QUARTERLY REPORT Q1 2024

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

AMOT TOHA1, TEL-AVIV

QUARTERLY REPORT Q1 2024

Description of the Corporation's Business

Consolidated Financial Statements

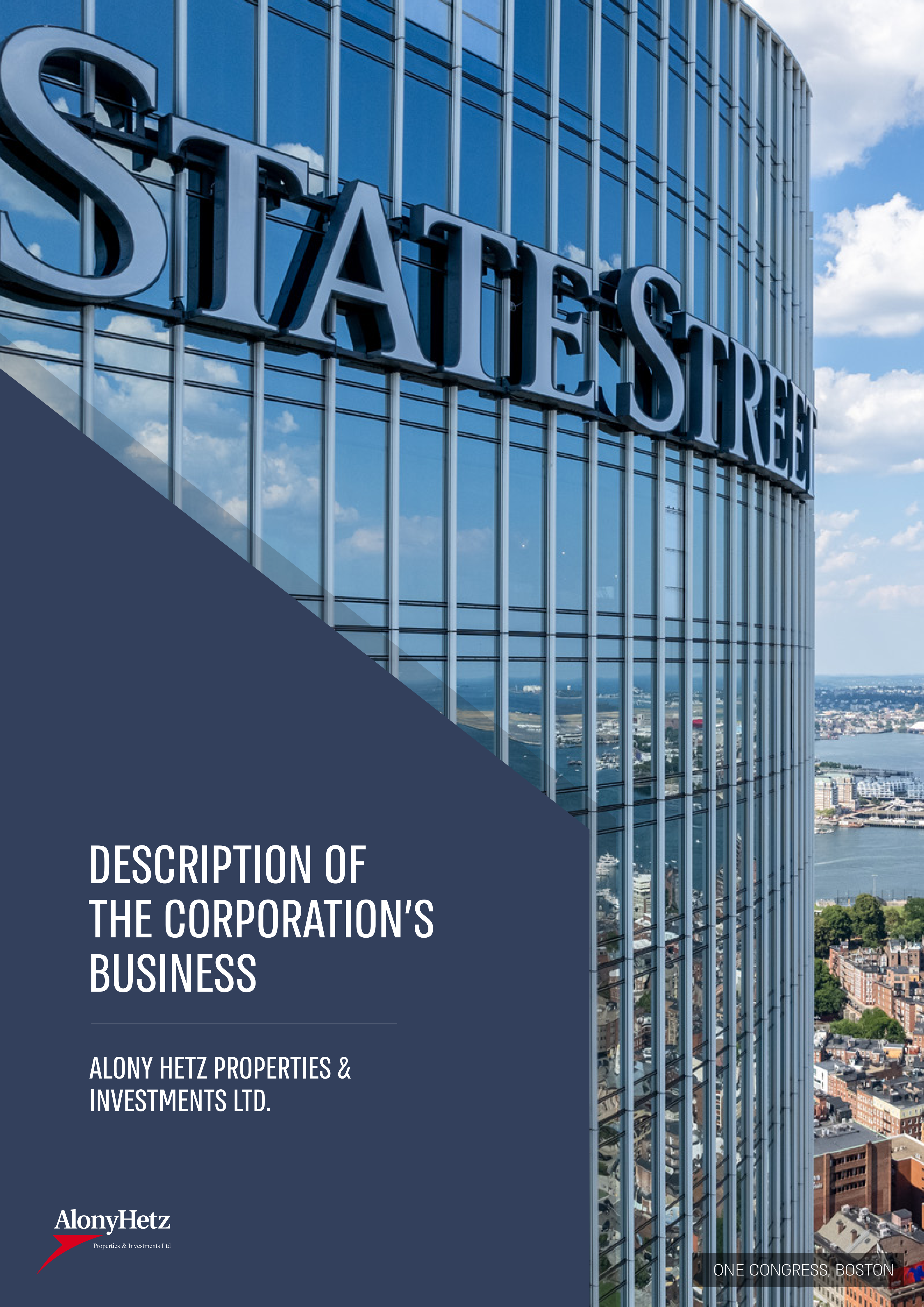
Report on the Effectiveness of Internal Control of Financial Reporting and Disclosure

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

Attachment of the Financial Statements of an Associate - Carr

Auditor's Consent Letters

AlonyHetz
Properties & Investments Ltd



ONE CONGRESS, BOSTON

DESCRIPTION OF THE CORPORATION'S BUSINESS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

Ramat Gan, May 20, 2024

Board of Directors' Report for the Three-Month Period ended March 31, 2024

The Board of Directors of Alony-Hetz Properties and Investments Ltd. (hereinafter - the "**Company**") is pleased to submit the Company's Board of Directors' Report for the three-month period ended March 31, 2024 (hereinafter - the "**Reporting Period**"). This Board of Directors' Report and the updates therein, were prepared on the assumption that the reader has the Company's Periodic Report for 2023, published by the Company on March 13, 2024 (Ref: 2024-01-025152), including the chapter "Description of the Corporation's Business", the "Board of Directors' Report on the State of the Corporation's Business" and the "Consolidated Financial Statements" (hereinafter, collectively - the "**Periodic Report for 2023**").

1. Concise description of the Group

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

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

1.1 The Group's main investments in income-generating property as of March 31, 2024:

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 of 47.7% of the equity rights and 50% of the control of Carr Properties (hereinafter - "**Carr**"), a private company that operates in the income-generating property field whose properties are located in the United States in the Washington D.C. area, in Boston and in Austin, Texas. 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 (hereinafter - "**AH Boston**"). Two of the properties are in the Boston CBD and one is in East Cambridge. For additional information, please see Section 2.3.6 below.

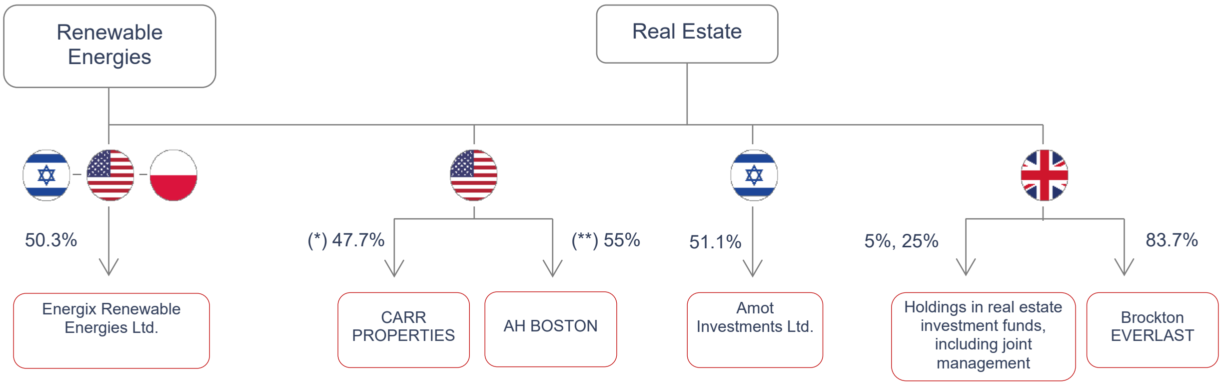
Activity in the UK

- Holdings at a rate of 83.7% in Brockton Everlast Inc. Limited (hereinafter - "**BE**"), a private company that operates in the income-generating property field in the UK, in the London metropolitan area, Cambridge and Oxford in the UK. For additional information, please see Section 2.3.7 below.
- Holdings in three UK real estate funds from the Brockton Group.

1.2 The Group's renewable energy investments as of March 31, 2024:

Holdings 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 initiation, development, financing, construction, management and operation of facilities for the generation of electricity from renewable energy sources, storage and 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 operations in Israel, Poland and the United States. For additional information, please see Section 2.3.8 below.

1.3 The following are the Group's main holdings as of March 31, 2024:



* 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 and a laboratory building 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 2024 to the date of publication of the report:

Alony-Hetz (the Company expanded solo)	▪ Investment in investee companies in the amount of approx. NIS 318 million from the beginning of 2024 until the date of publication of the report (of which NIS 316 million was in the reporting period) - For information, please see Section 2.3.2 below. ▪ During the reporting period, the Company's share in investment property revaluation losses of investees amounted to NIS 416 million. The negative revaluation in the reporting period is mainly due to the increase in the discount rate of investment property in the United States and in the UK - For information, please see Section 2.3.3 below.
Amot Investments	▪ Purchase of land on HaSolelim Street in Tel Aviv with an area of approx. 5.6 dunams from the Tel-Aviv Jaffa Municipality for the construction of an office tower, for a total of NIS 210 million. 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. 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. ▪ Debt raising in the total amount of approx. NIS 563 million through the issuance of bonds (Series H, I and J) for a total consideration (net) of NIS 555 million.
Brockton Everlast	▪ Engagement in refinancing agreements in the total amount of GBP 120 million, replacing loans in the amount of approx. GBP 180 million that were payable during 2024, while raising equity from the shareholders.
Carr Properties	▪ In the reporting period and subsequent to the date of the report, Carr transferred the control of two entities that hold assets (owned and leased), which have excess liabilities over the value of assets (which are on a non-recourse basis), to the lender and the lessor. As a result, Carr will record a profit in the amount of approx. USD 80 million (of which approx. USD 15 million was recorded in the first quarter of 2024 and the balance is expected to be recorded in the second quarter).
Energix Renewable Energies	▪ Engagement in a non-binding memorandum of understanding for the acquisition of a project backlog in the United States, with a capacity of over 1.2 GWp and a storage capacity of 1.2 GWh on the PJM electricity grid - For information, please see Section 2.3.8 below. ▪ Subsequent to the date of the report, the acquisition of 2 projects in Pennsylvania, USA was completed, with a total capacity of approx. 200 MWp - For information, please see Section 2.3.8 below. ▪ Subsequent to the date of the report, completion of a financing transaction and the investment of a tax partner in respect of a backlog of E3 projects (Virginia 3 and PA1 with a capacity of 412 MWp), for a total amount of USD 530 million - For information, please see Section 2.3.8 below.

