). As of December 31, 2023, the Partnership's investment in the affiliate was zero, and the Partnership has discontinued recording losses as it has not guaranteed the entity's obligations or otherwise committed to providing financial support.

Joint Arrangements

The Partnership's evaluation of the 75-101 Federal Street joint venture agreement 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 through its 50% ownership interest. Accordingly, the Partnership recognizes its proportionate ownership of the assets, liabilities, revenue and expenses within its financial statements.

The fair value of the Partnership's proportionate interest in the investment property was $160.2 million as of December 31, 2023, and the carrying value of the associated debt, net of deferred financing costs, was $143.4 million.

Properties in Development

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

Balance, December 31, 2021	**$**	**169,254**
Capital expenditures additions and other		6,168
Acquisition of 300 E Second (land and building improvement)		2,708
Reclassification of The Elm to income generating properties		(91,376)
Reclassification of Signal House to income generating properties		(77,878)
Balance, December 31, 2022	**$**	**8,876**
Capital expenditures additions and other		2,342
Disposition of 300 E Second		(11,218)
Reclassification of redevelopment asset to properties in development[(1)]		23,379
Balance, December 31, 2023	**$**	**23,379**

(1) In December 2023, we reclassified an existing income generating property located in Arlington, Virginia to 'Properties in development' in conjunction with its planned re-development into a multifamily asset.

The Elm is a 441,000 square feet residential tower. Substantial completion was achieved on June 2, 2021. Revenue recognition on a portion of the residential space commenced in early 2021 as the Partnership began to complete build outs of residential units. The Elm was fully placed in service in June 2022 upon which capitalization of interest expense, real estate taxes and other operating expenses ceased. The Partnership incurred $2.6 million of capital expenditures for The Elm for the year ended December 31, 2022. On August 25, 2023, the Partnership completed the sale of The Elm at a contractual price of $250.0 million.

Signal House is a 225,000 square foot office building, which was substantially completed on June 30, 2021. The Partnership incurred $15.5 million and $3.4 million of capital expenditures for the years ended December 31, 2023 and December 31, 2022. Signal House was fully placed in service in June 2022 upon which capitalization of interest expense, real estate taxes and other operating expenses ceased. Revenue recognition commenced as of October 1, 2022. The building was 71% and 68% leased at December 31, 2023 and 2022, respectively.

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.

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

On February 15, 2022, the Partnership executed a ground lease for the land associated with 300 E Second, a 0.811 acre site of developable land in the Austin, Texas central business district. The 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. For the twelve months ended December 31, 2023, the Partnership recognized a loss of $11.8 million within "Net realized loss on investment properties" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

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. As of December 31, 2023, the building was 100% leased. During the years ended December 31, 2023 and 2022, the consolidated non-wholly owned operating property distributed a total of $5.5 million and $4.5 million, of which $2.2 million and $1.8 million were distributed to the non-controlling interests, and $3.3 million and $2.7 million to the Partnership, respectively.

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

		As of December 31, 2023					For the year ended December 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	2,644	94,156	1,053	80,690	15,057	9,448	(10,567)
		$ 2,644	$ 94,156	$ 1,053	$ 80,690	$ 15,057	$ 9,448	$ (10,567)
Less interest held by non-controlling interests						(6,022)		4,230
Equity attributable to Partnership						$ 9,035		$ (6,337)

		As of December 31, 2022					For the year ended December 31, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	3,787	112,070	1,571	80,667	33,619	9,458	(11,593)
		$ 3,787	$112,070	$ 1,571	$ 80,667	$ 33,619	$ 9,458	$ (11,593)
Less interest held by non-controlling interests						(13,448)		4,637
Equity attributable to Partnership						$ 20,171		$ (6,956)

6. 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, 2021	**$ 705,632**
Contributions	9,879
Distributions	(14,915)
Share of unrealized loss on valuation of underlying properties	(50,364)
Share of net income (excluding unrealized loss on valuation)	21,482
Balance, December 31, 2022	**$ 671,714**
Contributions	33,285
Distributions	(19,949)
Share of unrealized loss on valuation of underlying properties	(272,570)

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

Share of net income (excluding unrealized loss on valuation)	23,066
Balance, December 31 2023	**$ 435,546**

One Congress

On September 24, 2018, the Partnership entered into a 50-50 joint venture with National Real Estate Advisors, LLC to develop the One Congress office project in downtown Boston, Massachusetts ("One Congress"). One Congress was developed into a 43-story, 1,007,000 square foot office tower, whose base building was completed on April 18, 2023. The property was 99% leased and 72% occupied as of December 31, 2023.

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

The Partnership jointly shares in the rights to direct and control the activities that most significantly impact One Congress's returns and therefore does not maintain control over it. Accordingly, the Partnership accounts for its investment in One Congress using the equity method. For the years ended December 31, 2023 and 2022, the Partnership contributed $33.3 million and $9.8 million to the venture, respectively. The Partnership has contributed a total of $313.9 million to the venture as of December 31, 2023.

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

	As of December 31, 2023						For the year ended December 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center [1]	51.00 %	$ 6,602	$ 686,464	$ 9,497	$ 590,452	$ 93,117	$ 78,073	$ (236,039)
100 Congress	51.00 %	7,585	255,100	10,716	140,932	111,037	28,730	(60,618)
One Congress	75.00 %	6,154	1,031,609	512,800	80,948	444,015	22,460	(130,916)
		$ 20,341	$ 1,973,173	$ 533,013	$ 812,332	$ 648,169	$ 129,263	$ (427,573)
Less: interest held by third-parties						(212,623)		178,069
Amounts per financial statements						$ 435,546		$ (249,504)

(1) Fannie Mae leases 713,500 square feet of office space at Midtown Center. In the fourth quarter of 2023, Fannie Mae exercised multiple contraction options to give back 149,000 square feet on a staggered basis from May 2025 to May 2028. Fannie Mae also exercised its early termination option to shorten the lease term for the remainder of its space from May 2033 to May 2029. In conjunction with exercising these options, Fannie Mae paid $70.7 million of fees to the joint venture that own's Midtown Center, which will be amortized into income over the remaining term of the lease.

	As of December 31, 2022						For the year ended December 31, 2022	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 10,492	$ 894,694	$ 12,584	$ 532,654	$ 359,948	$ 75,831	$ (37,747)
100 Congress	51.00 %	15,449	315,716	11,260	139,904	180,000	28,904	(19,660)
One Congress	75.00 %	2,541	1,002,334	43,956	430,384	530,535	—	560
		$ 28,482	$2,212,744	$ 67,800	$ 1,102,942	$1,070,483	$ 104,735	$ (56,847)
Less: interest held by third-parties						(398,769)		27,965
Amounts per financial statements						$ 671,714		$ (28,882)

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

Debt

The Partnership's debt obligations related to the Partnership's investments in associates and joint ventures is as follows:

Property	Contractual Rate	Maturity	Principal Balance as of [2] December 31, 2023		Principal Balance as of [2] December 31, 2022	
Midtown Center	3.09%	10/11/2029	$	267,750	$	267,750
100 Congress	3.30%	11/1/2026		71,200		71,412
One Congress	SOFR + 1.75%	12/10/2024[1]		368,828		262,862
			$	**707,778**	**$**	**602,024**

(1) One Congress loan is eligible for a one-year loan extension option, subject to terms and conditions.
(2) Principal balances represent the Partnership's ownership share in the outstanding debt.

7. Leases

The Consolidated Balance Sheets reflect the following amounts relating to ROUA within "Investment properties, at fair value", primarily related to ground leases and air rights, and "Prepaid expense and other assets", primarily related to equipment and copier leases:

	December 31, 2023		December 31, 2022	
Non-current assets				
Income generating properties, net of ROUA	$	1,112,824	$	1,987,121
ROUA, at fair value		78,300		120,400
Income generating properties, at fair value		1,191,124		2,107,521
Properties in development, net of ROUA		23,379		8,647
ROUA, at fair value		—		229
Properties in development, at fair value		23,379		8,876
Total investment properties, at fair value		**1,214,503**		**2,116,397**
Current assets				
Prepaid expense and other assets, net of ROUA		13,526		10,406
ROUA, net of accumulated depreciation		3,046		908
Prepaid expense and other assets	**$**	**16,572**	**$**	**11,314**