1.6 Summary of the main data - the Group

Main financial results - consolidated statements	Unit	Q1/2024	Q1/2023	2023	% Change[1]
Revenues from rental fees and management of investment property	NIS thousands	331,478	322,271	1,324,063	2.9
Fair value adjustments of investment property	NIS thousands	(73,372)	(157,161)	(926,169)	
Group share in losses of associates, net	NIS thousands	(319,174)	(196,107)	(1,703,997)	
Revenues from sale of electricity and green certificates	NIS thousands	222,548	143,114	527,953	55.5%
Revenues from unwinding of electricity-hedging agreements	NIS thousands	-	152,760	152,760	
Loss for the period	NIS thousands	(238,853)	(108,485)	(2,151,838)	
Loss for the period attributed to Company shareholders	NIS thousands	(339,821)	(218,194)	(2,392,409)	
Comprehensive loss for the period, attributed to Company shareholders	NIS thousands	(313,205)	(161,657)	(2,425,233)	
FFO according to the management approach attributed to Company shareholders[2]	NIS thousands	147,917	168,208	600,053	(12.1)
Total balance sheet	NIS thousands	38,453,745	36,170,852	38,731,166	(0.7)
Equity (including non-controlling interests)	NIS thousands	10,698,776	13,318,126	11,064,123	(3.3)
Financial debt (bank credit and bonds)[3]	NIS thousands	22,862,704	19,181,432	22,793,284	0.3
Net financial debt[4]	NIS thousands	21,308,885	18,352,304	20,595,607	3.5
Ratio of net financial debt to total balance sheet[5]	%	57.7	51.8	56.4	
Main financial results - expanded solo[6]					
Total balance sheet	NIS thousands	10,655,325	12,972,280	11,647,376	(8.5)
Equity attributed to Company shareholders	NIS thousands	4,658,838	7,459,817	5,002,057	(6.9)
Financial debt (bank credit and bonds)[3]	NIS thousands	6,102,223	5,488,125	6,774,485	(9.9)
Net financial debt[4]	NIS thousands	5,962,761	5,168,008	5,749,598	3.7
Ratio of net financial debt to total balance sheet[5]	%	56.7	40.8	54.1	
Earnings (loss) per share data					
Earnings (loss) per share - basic	NIS	(1.89)	(1.21)	(13.31)	
Comprehensive income (loss) per share - basic	NIS	(1.74)	(0.90)	(13.49)	
FFO per share - according to the management approach[2]	NIS	0.82	0.94	3.34	(12.8)
Current dividend per share[7]	NIS	0.18	0.32	1.28	(43.8)
NAV per share	NIS	25.92	41.51	27.83	(6.9)
NNAV per share[8]	NIS	30.92	46.95	32.78	(5.7)
Price per share at end of period	NIS	26.53	28.05	30.24	(12.3)

1. Balance sheet data as of March 31, 2024 compared to December 31, 2023. Result data for 1-3/2024 compared to 1-3/2023
2. For the definition of **FFO according to the management approach** and for additional information regarding the **FFO according to the Securities Authority approach**, please see Section 2.5.1 below.
.3 Financial debt also includes assets/liabilities of derivative transactions carried out by the Group.
4. Financial debt presented net of cash balances. The Company's financial debt (expanded solo) as of March 31, 2023 is the financial debt, net of the cash balance and a loan balance to a consolidated company in the amount of NIS 81 million, respectively. For information regarding the adjusted leverage rate, please see Section 2.4.3 below.
5. Net financial debt as a percent of total balance sheet, net of cash balances. The Company's net financial debt (expanded solo) as of March 31, 2023 is the financial debt less the cash balance and less a loan balance to a consolidated company in the amount of NIS 81 million, respectively. For information regarding the adjusted leverage rate, please see Section 2.4.3 below.
6. 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).
7. The above dividend amount does not include an additional dividend for the year 2022 in the amount of NIS 0.18 per share, which was paid in March 2023.
8. In the NNAV per share calculation, the Company's tax reserves (expanded solo) were neutralized, as was the Company's share in the tax reserves of investees.

1.7 Summary of the main data - Investees

		Q1/2024	Q1/2023	2023	% Change[9]
Investment in Israel - Amot Investments Ltd. (rate of holdings 53.8%)[10]					
Number of income-generating properties	Unit	113	114	114	
Value of investment property (not including self-developed property)	NIS thousands	16,838,309	16,547,253	16,730,765	0.6
Weighted discount rate derived from investment property	%	6.35	6.23	6.30	
Occupancy rate at end of period	%	93.2	94.2	93.4	
Value of self-developed investment property	NIS thousands	2,839,107	2,454,903	2,757,003	3.0
Ratio of net financial debt to total balance sheet	%	45.0	43	44.0	
NOI[11]	NIS thousands	255,116	246,733	1,004,406	3.4
FFO[12] per share - according to the management approach	NIS	0.429	0.424	1.707	1.2
NAV per share	NIS	18.60	18.36	18.78	(1.0)
Price per share at end of period	NIS	17.49	18.23	20.0	(12.6)
Investment in the United States - Carr Properties Corporation (rate of holdings - 47.7%)[13]					
Number of income-generating properties	Unit	13	17	14	
Value of investment property (not including self-developed property)[14]	USD thousands	1,512,512	2,742,116	1,707,449	(11.4)
Occupancy rate at end of period[15]	%	89.90	89.20	88.90	
Number of properties in development	Unit	3	2	2	
Value of self-developed property	USD thousands	742,795	750,501	739,887	0.4
Ratio of net financial debt to total balance sheet[16]	%	59.4	53.1	57.7	
[17]NOI	USD thousands	41,108	44,625	163,785	(7.9)
FFO [12]	USD thousands	18,063	21,433	69,539	(15.7)

9. Balance sheet data as of March 31, 2024 compared to December 31, 2023. Result data for 1-3/2024 compared to 1-3/2023
10. The main figures for Amot are from the Amot's expanded consolidated financial statements published in Amot's Board of Directors' Report (hereinafter - "**Amot's Pro Forma Reports**"). Amot's Pro Forma Reports are Amot's reports presented according to IFRS principles, with the exception of the implementation of IFRS 11 "Joint Arrangements", which came into effect on January 1, 2013. In Amot's Pro Forma Reports, the investments in investees, presented based on the equity method in Amot's Financial Statements, are neutralized and presented according to the relative consolidation method, similar to their treatment prior to IFRS coming into effect.
11. Net Operating Income.
12. Funds from operations.

13. 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.

14. As of March 31, 2024, the amount includes a leased property valued at USD 70 million in which control was transferred to the lessor subsequent to the balance sheet date, as well as rights in the property valued at USD 139 million, which was sold subsequent to the balance sheet date. For additional information, please see Section 2.3.5 below.

15 The occupancy rate presented above includes One Congress, which is in advanced stages of occupancy and is presented in the table above as property in development.

16 Carr's financial debt rate as of March 31, 2024 and December 31, 2023 does not include excess liabilities over the asset value (which are on a non-recourse basis). In addition, the rate of Carr's financial debt as of March 31, 2024 doe not include balances in respect of a property that was sold subsequent to the balance sheet date.

17 Including NOI from property management.

1.8 Summary of the main data - Investees (continued)

		Q1/2024	Q1/2023	2023	% Change[18]
Investment in the UK - Brockton Everlast Inc. Limited (rate of holdings - 83.7%)					
Number of income-generating properties	Unit	10	13	10	
Value of investment property	GBP thousands	682,200	1,049,115	699,800	(2.5)
Occupancy rate at end of period	%	97.9	96.4	98.3%	
Value of land for initiation	GBP thousands	372,950	208,000	361,750	3.1
Ratio of financial debt to total balance sheet	%	31.8	33.1	36.4	
NOI	GBP thousands	10,433	10,140	41,315	2.9
FFO	GBP thousands	2,672	4,411	15,229	(39.4)
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	978	-
Installed capacity from connected wind systems (MW) - Energix's share	Unit	301.2	245.2	301.2	-
Balance of connected electricity-generating facilities - according to book value	NIS thousands	5,612,583	2,994,238	5,216,739	7.6
Price per share at end of period	NIS	13.52	10.06	13.36	1.2

18. Balance sheet data as of March 31, 2024 compared to December 31, 2023. Result data for 1-3/2024 compared to 1-3/2023

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

2.1 The business environment:

1. Income-generating property - The following is information regarding significant developments that occurred in the business environment of the Group companies in the income-generating property sector, from the beginning of 2024 until close to the date of publication of the report:

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

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

   For additional information regarding trends, some of which constitute a structural change in the office sector in the various territories where the Group operates - please see the chapter "Description of the Corporation's Business" in the periodic report for 2023.

   B. **Developments in Israel**
   According to the macroeconomic forecast published by the Bank of Israel's Research Division in April 2024 (the "**Bank of Israel Forecast**"), the economy is expected to grow by 2% this year and by 5% in 2025, assuming that the intensity of the War will decrease over the course of the year. The projected inflation rate in 2024 has been updated upwards to 2.7%. Due to the high uncertainty that characterizes the Israeli economy and the continuation of the War and its results, the Bank of Israel decided to keep the interest level at 4.5%, while predicting a level of 3.75% at the end of the first quarter of 2025.