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 at January 1, 2021	**$**	**146,100**	**$**	**1,102**	**$**	**147,202**
Fair value adjustment, valuation		(25,700)		—		(25,700)
ROUA Additions, net		1,063		210		1,273
Accumulated Depreciation		(834)		(404)		(1,238)
Balance as of December 31, 2022	**$**	**120,629**	**$**	**908**	**$**	**121,537**
Fair value adjustment, valuation[1]		(42,329)		—		(42,329)
ROUA Additions, net		—		2,559		2,559
Accumulated Depreciation		—		(421)		(421)
Balance as of December 31, 2023	**$**	**78,300**	**$**	**3,046**	**$**	**81,346**

(1) Fair Value adjustment, valuation of "Ground Lease and Air Rights, 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.

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

The air and ground leases have remaining terms ranging between 66-99 years. The equipment and copier leases have remaining terms ranging between one to five years.

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

Property	Discount Rate	Maturity	Carrying Value December 31, 2023	Carrying Value December 31, 2022
Columbia Center	4.93%	2120	$ 135,504	$ 133,105
1701 Duke Street	5.20%	2107	8,001	7,864
2001 Penn	4.94%	2087	4,427	4,400
300 E Second[(1)]	5.54%	2023	—	242
Other equipment leases	Various	Various	3,045	911
Total lease liabilities			150,977	146,522
Less current portion			360	614
Lease liabilities, net of current portion			**$ 150,617**	**$ 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, which included a right to terminate the lease through April 1, 2024. Upon execution, the Partnership prepaid the ground rent through March 31, 2023. As of June 30, 2023, the Partnership exercised its termination right and wrote-off the costs associated with this development project. See Note 5 - "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	**December 31, 2023**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 4,871
One to five years	19,541
More than five years	1,252,487
Total undiscounted lease liabilities as of December 31, 2023	$ 1,276,899

Lease liabilities	**December 31, 2023**
Current lease liabilities	$ 360
Non-current lease liabilities	150,617
Total lease liabilities	$ 150,977

Lease expense costs were as follows:

Lease Expense	**For The Years Ended December 31, 2023**	**For The Years Ended December 31, 2022**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 7,092	$ 4,238
Equipment lease depreciation	421	404
Total lease expense	$ 7,513	$ 4,642

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

Cash Flows	For The Years Ended December 31,	
	2023	**2022**
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 291	$ 1,185
Interest paid on lease liabilities	4,529	4,238
Total cash outflows related to leases	$ 4,820	$ 5,423

8. Goodwill

The Partnership maintains goodwill associated with the 2013 acquisition of the property management company, Carr Properties Services Subsidiary Corporation ("CPSSC"). The carrying value of goodwill was $9.3 million as of December 31, 2023 and December 31, 2022. No impairment losses were recognized in the year ended December 31, 2023 and 2022, respectively.

9. Debt

The Partnership's debt obligations consist of the following:

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of December 31, 2023		Principal Balance as of December 31, 2022	
Credit facility (1):						
Revolver	SOFR +1.36% to 2.11%	7/1/2025(12)	200,000	(2)	$ 308,500	
Term Loan	SOFR +1.31% to 2.01%	7/1/26	200,000	(2)	300,000	
75-101 Federal	SOFR +1.61%(3)	3/12/2025(11)	143,639	(4,5,6)	143,639	(4,5,6)
1700 New York Avenue	SOFR +1.61%(7)	4/25/24	61,260	(4,5)	62,400	(4,5)
2001 Pennsylvania	4.10%	8/1/24	65,000	(4)	65,000	(4)
Clarendon Square	4.66%	1/5/27	28,235	(4,8)	29,988	(4,8)
1615 L Street	8.61%(9)	9/1/23	—		134,250	(4)
2311 Wilson	SOFR +1.46%(3)	3/27/27	75,000	(4,5)	75,000	(4,5)
Total Debt			773,134		1,118,777	
Less unamortized deferred financing fees			3,842		4,946	
Total Debt, net of unamortized deferred financing fees			769,292		1,113,831	
Less current portion, net of unamortized deferred financing fees (10)			127,854		136,902	
Debt obligations, net of current portion			**$ 641,438**		**$ 976,929**	

(1) On April 13, 2023, the credit facility was amended to switch the reference rate from the London Interbank Offer Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR"). As part of the amendment, a credit spread adjustment of 0.1145% was added to the spread range. As of December 31, 2023, SOFR was 5.38%, and as of December 31, 2022, LIBOR was 4.39%. As of December 31, 2023, the premium was 1.45% for the Revolver and 1.40% for the Term loan, each inclusive of the additional credit spread. As of December 31, 2022, the premium was 1.60% for the Revolver and 1.50% for the Term loan.