   Due to the increase in the government deficit due to defense spending and the worsening of the military conflict with Iran, in February and April 2024, the international rating agencies Moody's and S&P, respectively, downgraded Israel's credit ratings with a negative outlook.

   The business environment, as described above, affects the income-generating property sector in Israel in which the Group operates, and during the entire period, a continued moderation in demand and a lengthening of the negotiation stage for closing agreements were recorded. The office activity in the main Tel Aviv business district continues to show good results, but in other areas a slowdown is noticeable. On the other hand, in the logistics and commerce sectors, prices are stable and occupancy is full throughout the country.

   C. **Developments in the United States**
   The growth rate of economic activity in the United States in the first quarter of 2024 was at an annual rate of 1.6%, lower than the last quarter of 2023, when the GDP expanded by 3.4%. Additional published data indicate that the unemployment rate in the United States increased from 3.7% at the end of 2023 to 3.9% in March 2024.

   The inflation rate is on an upward trend and in April 2024, it was 3.5%, compared to the Fed's target of 2%, which resulted in the interest rate remaining at a level of approx. 5%-5.25%. According to market expectations, the interest rate decrease will begin no earlier than the end of 2024.

   In view of the challenging environment in the income-generating property credit market and the inability to find available sources of financing to repay existing debts, there has been a significant increase in the proportion of bonds in the CMBS market that have not been repaid and as of April 2024, it amounts to 7.4%. 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, which may exacerbate the existing crisis.

At the beginning of the second quarter of 2024, the average vacancy rate in the United States office sector as a whole is approx. 22%. During the first quarter, the trend of returning to work in offices increased, while on the other hand, the trend of less construction starts continued.

Washington D.C.
As of March 2024, the vacancy rate in Washington D.C. “Trophy” type offices was 10.4% compared to a rate of 18.1% in Class A type offices. Approx. 88% of the unleased areas of Class A offices are in buildings built before 2015. Rental prices remained stable with a gap of 23% between the two office types mentioned above.

During the first quarter of 2024, rentals in Washington D.C. rose to approx. 1.8 million sq.ft. along with a return to work in offices (with the exception of the government) at a rate of 61%.

It should be noted that as of the date of publication of this report, in Washington, D.C. there are only two Trophy type office buildings under construction, whose construction is expected to be completed during 2024, half of which is pre-leased. The volume of areas offered for sublease decreased from 3.5 million sq.ft. to 3.4 million sq.ft.

Boston
As of March 2024, the vacancy rate in Boston's CBD has increased to approx. 17.5% as a result of the vacating of approx. half a million sq.ft. by WeWork. At the beginning of the second quarter of 2024, there was an increase of 58% in the amount of interest of companies to rent space, compared to the period last year.

The space offered for subleasing remains unchanged at approx. 4 million sq.ft. The backlog of projects under construction whose construction will be completed in 2025, and the rest of the areas that have not yet been leased, amount to approx. 900 thousand sq.ft.

D. **Developments in the UK**

After a technical recession was announced in the second half of 2023 due to two GDP decreases, the trend reversed and the GDP increased in the first quarter of the year by a rate of 0.6%. According to the Bank Of England ("BOE") forecasts regarding the continuation of 2024, an improvement in the growth rate of the GDP, a decrease in inflation to 3.2% and a decrease in unemployment to 4.2% are expected. All of these may support an interest rate decrease by the BOE.

The exchange rate of the GDP maintained stability against most important currencies despite increase in the ten-year government bond yield from 3.5% at the end of 2023 to approx. 4.3% in April 2024.

In view of the increase in interest rates, there was an increase in the number of loans in which there is a violation of a financial covenant in the interest coverage ratio. In these cases, the banks tend to demand partial repayment of the loan while increasing the price of the remaining debt.

In the first quarter of 2024, the leasing activity (take-up) of offices in London amounted to approx. 1.5 million sq.ft., which is low compared to the average of the preceding decade by approx. 2.2 million sq.ft.

During the first quarter of the year, the vacancy rate decreased from 9.2% to 8.8% in the Greater London office market and is higher than the average of the preceding decade - 5.5%. It should be emphasized that the existing vacancy rate in modern and new office buildings is only approx. 1.5%. The lack of office space in prime properties contributed to the continued stability of rental price levels. A lack of construction starts beyond 2026 will result in an increase in rental prices in the prime properties in the future.

The sales transaction volume in the first quarter of 2024 was approx. GBP 1.2 billion and is lower than the average of the preceding decade, which was approx. GBP 2.9 billion. The discount rates of prime properties in the West End and the City remained stable compared to the beginning of the year (4.0% and 5.25%, respectively).

2. Renewable energy - For additional information regarding the Group’s renewable energy area of activity (through Energix) - please see the chapter “Description of the Corporation’s Business” in the periodic report for 2023.

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

2.2 Statement of Financial Position

Statement of Financial Position item	31.3.24 NIS millions	31.12.23 NIS millions	Notes and explanations
Cash and cash equivalents	1,554	2,199	For the Statement of Cash Flows - please see Section 2.6 below.
Investment property; investment property in development and land rights (including investment property designated for realization)	23,910	23,897	The increase stems from investments in property in development and in existing income-generating properties (mainly in Amot) in the amount of NIS 386 million (of which, NIS 210 million is in respect of land purchased on HaSolelim Street by Amot), and from the effect of exchange rates on BE's properties (approx. NIS 35 million). On the other hand, there was a decrease stemming from the realization of properties by Amot in the amount of NIS 334 million and a decrease from the recording of negative property revaluations in the reporting period in the consolidated companies (mainly BE's properties) in the amount of NIS 74 million.
Investments in companies accounted for according to the equity method and securities measured at fair value through profit and loss	2,497	2,773	The main changes are as follows: • An increase in investments (mainly due to investments in the Brockton Fund III) in the amount of NIS 59 million; • Losses recorded in associates in the amount of approx. NIS 319 million from negative property revaluations in the United States (in Carr and AH Boston) in the reporting period. For information on this subject, please see Sections 2.3.3 and 2.5.2 below. For details regarding changes in the balance of investments in associates, please see Notes 6, 7 and 11(d) to the financial statements.
Electricity-generating facilities - connected and in development	8,530	8,108	Most of the increase is due to Energix's investments in the initiation and development of projects in the United States and in Israel. For information regarding electricity-generating facilities, please see Note 5 to the financial statements.
Other assets	1,963	1,754	
Total assets	38,454	38,731	
Loans and bonds	22,147	22,132	The main changes are as follows: • Raising of bonds and receipt of loans in the amount of NIS 1.4 billion. • Repayment of bonds and loans in the amount of NIS 1.5 billion. For information regarding the main changes in the Group's financial debt, please see Section 2.4.3 below.
Other liabilities	5,608	5,535	
Total liabilities	27,755	27,667	
Equity attributed to shareholders	4,659	5,002	For information regarding the main changes in equity attributed to shareholders - please see Section 2.7.2 below.
Non-controlling interests	6,040	6,062	
Total equity	10,699	11,064	
Total liabilities and equity	38,454	38,731	

2.3 Investments

2.3.1 The following are the Company's investments (expanded solo) as of March 31, 2024:

	Currency	Number of shares	Balance in the Company's books (expanded solo)	Value	Value measurement basis
			NIS thousands	NIS thousands	
Amot	NIS	240,718,672	4,463,989	4,210,170	Stock market value - tradable
Energix	USD/PLN/NIS	276,060,936	1,112,751	3,732,344	Stock market value - tradable
Carr	USD	-	1,340,594	1,340,594	Equity method
AH Boston	USD	-	456,958	456,958	Equity method
Brockton Everlast	GBP	-	2,878,220	2,878,220	Equity method
Brockton Funds[19]	GBP	-	212,921	212,921	Equity method
Other[20]			149,443	149,443	
Total			10,614,876	12,980,650	

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

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

	Q1/2024	After the balance sheet date	Total
	NIS millions	NIS millions	NIS millions
Brockton Everlast[21]	257	-	257
AH Boston	3	2	5
Brockton Fund III	56	-	56
	316	2	318

[19] Mainly an investment in Brockton Fund III.

[20] Mainly including cash in the amount of NIS 139 million.

[21] Mainly for the recycling of bank loans (please see Section 2.4.3.2 below).

2.3.3 Property revaluations

The following is a list of investment property revaluations recorded by the Company's investees in the reporting period (in the three-month period ended March 31, 2024):

		Profit (loss)	
Geographical region	Currency	Investee's share in millions	Company's share NIS millions
			Total
USA (Carr and AH Boston) (1)	USD	(196)	(354)
UK (BE) (2)	GBP	(17)	(64)
Israel (Amot)	ILS	3	2
Company's share			**(416)**

(1) USA (Carr and AH Boston) - The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties in the range of 0.25%-0.50%.

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

2.3.4 Real estate investment in Israel - through Amot:

As of March 31, 2024, the Company has holdings of 51.1% in Amot.

2.3.4.1 Information regarding Amot's activity

For information regarding Amot's activity, please see Chapter B of the Company's Description of Corporate Business for 2023 and Section 2.3.4 of the Company's Board of Directors' Report for 2023.

2.3.4.2 Developments in Amot's business in the reporting period are as follows:

Land on HaSolelim Street in Tel Aviv - In March 2024, Amot purchased land on HaSolelim Street in Tel Aviv with an area of approx. 5.6 dunams from the Tel Aviv - Jaffa Municipality for the construction of an office tower, for a total of approx. NIS 210 million (not including transaction costs). The land is in a central location and highly accessible location. The land is under lease from the Tel Aviv - Jaffa Municipality until 2059. Amot is promoting planning of the complex together with bordering land owners. On the site, National Plan no. 70 is being promoted (adding building rights in the vicinity of mass transit stations).

Realization of assets - During the reporting period, Amot sold two income-generating properties for the amount of approx. NIS 178 million. In addition, in February 2024, Amot entered into an agreement with Gav-Yam Land Corp. Ltd., its partner in the ToHa project in Tel Aviv, for the sale of half of Amot's rights in a land tract with an area of approx. 3 dunams ("**Plot 300**") adjacent to the ToHa project, for the amount of NIS 155 million. According to the terms of the transaction, 50% of the transaction proceeds was received in the first quarter of 2024 and the remaining 50% will be received during the third quarter of 2024. According to the approved City Building Plan, a project with an area of approx. 5,000 sq.m. can be built for employment and approx. 90 residential units. During the last two years, Amot and its partner to the project completed the acquisition of properties bordering the ToHa complex, with the aim of developing and enhancing the building rights in the complex in accordance with the municipal and national master plans. The acquisitions so far have amounted to a total of approx. NIS 500 million (including plot 300), with Amot's share at 50%.

Beit Shemesh Logistic Center - During the reporting period, the upper part of the logistic center amounting to 24 thousand sq.m. (Amot's share - 60%) was delivered to the customer and it started to generate income and therefore, the property was reclassified from "Property in development and land rights" to "investment property".

HaLehi Complex - As of the date of the report, the project is completing the tower skeleton and is in the delivery process to tenants on the retail floor for fit-out work.

2.3.4.2. Information regarding rental agreements signed during the reporting period:

During the reporting period, 104 new contracts were signed, including the exercise of options and contract renewals amounting to an area of 41 thousand sq.m. at annual rental fees of NIS 38 million (a weighted average increase of 4%).

2.3.5 Investment in Carr

As of March 31, 2024 and close to the date of publication of the financial statements, the Group's effective rate of holdings in Carr is 47.7%. The balance of the investment in Carr in the financial statements as of March 31, 2024 is USD 364 million (approx. NIS 1.34 million).

2.3.5.1 Information regarding Carr's activity

For information regarding Carr's activity, please see Chapter C1 of the Company's Description of Corporate Business for 2023 and Section 2.3.5 of the Board of Directors' Report for 2023.

2.3.5.2 Developments in Carr's business in the reporting period and subsequent to the balance sheet date are as follows:

- **Acquisition of the 901 Pitt Street building** - In February 2024, Carr completed a transaction for the acquisition of a building located in northern Virginia, for a consideration of USD 19.5 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 this project.
- **2001 Penn, metropolitan Washington D.C.** - In March 2024, Carr transferred control of the 2001 Penn office building to the property's financing entity. Following the above, Carr stopped including the wholly owned subsidiary that owns the building and the aforementioned debt in its financial statements, and in the first quarter of 2024, it recorded a profit in the amount of approx. USD 15 million.
- **Columbia Center building** - Subsequent to the balance sheet date, in May 2024, Carr transferred control of the Columbia Center office building to the owner of the land where the building is located and with whom there is a lease liability in the amount of USD 136 million. Following the above, Carr is expected to stop including the wholly owned subsidiary that owns the building and the lease liability in its financial statements, and in the second quarter of 2024, it is expected to record a profit in the amount of approx. USD 66 million.
- **Sale of the 75-101 Federal building, Boston** - On April 1, 2024, Carr sold all of its rights in the entity that owns the building, the value of which is equal to the amount of the debt on the building, for a nominal consideration.

2.3.5.3 Fair value adjustments of investment property:

- For property revaluations recorded by Carr in the reporting period, please see Section 2.3.3 above.

2.3.5.4 Financial Debt

- Subsequent to the date of the report, in April 2024, Carr paid off the balance of the debt in the amount of approx. USD 60 million for the 1700 NY building by utilizing a credit facility.
- Following the transactions described in Section 2.3.5.2 and in this section, Carr has no outstanding loans until mid-2026[22].
- Close to the date of publication of the report, Carr's unutilized credit facility balance is approx. USD 219 million.

[22] Assuming the exercise of the extension option of Carr's credit facilities.

2.3.6 Investment in AH Boston

2.3.6.1 General:

The Company holds approx. 55% of the capital rights and 50% of the controlling rights (through wholly owned corporations) in three companies that hold two office towers and a laboratory building for the Life Sciences (two in the CBD (Boston's main business center) and one in East Cambridge) (hereinafter, collectively - the "Boston Partnerships"). The Company's partner in the Boston Partnerships is the Oxford Properties Group (hereinafter - "Oxford").
The balance of the investment in the three Boston Partnerships, in the financial statements as of March 31, 2024, is USD 124 million (approx. NIS 457 million).

2.3.6.2 The 745 Atlantic building:

The 745 Atlantic building - 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 remaining costs for completion of the project as of March 31, 2024 amount to USD 57 million. As of the date of the report, advanced negotiations are underway for the lease of two floors 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 March 31, 2024, it had withdrawn a total of USD 152 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 is payable in July 2025 and can be extended subject to the meeting of milestones related to the rate of the property's rental.

That stated in this section above regarding the cost of the remaining investment in the project is forward-looking information as defined in Section 32A of the Securities Law.

2.3.6.3 Fair value adjustments of investment property:

For property revaluations recorded by AH Boston in the reporting period, please see Section 2.3.3 above.

2.3.7 Investment in Brockton Everlast ("**BE**"):

As of March 31, 2024 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 83.7% of the rights in BE. During the reporting period, the Company invested approx. GBP 56.5 million (approx. NIS 257 million) in BE's capital.

2.3.7.1 Information regarding BE's activity

For information regarding BE's activity, please see Chapter D of the Company's Description of Corporate Business for 2023 and Section 2.3.6 of the Board of Directors' Report for 2023.

2.3.7.2 The following is a summary of data regarding a project in advanced planning stages as of March 31, 2024:

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 and financing	Project cost in BE's books as of March 31, 2024	Balance for completion of construction costs as of March 31, 2024	Projected NOI upon project occupancy
							GBP millions			
The Dovetail Building	City of London	Offices	100%	466	2025	2029	720-760	120	600-640	50-55

The equity required for construction between the years 2025-2026 is GBP 130-150 million.

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.

2.3.7.3 Fair value adjustments of investment property:

For property revaluations recorded by BE in the reporting period, please see Section 2.3.3 above.

2.3.8 Investment in renewable energy through Energix

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its photovoltaic and wind energy systems, as of the date of approval of the report, amounts to approx. 1.3 GW and 34 MWh (storage) in projects in commercial operation, approx. 734 MW and 312 MWh (storage) in projects in development or pre-construction, and approx. 480 MW and 48 MWh (storage) in projects in advanced 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. 6.9 GWh.

2.3.8.1 Information regarding Energix's activity

For information regarding Energix's activity, please see Chapter F of the Company's Description of Corporate Business for 2023 and Section 2.3.8 of the Board of Directors' Report for 2023.

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

USA

- **Strategic cooperation (sale of electricity and green certificates; tax partner investment):** As of the date of approval of the report, Energix is in advanced negotiations (toward signing) 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 its future projects in the United States, which are expected to reach commercial operation starting in 2025, at an initial capacity of at least 1.5 GW (for the sale of electricity to third parties). In addition, the strategic partner will provide the tax partner investment in the projects subject to the engagement (including by way of a transfer) in an amount that will reflect the maximum ITC tax benefit rate to which the projects are entitled.
- **Engagement in a non-binding memorandum of understanding for the acquisition of a project backlog in the United States, with a capacity of over 1.2 GWp and a storage capacity of over 1.2 GWh -** In April 2024, Energix entered into a memorandum of understanding with a leading global energy company for the acquisition of full ownership of a backlog of photovoltaic projects with a capacity of over 1.2 GWp in the PJM grid. In addition, the projects have the potential to integrate storage facilities with a capacity of over 1.2 GWh. The expected acquisition cost is USD 62 million, which will be paid on the closing date, plus success fees for each project that reaches the start of construction, up to a total of USD 58 million. If storage facilities are integrated, the seller will be entitled to an additional consideration of up to USD 16 million.
  According to the information provided to Energix, most of the projects are in advanced development stages and are expected to reach commercial operation during the years 2025-2027. In addition, according to Energix, most of the projects are expected to be eligible for an ITC tax benefit of 50%.
- **Completion of the acquisition of 2 projects in Pennsylvania with a total capacity of approx. 200 MWp:** Subsequent to the date of the report, in April 2024, Energix completed the acquisition of 2 projects in Pennsylvania with a total capacity of approx. 200 MWp, after engaging in an amendment to the agreement for the sale of the projects' electricity to one of the largest American companies in the world, under favorable conditions. The acquisition cost amounted to a total of approx. USD 23 million (approx. NIS 13 million for the purchase of the rights and the balance for the reimbursement of construction expenses). Energix estimates that the projects will reach commercial operation in the second half of 2025.
- **Completion of a financing transaction and tax partner investment for an E3 project backlog (Virginia 3 and PA1):** Subsequent to the date of the report, in April 2024, the financing transaction and tax partner investment were completed for a backlog of E3 projects with a capacity of 412 MWp, for a total amount of USD 530 million. As of the date of approval of the report, Energix estimates that it is entitled to receive up to USD 100 million for the realization of an additional tax benefit for the use of local equipment. From this amount, Energix works to receive a total of approximately 75 million dollars as part of the sale of tax benefits even before the mandatory regulations in this regard enter into force (based on the approvals it received for this purpose) and the balance in the amount of up to 25 million dollars, Energix will work to receive Subject to the implementation of the regulations.