(2) On May 3, 2022, the Partnership purchased a three-year 2.50% Term SOFR interest rate 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.

(3) On May 12, 2023 and June 1, 2023, the Partnership amended the loans and associated interest rate swap agreements encumbering 2311 Wilson and 75-101 Federal Street, respectively, to modify the reference rates from LIBOR to Term SOFR, effective in June 2023. The amendments also added a credit spread adjustment of 0.1145%.

(4) The fair value of the collateral pledged to these notes was $400.8 million and $697.2 million as of December 31, 2023, and December 31, 2022, respectively.

(5) The loans encumbering 1700 New York Avenue, 75-101 Federal, and 2311 Wilson are hedged against a 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 loan encumbering 75-101 Federal.

(7) On December 22, 2022, the Partnership amended the loan and associated interest rate swap agreement encumbering 1700 New York Avenue to modify the reference rate from LIBOR to daily weighted average SOFR, effective June 30, 2023. The amendment also added a credit spread adjustment of 0.1145%.

(8) The carrying value of the Clarendon Square note payable as of December 31, 2023, and December 31, 2022, included a premium of $0.4 million, and $0.5 million, respectively.

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

(9) On September 1, 2023, the Partnership entered into an event of default, resulting in an additional spread of 4.00% over the contractual 4.606% interest rate. On December 1, 2023, the Partnership deconsolidated 1615 L Street. See Note 5 - "Investment Properties" for additional information.
(10) The current portion of unamortized deferred financing fees was $0.1 million and $0.1 million, as of December 31, 2023, and December 31, 2022, respectively.
(11) The 75-101 Federal loan maturity date of March 12, 2025, does not include extension or rollover options included in the loan agreement.
(12) The Revolver portion of the credit facility includes a one-year extension through July 2026.

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

On March 5, 2021, the Financial Conduct Authority ("FCA") announced that USD LIBOR will no longer be published after June 30, 2023. This announcement had several implications, including setting the spread that may be used to automatically convert contracts from LIBOR to the Secured Overnight Financing Rate ("SOFR").

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

The Partnership was in compliance with all of its debt covenants as of December 31, 2023 and December 31, 2022, respectively.

1615 L Street Debt

On September 1, 2023, the Partnership entered into an event of default on the loan associated with 1615 L Street, as the debt matured and was not repaid. As a result of the default, the lender is sweeping all cash flows from the property and the Partnership is accruing a 4.00% default rate above the contractual 4.606% interest rate. On December 1, 2023, the Partnership deconsolidated 1615 L Street. See Note 5 - "Investment Properties" for additional information. The Partnership remained in default on the loan as of December 31, 2023.

Credit Facility

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

On September 6, 2023, the Partnership converted $100 million of Term Loans into Revolver Loans, thereby reducing the capacity of the Credit Facility from $800 million to $700 million.

As of December 31, 2023, the Partnership had capacity to borrow an additional $300 million under the Credit Facility. Subsequent to December 31, 2023, the Partnership borrowed $10.0 million from the Revolver through February 15, 2024. The proceeds from the borrowing were used to fund the purchase of the development parcel located at 901 N Pitt Street in Alexandria, Virginia. Refer to Note 15, "Related Party Transactions" for details.

Interest Expense

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

	For The Years Ended December 31,	
Description	**2023**	**2022**
Credit facility	$ 30,641	$ 21,219
Notes payable	18,067	17,284
Distributions to redeemable non-controlling interests	2,285	3,315
Lease liabilities	7,092	6,976
Amortization of deferred financing fees	2,002	1,814
Gross interest expense	$ 60,087	$ 50,608
Capitalized interest expense		
Capitalized deferred financing fees	(13)	(88)
Capitalized interest	(312)	(774)

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

Description	For The Years Ended December 31, 2023	2022
Total capitalized interest expense	(325)	(862)
Net interest expense	59,762	49,746

Future Maturities of Debt

For periods subsequent to December 31, 2023, scheduled annual maturities of debt outstanding, including principal and interest and excluding the effect of extension options, as of December 31, 2023 are as follows:

Years Ending December 31,	Amount [1]
2024	$ 182,746
2025	390,997
2026	222,105
2027	103,673
2028	—
Thereafter	—
	$ 899,521

(1) Principal amounts on debt outstanding exclude the premium on the Clarendon Square notes payable of $0.4 million, as well as lease liabilities.

Net Debt Reconciliation

This section shows the changes in net debt for the years ended December 31, 2023 and 2022:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2021	$ (1,079,429)	$ (143,694)	$ (1,223,123)	$ 28,373	$ (1,194,750)
Cash flows	(32,723)	1,186	(31,537)	8,256	(23,281)
New leases	—	(1,275)	(1,275)	—	(1,275)
Other changes	(1,680)	(2,739)	(4,419)	—	(4,419)
Net Debt, December 31 2022	$ (1,113,832)	$ (146,522)	$ (1,260,354)	$ 36,629	$ (1,223,725)
Cash flows	212,157	291	212,448	(13,834)	198,614
New leases	—	(2,184)	(2,184)	—	(2,184)
Deconsolidation of 1615 L Street	134,250	(72)	134,178	8,255	142,433
Other changes	(1,867)	(2,490)	(4,357)	—	(4,357)
Net Debt, December 31 2023	$ (769,292)	$ (150,977)	$ (920,269)	$ 31,050	$ (889,219)

10. Financial Instruments

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

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of December 31, 2023, in the accompanying consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Cash and cash equivalents	$ 31,050	$ 31,050	Level 1
Restricted cash [1]	1,705	1,705	Level 1

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

	Carrying Value	Fair Value	Fair Value Level
Trade receivables, net	9,185	9,185	Level 3
Liabilities, including current portion			
Credit facility(2,3)	$ 400,000	$ 400,000	Level 3
Notes payable(2,3)	372,725	348,517	Level 3
Redeemable non-controlling interests	26,445	26,445	Level 3

(1) Restricted cash is primarily comprised of mortgage escrows required by financial institutions for property taxes, insurance, repairs and maintenance, and future lease operations of $1.7 million, and $0.0 million of cash held in bank lockbox pending disbursement.
(2) Excludes deferred financing fees and debt premium.
(3) 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(2,3	$ 608,500	$ 608,500	Level 3
Notes payable(2,3)	509,733	467,930	Level 3
Redeemable non-controlling interests	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) 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, measured at fair value as of December 31, 2023, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 1,191,124
Investments in properties in development(2)	—	—	23,379
Derivative assets(1)	—	20,311	—
Total Assets	$ —	$ 20,311	$ 1,214,503

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

(1) See Note 12 - "Derivative Instruments" for additional information.

The following assets, 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 5 - "Investment Properties"

The Partnership engages a third-party appraiser each reporting period. As part of the valuation process, the Partnership evaluates factors that may adversely impact the fair value assessments. In consideration of curbed lending activity, rising interest rates and the sustained shift towards hybrid office and remote work arrangements (as further disclosed in Note 20 - "Credit and Other Risks") the Partnership considered the potentially broad effects on the fair value measurement of the properties at December 31, 2023. While there remains substantial uncertainty regarding the extent or duration of impacts on fair value, the Partnership's valuation determinations reflect changes in various underlying assumptions including increased lease-up timeframes, reductions in parking revenue, increased tenant concessions, increased credit loss assumptions, limited availability of capital, and higher cost of debt. 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 well as market leasing assumptions as of December 31, 2023.