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

2.3.6.2Developments in Energix's business in the reporting period and subsequent to the balance sheet date are as follows:

2.3.9 Dividend receipts

The following are the dividends received from the Company's main investments (expanded solo) in 2024, up to the date of publication of the financial statements, and the projected receipts of dividends for 2024:

	From January 2024 to the date of publication of the financial statements	**2024 forecast**
	NIS millions	
Amot	118	313
BE	-	47
Energix	83	166
AH Boston	5	29
Total cash dividend	206	555
[23]Carr – Dividend Reinvestment Plan	-	121
Total dividend	206	676

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 were received and 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.

2.4 Liquidity and financing sources

2.4.1 Cash and credit facilities

As of March 31, 2024, the Group has cash balances of NIS 1.6 billion (of which the Company's expanded solo balance - NIS 139 million) and unutilized 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 March 31, 2024, all of the Company's assets (expanded solo) are unencumbered. Their balance (not including cash) as of March 31, 2024 is NIS 10.5 billion (a market value of NIS 12.8 billion). As of March 31, 2024, Amot has a balance of unencumbered assets (approx. 98%) in the amount of approx. NIS 19.2 billion.

2.4.3 Financial debt

As of March 31, 2024, the Group's net financial debt amounted to NIS 21.3 billion, constituting 57.7% of the Group's total assets, compared to a net financial debt of NIS 20.6 billion, which constituted 56.4% of the Group's assets, as of December 31, 2023.

As of March 31, 2024, the net financial debt of the Company (expanded solo) amounted to NIS 6 billion, constituting 56.7% of the total assets of the Company (expanded solo), compared to net financial debt of NIS 5.7 billion, constituting 54.1% of the assets of the Company (expanded solo), as of December 31, 2023.

[23] As part of the Company's choice to participate in Carr's DRIP program, the dividend amount to which the Company is entitled in Carr will remain after its receipt and reinvestment.

The Company's adjusted leverage rate (expanded solo) based on the stock exchange value of the Company's tradable holdings close to the date of publication of the report amounts to 46.3%.

2.4.3.1 The Company (expanded solo):

- As detailed in Note 12a.1 to the annual financial statements, subsequent to the date of the report, in May 2024, the facility agreement in the amount of NIS 150 million was renewed between the Company and an Israeli bank (hereinafter, in this subsection - the "Bank") for a utilization period of one year from date of signing the renewed agreement (hereinafter, in this subsection - the "Utilization Period") to be repaid by the end of two years from the date of signing (hereinafter, in this subsection - the "New Facility Agreement"). The utilized credit under the new facility agreement will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or SOFR and/or SONIA, according to the utilized currency) plus a 2.2% margin on credit that is repayable for a period of up to one year and a margin of 2.5% for credit that is repayable in more than one year from the date of granting.

As of March 31, 2024 and as of the date of publication of the report, the Company (Expanded Solo) has a credit facility in the total amount of NIS 550 million, which is unutilized.

2.4.3.2 Consolidated companies:

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

Energix:

- During and after the reporting period, Energix increased its credit facility in Israel, Poland and the United States in the amount of approx. NIS 474 million.

- After the reporting period, Energix signed for a short-term loan from a banking corporation in Poland in the amount of up to USD 75 million (up to NIS 276 million).

- In April 2024, subsequent to the date of the report, the tax partner's investment in the projects in the amount of approx. USD 275 million was completed and accordingly, the bridging loan provided by Santander CIB to finance the projects' construction costs in the amount of approx. USD 221 million was fully repaid. In addition, on the same date, the short-term loan for the construction period, which was provided by Santander CIB in the amount of approx. USD 260 million, was converted into a long-term back leverage loan in the amount of approx. USD 256 million.

Amot:

Bond raising totaling NIS 555 million, as detailed below:

In March 2024, Amot issued a private placement to classified investors through the expansion of an existing bond series in the amount of NIS 155 million for a net amount of NIS 151 million, with an effective CPI-linked interest rate of 3.1% and have an average duration of approx. 6 years. In addition in March 2024, Amot issued two new bond series, Series I and Series J, in the amount of NIS 408 million PV for a net amount of NIS 404 million. The bonds bear a CPI-linked effective interest rate of 3.3% and have an average duration of 9 years (including the effect of a hedge transaction).

BE

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 instead of a loan in the amount of GBP 132.3 million. 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%.

(2) A loan in the amount of approx. 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 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.

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

2.4.4 Working capital deficit

The working capital deficit as of March 31, 2024 amounted to a total of approx. NIS 1.9 billion in the consolidated statements (NIS 0.8 million in the Company's expanded solo statements). As of March 31, 2024, 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 NIS 239 million, compared to a loss of NIS 108 million attributable to Company shareholders in the corresponding period last year. The share attributed to Company shareholders in the reporting period amounted to a loss of approx. NIS 340 million, compared to a loss of NIS 218 million attributed to Company shareholders in the corresponding period last year.

In the reporting period, the Group recorded a comprehensive loss of NIS 205 million, compared to comprehensive income of NIS 2 million attributable to Company shareholders in the corresponding period last year. The share attributed to Company shareholders in the reporting period amounted to a loss of approx. NIS 313 million, compared to a comprehensive loss of NIS 162 million attributed to Company shareholders 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.

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

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

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

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

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

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

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

	Q1/2024 NIS thousands	Q1/2023 NIS thousands	2023 NIS thousands
Share of Company shareholders in the loss for the period	**(339,821)**	**(218,194)**	**(2,392,409)**
Adjustments to profit and loss:			
Fair value adjustments of investment property	73,372	157,161	926,169
Company share in property revaluations and other non-FFO items in investees	365,936	248,024	1,892,409
Profit from decrease in rate of holdings, from acquisition and realization of investees	(10)	(111)	(449)
Net losses (profits) from investments in securities measured at fair value through profit and loss	17,379	(385)	17,299
Others (mainly depreciation and amortizations)	34,001	36,708	168,145
Revenues from unwinding of electricity-hedging agreements for Q2-Q4/2023	-	(113,388)	-
Financing expenses that are not FFO (mainly linkage differences and exchange rate differences)	50,033	108,850	317,157
Deferred taxes and current taxes that are not FFO, net	2,953	(12,173)	(3,800)
Share of non-controlling interests in the above adjustments to FFO	(55,926)	(38,284)	(324,468)
Real FFO according to the management approach	**147,917**	**168,208**	**600,053**

The sources of the FFO are as follows:

	Q1/2024	Q1/2023	2023
Revenues			
NOI from investment property	293,536	280,279	1,152,065
NOI from electricity sales	176,840	160,958	560,965
Group share in Carr's FFO, not including property revaluations	31,573	35,666	120,792
Group share in AH Boston's FFO, not including property revaluations	9,465	9,708	40,351
Group share in FFO of Brockton Everlast and Amot associates	5,726	6,541	27,269
Other revenues	932	-	1,199
Total revenue	**518,072**	**493,152**	**1,902,641**
Expenses			
Real financing, net	(124,483)	(105,471)	(474,368)
Administrative and general	(50,771)	(41,630)	(181,565)
Current taxes	(38,007)	(29,850)	(81,616)
Share of non-controlling interests attributed to operating activities	(156,894)	(147,993)	(565,039)
Total expenses	**(370,155)**	**(324,944)**	**(1,302,588)**
Real FFO according to the management approach	**147,917**	**168,208**	**600,053**
FFO per share (NIS) according to the management approach	**0.82**	**0.94**	**3.34**

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):

	Q1/2024	Q1/2023	2023
	NIS thousands	NIS thousands	NIS thousands
FFO according to the management approach	**147,917**	**168,208**	**600,053**
Less:			
Linkage differences on the credit of the Company and its investees and exchange rate differences	(17,094)	(58,890)	(178,506)
FFO according to the Securities Authority approach	**130,823**	**109,318**	**421,547**

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

	Q1/2024 NIS thousands	Q1/2023 NIS thousands	2023 NIS thousands
Revenue and profits			
Revenues from rental fees and management of investment property	331,478	322,271	1,324,063
Fair value adjustments of investment property	(73,372)	(157,161)	(926,169)
Group share in losses of associates, net	(319,174)	(196,107)	(1,703,997)
Net profits (losses) from investments in securities measured at fair value through profit and loss	(17,379)	385	(17,299)
Profit from decrease in rate of holding, from purchase and realization of associates	10	111	449
Revenues from sale of electricity and green certificates	222,548	143,114	527,953
Revenues from unwinding of electricity-hedging agreements	-	152,760	152,760
Other revenues, net	2,665	699	1,199
	146,776	266,072	(641,041)
Costs and expenses			
Cost of investment property rental and operation	37,134	41,273	168,894
Development, maintenance and operation costs of electricity-generating facilities	31,682	21,361	110,801
Depreciation and amortizations	43,286	33,627	159,963
Administrative and general	58,051	46,296	201,798
Financing expenses, net	174,516	214,322	791,525
	344,669	356,879	1,432,981
Loss before taxes on income	(197,893)	(90,807)	(2,074,022)
Income tax expenses	40,960	17,678	77,816
Net loss for period	**(238,853)**	**(108,485)**	**(2,151,838)**
Distribution of the loss for the period:			
Share of Company shareholders	**(339,821)**	**(218,194)**	**(2,392,409)**
Share of non-controlling interests	100,968	109,709	240,571
	(238,853)	**(108,485)**	**(2,151,838)**

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

Revenues from rental fees and investment property management - amounted to NIS 331 million in the reporting period, compared to NIS 322 million in the corresponding period last year, an increase of NIS 9 million (approx. 3%).
Most of the increase stems from revenues from Amot's properties (approx. NIS 7 million) from additional revenues in identical properties (including as a result of occupancies, an increase in prices and an increase in the CPI). On the other hand, there was a decrease in revenues due to the realization of two properties at the beginning of 2024, which partially offset the above increase.