The following table sets forth quantitative information about the Level 3 fair value measurements as of December 31, 2023:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 1,191,124	Discounted cash flow - Income capitalization	Discount Rate	7.00 - 12.5% (7.73%)
			Exit Capitalization Rate	6.25% - 7.25% (6.58%)
Investments in properties in development	23,379	Discounted cash flow - Income capitalization	Discount Rate	7.00%
Total	$ 1,214,503			

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	5.54%
Total	$ 2,116,397			

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

12. Derivative Instruments

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

	Cash Flow Hedges	
	Interest Rate Cap(2)	Interest Rate Swaps(3)
Notional balance	$ 400,000	$ 276,260
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 to hedge its exposure to increases in future interest rates on its credit facility. The interest rate cap is effective from July 1, 2022 through July 1, 2025. Refer to Note 9 - "Debt" for additional detail on our derivative arrangements.

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 and SOFR 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.

There was no material hedge ineffectiveness recognized during the years ended December 31, 2023 and 2022.

The following table summarizes changes in the Company's "Other Comprehensive Income (Loss)":

	For The Years Ended December 31,	
Description	**2023**	**2022**
Unrealized (loss) gain on cash flow hedges	$ 5,186	$ 27,067
Swap hedging (gains) losses reclassified to net income	(11,236)	(1,942)
Interest rate cap hedging (gains) losses reclassified to net income	(10,163)	(1,182)
Amortization of interest rate cap	3,843	1,922
Hedging (gains) losses reclassified to Net Income from Other Comprehensive Income (Loss)	**$ (12,370)**	**$ 25,865**

Included in the Partnership's "Other comprehensive income" of the Consolidated Statements of Changes in Equity was $(14.8) million and $(1.5) million of unrealized loss on cash flow hedges for intrinsic value and time value, respectively, and $3.8 million of interest rate cap amortization, net of hedging (gains) losses reclassified to net income for the year ended December 31, 2023, and $21.8 million and $2.1 million of unrealized gain (loss) on cash flow hedges for intrinsic value and time value, respectively, and $1.9 million of interest rate cap amortization, net of hedging (gains) losses reclassified to net income for the year ended December 31, 2022.

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

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:

	For The Years Ended December 31,	
Description	**2023**	**2022**
Personnel and compensation	$ 11,836	$ 12,224
Professional fees	3,085	3,054
Information technology	1,016	1,813
Other corporate	2,559	2,747
Total non-property general and administrative	$ 18,496	$ 19,838

14. Other Property Operating Expenses

The Partnership incurred other property operating expenses of $31.8 million and $22.0 million for the years ended December 31, 2023 and 2022, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which the Partnership is substantially reimbursed through recovery income, amortization of deferred leasing commissions, reserves for accounts receivable and straight-line rent receivable, 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 services. All fees charged to wholly owned properties are fully eliminated in consolidation. Development and construction management fees charged to joint ventures and joint operations are eliminated to the extent of the Partnership's ownership. Property management fees for the years ended December 31, 2023 and 2022 totaled $7.2 million and $4.5 million, respectively. Construction management fees for the years ended December 31, 2023 and 2022 totaled $0.4 million and $0.3 million, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $3.4 million and $1.3 million for December 31, 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 of the Partnership exercised its contractual redemption right of Redeemable Non-controlling Interests in CPP totaling $60.3 million. See Note 18 - "Redeemable Non-Controlling Interests" for additional information.

On April 21, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-Controlling Interests in CPP totaling $10.0 million. The partial redemption includes a 2 year lock out period for the remaining units. These units will have the right to be redeemed in April 2025. See Note 18 - "Redeemable Non-Controlling Interests" for additional information.

On April 28, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-controlling Interests in CPH totaling $0.1 million.

On September 1, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-Controlling Interests in CPP totaling $8.1 million. The partial redemption includes a 2 year lock out period for the remaining units. These units will have the right to be redeemed in August 2025.

On February 5, 2024, a consolidated subsidiary of CPP acquired a future development parcel located at 901 N Pitt Street in Alexandria, Virginia from a related party for $15.4 million. The Partnership manages property operations for several properties owned by the related party, and the Chief Executive Officer serves on the related party's Board of Directors.

16. Commitments and Contingencies

Performance Bonds

In the ordinary course of business, the Partnership is required to post performance bonds to secure performance under development projects. These bonds guarantee that the Partnership will perform under the terms of a contract. To date, the Partnership has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of December 31, 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, the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of December 31, 2023 and 2022, the Partnership was in compliance with all guarantees and guarantee covenants.