Fair value adjustment of investment property - In the reporting period, negative property revaluations were recorded in the amount of NIS 73 million, which are mainly due to the adjustment of the value of BE's properties as a result of the increase in the discount rate of the projected cash flow of some of the properties by 0.25%.

In the corresponding period last year, negative property revaluations were recorded in the amount of NIS 157 million in respect of BE's properties, which were due to the increase in the discount rate of the projected cash flow of two properties in the City of London in advanced stages of initiation.

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

- **Group share in Carr's losses** - A loss of NIS 249 million was recorded in the reporting period, compared to a loss of NIS 131 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 157 million (the Company's share in the loss before tax - USD 75 million, approx. NIS 274 million). The negative revaluation of the properties in the reporting period resulted from the increase in the discount rate of the projected cash flow of the properties, mainly in the range of 0.25%-0.50%.

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

- **Group share in AH Boston's losses** - A loss of NIS 74 million was recorded in the reporting period, compared to a loss of NIS 68 million in the corresponding period last year.

  In the reporting period, negative revaluations were recorded in the amount of USD 40 million in respect of the Boston Properties (the Group's share in the negative revaluation before tax is approx. USD 21.7 million (NIS 80 million)).
  The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties in the range of 0.25%-0.50%.

  In the reporting period last year, the loss was due to a negative value adjustment of AH Boston's properties in the amount of USD 38 million (the Company's share in the loss before tax - NIS 74 million) mainly due to the increase in the discount rate of the properties.

Net 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 investments measured at fair value through profit and loss (mainly Brockton funds).

Revenues from sale of electricity and green certificates - Revenues from the sale of electricity and green certificates in the reporting period amounted to NIS 223 million compared to NIS 143 million in the corresponding period last year, an increase of NIS 80 million.

The increase stems mainly from an increase in electricity revenues from Poland (approx. NIS 60 million) in respect of higher electricity prices (taking into account electricity hedging). The balance (approx. NIS 20 million) stems mainly from new facilities that have been connected in the United States.

Revenues from the unwinding of electricity-hedging agreements - Revenues in the corresponding period last year stemmed from a one-time compensation received by Energix for the unwinding of electricity price-fixing agreements in Poland.

Net financing expenses - Financing expenses in the reporting period amounted to NIS 175 million compared to NIS 214 million in the corresponding period last year, a decrease of NIS 39 million. Most of the decrease (approx. NIS 70 million) is due to the effect of the CPI (an increase of 0.29% in the reporting period compared to an increase of 1.08% in the corresponding period last year), which was offset by the increase in expenses due mainly to the increase in the Group's financial debt balance and to an increase in interest rates.

Income tax expenses (income) - 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 (loss) (in NIS thousands):

	Q1/2024	Q1/2023	2023
	NIS thousands	NIS thousands	NIS thousands
Net loss for the period	**(238,853)**	**(108,485)**	**(2,151,838)**
Profit (loss) from investment in Carr (1) (2)	7,874	(9,076)	(65,028)
Profit (loss) from investment in AH Boston properties (1)	1,985	(756)	(23,673)
Profit from investment in BE (1) (3)	19,182	73,662	71,939
Profit from investment in Energix and others (4)	5,048	45,298	69,090
Tax effects	(408)	1,354	1,760
Other comprehensive income for the period	33,681	110,482	54,088
Total comprehensive income (loss) for the period	**(205,172)**	**1,997**	**(2,097,750)**
Allocation of comprehensive income (loss) for the period:			
Share of Company shareholders	**(313,205)**	**(161,657)**	**(2,425,233)**
Share of non-controlling interests	108,033	163,654	327,483
	(205,172)	1,997	(2,097,750)

(1) Profit (loss) from investment in respect of foreign currency - The profit (loss) represents the increase (decrease) in the Company's investments due to changes in the NIS against the investment currencies in the reporting periods presented above. This profit (loss) is presented net of the effect of forward transactions and cross-currency swap transactions in USD, designated as hedges for investments. In the first quarter of 2024, there was a devaluation of the NIS by a rate of 1.49% and 0.74% against the USD and the GBP, respectively. In the corresponding quarter last year, there was a devaluation of the NIS by a rate of 2.7% and 5.35% against the USD and the GBP, respectively.

(2) In addition to the description in Section (1) above, the comprehensive income from the investment in Carr in the first quarter of 2024 also includes another comprehensive loss in the amount of NIS 1 million in respect of the Company's share in the changes in the fair value of interest rate fixing transactions carried out by Carr (in the corresponding period last year there was a decrease in other comprehensive income in the amount of NIS 10 million in respect of changes in the fair value of interest-fixing transactions carried out by Carr).

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

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

2.6 Cash flows

	Q1/2024	Q1/2023	2023
	NIS millions	NIS millions	NIS millions
Total cash flows provided by operating activities	**185**	**202**	**1,121**
Cash flows used in investing activities			
Investment in investment property and fixed assets (including property in development)	(388)	(182)	(656)
Proceeds from the realization of investment property	222	-	-
Investment in electricity-generating systems	(323)	(222)	(2,279)
Investment in AH Boston	(3)	(14)	(51)
Repaid hedging transactions	(26)	(132)	(549)
Investment in Brockton Funds, net	(56)	-	-
Repayment (provision) of loans, net	(12)	1	(61)
Net increase in deposits (including pledged deposits and restricted cash)	(1)	-	(187)
Total cash used in investing activities	**(587)**	**(549)**	**(3,783)**
Cash flows provided by financing activities			
Receipt of loans (long-term loans and utilization of short-term bank credit)	847	133	3,386
Proceeds from the issuance of bonds	555	475	1,972
Repayment of liabilities (long-term loans, bonds and repayment of short-term credit)	(1,507)	(897)	(1,801)
Capital raised by Amot	2	-	10
Capital raised by Energix	10	-	1
Capital raised by BE	41	-	30
Proceeds from sale of Amot shares to non-controlling interests	-	-	220
Purchase of shares from non-controlling interests	-	-	(24)
Payment of dividends to Company shareholders and to non-controlling interests in consolidated companies	(195)	(279)	(695)
Total cash provided by financing activities	**(247)**	**(568)**	**3,099**
Total increase (decrease) in cash balances in the period	**(649)**	**(915)**	**437**
Other influences	**6**	**19**	**35**
Cash and cash equivalents and designated deposit at end of period	1,558	833	2,201
Less - designated deposit	(4)	(4)	(3)
Cash and cash equivalents at end of period	**1,554**	**829**	**2,198**

2.7 Equity

2.7.1 Equity per share

	As of March 31 2024	As of December 31 2023
	NIS millions	NIS millions
Equity	10,699	11,064
Less non-controlling interests	(6,040)	(6,062)
Equity attributed to Company shareholders	**4,659**	**5,002**
NAV per share	**25.92**	**27.83**
NNAV per share	**30.92**	**32.78**

2.7.2 Explanation of changes in equity

In the reporting period, the capital attributed to the Company's shareholders decreased by NIS 343 million.

The main changes are as follows:

- The loss attributed to the Company shareholders in the amount of NIS 340 million - please see additional information in Section 2.5.2 above.
- Other comprehensive income attributed to the Company shareholders in the amount of NIS 27 million - please see additional information in Section 2.5.3 above.
- A reduction in capital following dividends declared in the amount of NIS 32 million.
- Profit from the issuance of capital in consolidated companies and other funds in the amount of NIS 2 million.

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

The composition of the excess assets over liabilities based on the Company's statements (expanded solo) by currency as of March 31, 2024 (in NIS millions)[24]:

As of March 31, 2024	Assets	Liabilities	Net assets	%
USD	1,900	(1,024)	876	19%
GBP	3,093	(1,500)	1,593	34%
Other	112	(3)	109	2%
Excess assets over liabilities in foreign currency	5,105	(2,527)	2,578	55%
Excess assets over liabilities in NIS	5,550	(3,469)	2,081	45%
Equity as of March 31, 2024	10,655	(5,996)	4,659	100%

2.7.4 Dividends distributed by the Company in 2024

For information regarding dividends distributed by the Company in 2024, please see Note 10(a) to the Financial Statements.

2.8 Remuneration of senior officers and directors

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

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

3. Market Risk Exposure and Management

3.1 Over the course of the reporting period, no material changes have occurred in the types of market risks as reported in the Board of Directors' Report for 2023 and in Company policy regarding the management of these risks.

3.2 Regarding the report on linkage bases for monetary balances (expanded solo) as of March 31, 2024, see Section 2.7.3 above and Appendix B.

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

4. Corporate Governance Aspects

4.1. The Company's Board of Directors

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

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

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

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

4.2 The Company's Internal Auditor

At its meeting on November 15, 2023, the Audit Committee approved a multi-year work plan for the years 2024-2027 and that the plan for each specific year would be re-examined for that year, prior to its implementation. The Audit Committee also approved the work plan for 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.

At its meeting on May 19, 2024, the Audit Committee discussed the Internal Auditor's report regarding the review of the internal audit activity at Energix and the review of Alony-Hetz's control over Energix's activity, and also received an update regarding the review of the implementation of the recommendations in the Internal Auditor's Report regarding the control over private investees - BE.