A consolidated subsidiary of the Partnership, Carr Properties OC LLC, has guaranteed portions of the One Congress borrowings whereas in an event of default, the respective lenders have recourse to the collateral pledged to secure the borrowings. This recourse is limited to the general credit of the guarantor entity to the extent of this guarantee of 11.25% of principal balance or $64.1 million.

Litigation

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

Employee Benefits

The Equity Incentive 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.

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		15.9

2021 performance units	38	Apr 2021	Mar 2024	31.9
2022 special service units	19	Mar 2022	Mar 2025	15.4
2022 service units	27	Mar 2022	Mar 2025	23.2
2022 performance units	27	Mar 2022	Mar 2025	23.2
2023 service units	71	Jun 2023	June 2026, June 2027, June 2028	69.8
Total outstanding units				**270.4**

(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 years ended December 31, 2023 and 2022 is presented below:

(in thousands)	**Total Units**
LTIP units outstanding, December 31, 2021	**25,237**
LTIP units granted during the period	7,259
LTIP units converted	(1,308)
LTIP units forfeited	(4,496)
LTIP units outstanding, December 31, 2022	**26,692**
LTIP unit reverse split[(1)]	(26,425)
LTIP units granted	73
LTIP units converted	(23)
LTIP units forfeited	(47)
LTIP units outstanding, December 31, 2023	**270**

(1) See Note 18 - "Redeemable Non-Controlling Interests" 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. LTIP liability is recorded in "Other liabilities" on the Consolidated Balance Sheets.

During the years ended December 31, 2023 and 2022, respectively, the Partnership recognized $(1.1) million and $1.0 million of LTIP-related expense, net of $0.1 million and $0.2 million was capitalized. During the years ended December 31, 2023 and 2022, respectively, the Partnership recognized $0.8 million and $0.7 million of LTIP dividend expense.

17. Corporate Officer's Compensation

Salary and bonus expense for the Partnership's corporate officers totaled $3.0 million for the years ended December 31, 2023 and 2022, respectively. Employee benefit expense for these officers was $0.2 million and $0.1 million for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, LTIP expense was $(0.7) million and $0.9 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

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

18. Redeemable Non-Controlling Interests

2023 Redemptions

On April 21, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-Controlling Interests in CPP totaling $10.0 million. The partial redemption includes a 2 year lock out period for the remaining units. These units will have the right to be redeemed in April 2025.

On April 28, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-controlling Interests in CPH totaling $0.1 million.

On September 1, 2023, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-Controlling Interests in CPP totaling $8.1 million. The partial redemption includes a 2 year lock out period for the remaining units. These units will have the right to be redeemed in August 2025.

2022 Redemption

On May 5, 2022, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-controlling Interests in CPP totaling $60.3 million. The Partnership redeemed the interest using cash from the Revolver. The Partnership subsequently raised additional capital through the sale of common units of CPH for $60.3 million to Alony-Hetz and other additional investors. See Note 19, "Equity" for details.

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 and CPH. These interests are recorded as "Redeemable non-controlling interests" within "Current liabilities" and "Redeemable non-controlling interests, net of current portion" within "Non-current liabilities." As of December 31, 2023, the value of current and non-current redeemable non-controlling interests were $2.3 million and $24.2 million, respectively. Included in non-current liabilities is CP OC/Columbia LP, which partially redeemed in April 2023, and CS Investment Group, which partially redeemed in August 2023. Both redemptions included a two year lock out period for the remaining units and will have the right to be redeemed in April 2025 and August 2025, 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.

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

	Shares	Value
Balance, December 31, 2021	**113,617**	**$ 154,681**
LTIP Vesting	1,308	1,775
DRIP Issuances	8	10
Redemptions	(46,972)	(61,978)
Revaluation/Other	—	(23,501)
Balance, December 31, 2022	**67,961**	**$ 70,987**
LTIP Vesting	23	2,401
Redemptions	(210)	(20,747)
Reverse Stock Split	(67,279)	—
Revaluation/Other	—	(26,196)
Balance, December 31, 2023	**495**	**$ 26,445**

As of December 31, 2023 and December 31, 2022, the total value of non-redeemable non-controlling interests was $59.7 million and $114.4 million, respectively.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. For the years ended December 31, 2023 and 2022, the Partnership paid $3.1 million and $4.0 million, respectively, of distributions from CPP attributable to redeemable non-controlling interests, of which $0.8 million and $0.7 million, respectively, was attributed to LTIP unit holders. As of December 31, 2023, the Partnership has not declared any unpaid distributions.

19. Equity

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.

Stock Split

A summary of the Partnership's executed common share stock splits during the years ended December 31, 2023 and 2022 ended is presented below:

Effective Date	Stock Split Ratio	Shares Issued ($000)
June 30, 2022	1.013 units	18.8
September 30, 2022	1.008 units	10.9
December 31, 2022	1.008 units	11.6
March 31, 2023	1.010 units	142.0
June 30, 2023	1.010 units	152.0
September 30, 2023	1.010 units	175.0
December 31, 2023	1.010 units	204.0

2022 Capital Raise

On May 5, 2022, a related party of the Partnership exercised its contractual redemption right of Redeemable Non-controlling Interests in CPP totaling $60.3 million. The Partnership redeemed the interest using cash from the Revolver. The Partnership subsequently raised additional capital through the sale of common units of CPH for $60.3 million to Alony-Hetz and other additional investors. The proceeds from the raise were used to repay outstanding borrowings on the revolver.

CPP Dividend Reinvestment Program ("DRIP")

As of December 31, 2023, certain investors of CPP elected to receive additional units of CPP in lieu of a cash distribution.

The ownership interests of CPP as of December 31, 2023, after share issuance are as follows:

Partner/Investor	2023 Units Issued	Ownership Percent
Carr Properties Corporation	672	91.18 %
Clal ENP REIT, LP	43	5.92 %
Other Investors	—	2.90 %
	715	100.00 %

REITs

The Partnership also maintained nine additional subsidiary REITs as of December 31, 2023 in which there are preferred shareholder interests.

Distributions

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. For the years ended December 31, 2023 and 2022, the Partnership paid $4.0 million and $3.9 million, respectively, of distributions from CPP attributable to non-controlling interest.

20. Credit and Other Risks

Curbed lending activity, higher interest rates and the sustained shift towards hybrid office and remote work arrangements have contributed to a decline in the fair value of our investments and reduced demand for commercial office space. The Partnership continues to monitor the affects of these trends on its business, including:

- 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 97% and 99% of contractual rent from its tenants during the years ended December 31, 2023 and 2022, respectively. The Partnership continues to closely monitor tenant credit risk and maintains close communication with certain tenants as it assesses the potential impacts that may arise if unable to make timely rental payments.

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 and hybrid work arrangements, 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.

21. Capital Management

The Partnership manages its capital, taking into account its long-term business objectives. The Partnership’s capital structure currently includes common shares, preferred shares, mortgage notes and its corporate credit facility, which together provide the Partnership with financing flexibility to meet its capital needs. Primary uses of capital include development activities, acquisitions of operating properties, capital improvements, leasing costs and principal repayments on the Partnership's mortgage notes and Credit Facility. The actual level and type of future financings to fund these capital requirements will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management’s general view of the optimal leverage in the business.

22. Subsequent Events

The Partnership evaluated subsequent events through February 15, 2024, 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

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. Report of Independent Auditors dated February 15, 2024 regarding the Consolidated Financial Statements of Carr Properties Holdings L.P. as of December 31, 2023 and 2022, and for the years then ended.

PricewaterhouseCoopers LLP

March 11, 2024

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

Date: March 12, 2024

To
The Board of Directors of **Alony Hetz Properties and Investments Ltd. ("the company")**
Zeep Jabotinsky 4
Ramat Gan

Re: Consent letter in term of Alony Hetz Properties and Investments Ltd. Shelf Offering from May 2021

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

(1) Auditors' Report dated March 12 2024 regarding the Consolidated Financial Statements of the Company as of December 31, 2023, and 2022 and for the three years periods ended December 31, 2023.

(2) Auditors' Report dated March 12, 2024, regarding the Components of Internal Controls over Financial Reporting of the Company as of December 31, 2023.

Respectfully,

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