5. Special Disclosure for Bondholders

5.1 The following are data as of March 31, 2024 relating to bonds issued by the Company:

(In thousands)	Bonds (Series I)	Bonds (Series J)	Bonds (Series K)	Bonds (Series L)	Bonds (Series M)	Bonds (Series O)	Total
Par value as of March 31, 2024	718,737	1,049,537	160,746	1,761,104	897,601	1,050,480	5,638,205
Linked par value as of March 31, 2024	718,737	1,049,537	160,746	1,761,104	897,601	1,094,800	5,682,525
Value in the financial statements as of March 31, 2024 (at amortized cost)	732,067	1,056,362	158,988	1,674,029	856,854	1,019,128	5,497,428
Stock market value as of March 31, 2024	709,465	1,076,195	139,768	1,510,147	829,383	990,918	5,255,876
Accrued Interest as of March 31, 2024	2,419	6,378	386	3,827	3,998	2,527	19,535

In April 2024, the Israeli rating company Maalot Ltd. (hereinafter - "**Maalot**") and Midroog Ltd. (hereinafter - “**Midroog**") updated the Company's rating outlook from stable to negative.

As of the date of publication of this report, the Company’s bonds (Series I, J, K, L, M and O) are rated ilAA- with a negative rating outlook by Maalot. The issuer’s rating is the same.

The Company’s bonds (Series I, J, L, M and O) are rated Aa3 with a negative outlook by Midroog. The issuer’s rating is the same.

5.2 The main financial covenants of the Company’s bonds (Series I, J, K, L, M and O) are as follows:

Financial ratio		Criterion	Value as of March 31, 2024
Net financial debt to value of holdings25	%	Less than 80	56%
Minimum equity (Series I, J, K, L, M and O)[26]	NIS billions	More than 2.2	4.7

For additional information, please see Section 5.2.2 of Chapter F(5) to the Description of the Corporation’s Business in the Periodic Report for 2023.

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

[26] In order for grounds to be created for early repayment, the breach of the above provision must exist for four consecutive quarters. For Series I and J - the minimum equity is NIS 1.8 billion, for Series K and L - the minimum equity is NIS 2.1 billion and for Series M and O - the minimum equity is NIS 2.2 billion. The criterion presented in the table is the most severe of the series due to the cross default condition in the series.

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

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

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

Appendix A – Financial Information, Expanded Solo

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports

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

Appendix A – Financial Information, Expanded Solo

1. Financial Statements - Expanded Solo

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

1.1 Summary of expanded solo balance sheet (NIS thousands):

	As of March 31	As of December 31
	2024	2023
	NIS thousands	NIS thousands
Current assets		
Cash and cash equivalents	139,462	1,024,887
Receivables, debit balances and others	37,934	34,811
Total current assets	177,396	1,059,698
Non-current assets		
Securities measured at fair value through profit and loss	212,925	165,385
Investments in investees	10,262,489	10,418,144
Others	2,515	4,149
Total non-current assets	10,477,929	10,587,678
Total assets	10,655,325	11,647,376
Current liabilities		
Short-term credit and current maturities of long-term liabilities	589,426	611,159
Payables, credit balances and others	375,984	363,011
Total current liabilities	965,410	974,170
Non-current liabilities		
Bonds and long-term loans	4,906,810	5,495,383
Deferred taxes	24,081	26,663
Others	100,186	149,103
Total non-current liabilities	5,031,077	5,671,149
Equity	4,658,838	5,002,057
Total liabilities and equity	10,655,325	11,647,376

Financial data, expanded solo

1.2 Summary of expanded solo statements of income (NIS thousands):

	Q1/2024	Q1/2023	2023
	NIS thousands	NIS thousands	NIS thousands
Revenues			
Group share in losses of associates, net	(266,905)	(175,580)	(2,163,614)
Profit from decrease in rate of holdings, from acquisition and realization of investees	10	347	449
Net profit (loss), relating to investments in long-term securities intended for sale	(10,311)	111	(10,289)
Other revenues, net	5,449	5,191	21,136
	(271,757)	(169,931)	(2,152,318)
Expenses			
Administrative and general	9,397	9,315	32,138
Financing expenses, net	58,935	54,101	230,861
	68,332	63,416	262,999
Loss before taxes on income	(340,089)	(233,347)	(2,415,317)
Income tax income	(268)	(15,153)	(22,908)
Loss for the period	(339,821)	(218,194)	(2,392,409)

2. The Company's liabilities (expanded solo) payable after March 31, 2024:

	Bonds (*)	Bank loans	Total	%
	NIS thousands	NIS thousands	NIS thousands	
Current maturities	593,490	-	593,490	10
Second year	593,490	-	593,490	10
Third year	593,490	-	593,490	10
Fourth year	801,160	-	801,160	14
Fifth year	801,160	-	801,160	14
Sixth year onward	2,325,350	-	2,325,350	42
Total repayments	5,708,140	-	5,708,140	100
Others			(6,580)	
Balance of liability related to transactions in financial derivatives			400,663	
Total financial debt (taking into account the value of transactions in financial derivatives)			6,102,223	

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

As of March 31, 2024 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	128,337	-	9,610	1,288	227	139,462	-	139,462
Receivables, debit balances and others	20,569	-	-	-	-	20,569	17,365	37,934
Total current assets	148,906	-	9,610	1,288	227	160,031	17,365	177,396
Non-current assets								
Securities measured at fair value through profit and loss	4	-	-	212,921	-	212,925	-	212,925
Investments in associates	-	-	-	-	-	-	10,262,489	10,262,489
Others	-	-	-	-	-	-	2,515	2,515
Total non-current assets	4	-	-	212,921	-	212,925	10,265,004	10,477,929
Total assets	148,910	-	9,610	214,209	227	372,956	10,282,369	10,655,325
Current liabilities						-		
Short-term credit and current maturities of long-term liabilities	589,426	-	-	-	-	589,426	-	589,426
Payables and credit balances	362,533	3,549	-	-	-	366,082	9,902	375,984
Total current liabilities	951,959	3,549	-	-	-	955,508	9,902	965,410
Non-current liabilities						-		
Bonds and long-term loans	3,887,682	1,019,128	-	-	-	4,906,810	-	4,906,810
Deferred tax liabilities	-	-	-	-	-	-	24,081	24,081
Others	99,047	-	920	-	-	99,967	219	100,186
Total non-current liabilities	3,986,729	1,019,128	920	-	-	5,006,777	24,300	5,031,077
Total liabilities	4,938,688	1,022,677	920	-	-	5,962,285	34,202	5,996,487
Excess assets over liabilities (liabilities over assets)	(4,789,778)	(1,022,677)	8,690	214,209	227	(5,589,329)	10,248,167	4,658,838
Financial derivatives	2,758,189	(258,376)	(1,018,073)	(1,481,740)	-	-	-	-
Excess financial assets over financial liabilities (financial liabilities over financial assets)	**(2,031,589)**	**(1,281,053)**	**(1,009,383)**	**(1,267,531)**	**227**	**(5,589,329)**	**10,248,167**	**4,658,838**
Allocation of non-monetary assets (liabilities), net - by linkage bases	346,652	5,047,168	1,885,348	2,860,411	108,588	10,248,167	(10,248,167)	-
Excess assets over liabilities (liabilities over assets)	**(1,684,937)**	**3,766,115**	**875,965**	**1,592,880**	**108,815**	**4,658,838**	**-**	**4,658,838**

Appendix B – Balance Sheet of Linkage Bases for Monetary Balances

Appendix C – Rating Reports[27]

- For the Midroog rating report, please see the immediate report published by the Company on April 16, 2024 (Ref: 2024-01-038011).
- For the rating report of Maalot, the Israeli Securities Rating Company Ltd., please see the immediate report dated April 18, 2024 (Ref: 2024-01-039472).

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

SIGNAL HOUSE WASHINGTON DC

Deloitte.

A Review Report of the Independent Auditor to the shareholders of
Alony Hetz Properties & Investments Ltd.

Introduction

We have reviewed the accompanying financial information of **Alony Hetz Properties & Investments Ltd.** the Company and subsidiaries (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of March 31, 2024, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-months period then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of companies that were consolidated, whose assets included in consolidation constitute approximately 12% of the total consolidated assets as of March 31, 2024, and whose revenues included in consolidation constitute approximately 15% of the total consolidated revenues from rental fees and management of investment property, sale of electricity and green certificates, for the three-months period then ended. Furthermore, we did not review the interim condensed financial information of certain affiliates presented on the equity method basis, the investment in which amounted to approximately 2,200 million NIS as of March 31, 2024, and the share of the results for the three-month period then ended, amounted to a loss of approximately 242 million NIS. The interim condensed financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information included for those companies, is based on the review reports of the other auditors.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, May 20, 2024

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

	Note	As of March 31 2024	As of March 31 2023	As of December 31 2023
		NIS thousands	NIS thousands	NIS thousands
Assets		(Unaudited)	(Unaudited)	
Current assets				
Cash and cash equivalents		1,553,819	829,128	2,197,677
Deposits and designated deposit		640,202	424,820	641,620
Trade receivables		116,604	261,708	115,662
Current tax assets, net		19,500	41,644	19,632
Other receivables		418,294	174,319	233,731
Assets designated for sale		-	-	177,825
Total current assets		2,748,419	1,731,619	3,386,147
Non-current assets				
Investment property		19,417,225	20,653,058	19,369,345
Investment property in development and land rights		4,493,208	3,308,462	4,349,731
Long-term investments:				
Securities measured at fair value through profit and loss		263,086	228,004	222,222
Investment in companies accounted for using the equity method		2,234,345	3,973,215	2,550,500
Deferred tax assets		197,166	67,482	209,184
Electricity-generating facilities:				
Connected electricity-generating facilities		5,612,583	2,994,238	5,216,734
Right-of-use asset		649,108	465,979	511,443
Electricity-generating facilities in development		2,258,368	2,165,005	2,370,899
Restricted deposits		20,910	55,749	19,942
Fixed assets, net		116,902	115,143	117,664
Other assets		442,425	412,898	407,355
Total non-current assets		35,705,326	34,439,233	35,345,019
Total assets		38,453,745	36,170,852	38,731,166

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

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

	Note	As of March 31 2024	As of March 31 2023	As of December 31 2023
		NIS thousands	NIS thousands	NIS thousands
		(Unaudited)	(Unaudited)	
Liabilities and equity				
Current liabilities				
Short term credit and current maturities of long-term loans		1,712,842	524,578	1,832,563
Current maturities of bonds		1,294,452	1,280,060	1,292,791
Current maturities of lease liabilities		34,579	22,728	30,617
Current tax liabilities, net		191,715	88,635	174,700
Other payables		1,449,928	1,031,462	1,530,033
Total current liabilities		4,683,516	2,947,463	4,860,704
Non-current liabilities				
Bonds		14,072,300	13,059,489	14,352,564
Loans from banking corporations and financial institutions		5,067,294	3,636,979	4,654,061
Lease liability		694,763	616,412	562,431
Deferred tax liabilities		1,869,792	1,792,915	1,858,015
Provisions		16,483	16,483	16,483
Other liabilities		1,350,821	782,985	1,362,785
Total non-current liabilities		23,071,453	19,905,263	22,806,339
Equity				
Equity attributed to Company shareholders		4,658,838	7,459,817	5,002,057
Non-controlling interests		6,039,938	5,858,309	6,062,066
Total equity		10,698,776	13,318,126	11,064,123
Total liabilities and equity		38,453,745	36,170,852	38,731,166

On behalf of the Board of Directors:

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

May 20, 2024

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2024	2023	2023
	NIS thousands	NIS thousands	NIS thousands
Revenue and profits	(Unaudited)	(Unaudited)	
Revenues from rental fees and management of investment property	331,478	322,271	1,324,063
Fair value adjustments of investment property	(73,372)	(157,161)	(926,169)
Group share in losses of associates, net	(319,174)	(196,107)	(1,703,997)
Net profits (losses) from investments in securities measured at fair value through profit and loss	(17,379)	385	(17,299)
Profit from decrease in rate of holding, from purchase and realization of associates	10	111	449
Revenues from sale of electricity and green certificates	222,548	143,114	527,953
Revenues from unwinding of electricity-hedging agreements	-	152,760	152,760
Other revenues, net	2,665	699	1,199
	146,776	266,072	(641,041)
Costs and expenses			
Cost of investment property rental and operation	37,134	41,273	168,894
Development, maintenance and operation costs of electricity-generating facilities	31,682	21,361	110,801
Depreciation and amortizations	43,286	33,627	159,963
Administrative and general	58,051	46,296	201,798
Financing income	(21,747)	(21,196)	(96,590)
Financing expenses	196,263	235,518	888,115
	344,669	356,879	1,432,981
Loss before taxes on income	(197,893)	(90,807)	(2,074,022)
Income tax expenses	40,960	17,678	77,816
Net loss for period	(238,853)	(108,485)	(2,151,838)
Company shareholders	**(339,821)**	**(218,194)**	**(2,392,409)**
Non-controlling interests	100,968	109,709	240,571
	(238,853)	(108,485)	(2,151,838)
Net loss per share attributed to Company shareholders (in NIS):			
Basic	(1.89)	(1.21)	(13.31)
Fully diluted	(1.89)	(1.21)	(13.35)
Weighted average of share capital used in calculation of earnings per share (thousands of shares)			
Basic	179,722	179,722	179,722
Fully diluted	179,722	179,722	179,722

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

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2024	2023	2023
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
Net loss for period	(238,853)	(108,485)	(2,151,838)
Other Comprehensive Income			
Amounts to be classified in the future to profit or loss, net of tax			
Profit from translation of financial statements for foreign activities	90,758	396,866	719,644
Loss from exchange rate differences for credit and derivatives designated for the hedging of investments in companies that constitute foreign activity, net of tax	(50,673)	(293,762)	(664,736)
Profit (loss) from exchange rate differences and changes in fair value of instruments used for cash flow hedging, net of tax	(4,251)	15,901	17,805
Company's share in other comprehensive income of associates, net of tax	(2,153)	(8,523)	(18,625)
Other comprehensive income for the period, net of tax	33,681	110,482	54,088
Total comprehensive loss for the period	(205,172)	1,997	(2,097,750)
Allocation of comprehensive income (loss) for the period			
Company shareholders	**(313,205)**	**(161,657)**	**(2,425,233)**
Non-controlling interests	108,033	163,654	327,483
	(205,172)	1,997	(2,097,750)

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the Three-Month Period ended March 31, 2024 (Unaudited) (NIS thousands)

	Share capital	Share premium	Capital reserve from the translation of financial statements for foreign activity	Capital reserve for employee options and other capital reserves	Company shares held by the Group	Retained earnings	Total attributed to Company shareholders	Non-controlling interests	Total equity
Balance as of January 1, 2024	197,796	2,807,638	(569,499)	431,219	(589)	2,135,492	5,002,057	6,062,066	11,064,123
Total comprehensive income for the period	-	-	29,962	(3,343)	-	(339,821)	(313,202)	108,033	(205,169)
Dividends declared for Company shareholders	-	-	-	-	-	(32,350)	(32,350)	-	(32,350)
Dividend paid to non-controlling interests in consolidated companies								(194,500)	(194,500)
Issuance of capital in consolidated companies	-	-	-	1,411	-	-	1,411	54,897	56,308
Allocation of benefit in respect of options to employees and officers	-	-	-	922	-	-	922	9,442	10,364
Balance as of March 31, 2024	197,796	2,807,638	(539,537)	430,209	(589)	1,763,321	4,658,838	6,039,938	10,698,776

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

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

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

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

Alony-Hetz Properties and Investments Ltd. | Condensed Consolidated Statements of Changes in Equity for the 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 the 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 consolidated companies, net	-	-	-	(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 Condensed Consolidated Financial Statements.

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2024	2023	2023
	NIS thousands	NIS thousands	NIS thousands
Cash flows - Operating activities			
Net loss for period	(238,853)	(108,485)	(2,151,838)
Net income (expenses) not entailing cash flows (Appendix A)	420,728	419,792	3,147,558
	181,875	311,307	995,720
Changes in working capital (Appendix B)	3,559	(109,306)	124,977
Net cash provided by operating activities	185,434	202,001	1,120,697
Cash flows - Investing activities			
Investment in fixed assets and investment property (including investment property in development)	(387,591)	(181,791)	(655,762)
Proceeds from the realization of investment property, net of tax	221,646	-	-
Investment in electricity-generating systems	(322,847)	(222,153)	(2,279,175)
Investment in associates	(3,015)	(14,053)	(51,213)
Decrease (increase) in pledged deposit and restricted cash	(1,540)	(270)	(587,164)
Repayment of loans provided to associates, net	(316)	665	3,950
Repayment (provision) of loans to others	(11,234)	-	(65,254)
Decrease in deposits and tradable securities, net	-	-	400,000
Cash from forward transactions and options designated for hedging	(25,923)	(131,991)	(549,292)
Investment in investment property funds	(56,412)	-	-
Others	111	141	353
Net cash used in investing activities	(587,121)	(549,452)	(3,783,557)
Cash flows - Financing activities			
Proceeds from the Group's issue of bonds, net	555,078	474,760	1,972,385
Repayment of bonds	(865,232)	(876,144)	(1,299,986)
Receipt of long-term loans, net of capital raising expenses paid	480,929	-	2,503,494
Repayment of long-term loans	(642,279)	(20,828)	(501,831)
Proceeds from the issue of shares and options to non-controlling interests in consolidated companies	52,624	-	41,457
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)
Increase (decrease) in short-term credit and in utilized long-term credit facilities from banks	365,572	133,672	882,905
Dividend paid to Company shareholders	-	(89,861)	(262,394)
Dividend paid to non-controlling interests in consolidated companies	(194,500)	(189,166)	(432,386)
Net cash provided by financing activities	(247,808)	(567,567)	3,099,391
Increase (decrease) in cash and cash equivalents	(649,495)	(915,018)	436,531
Cash and cash equivalents at beginning of period	2,197,677	1,694,701	1,694,701
Balance of designated deposit at beginning of period	3,615	34,435	34,435
Effect of changes in exchange rates on foreign currency cash balances	5,703	18,625	35,637
Cash and cash equivalents and designated deposit at end of period	1,557,500	832,743	2,201,304
Less - Balance of designated deposit at end of period	3,681	3,615	3,627
Total cash and cash equivalents	1,553,819	829,128	2,197,677

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

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

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2024	2023	2023
	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	73,372	157,161	926,169
Net profits from changes in holding rate and from realization of investments in investees	(10)	(111)	(449)
Differences from adjustments, interest and discounting in respect of long-term liabilities and cash balances	(82,486)	44,904	324,327
Loss (profit) from fair value adjustment of financial assets at fair value through profit and loss	15,939	(8,576)	(719)
Company share in results of associates, plus dividends and capital reductions received	323,694	195,181	1,733,948
Deferred taxes, net	29,592	(16,487)	(46,511)
Depreciation and amortizations	43,285	33,627	165,273
Allocation of benefit in respect of share-based payment	11,285	10,379	34,069
Others, net	6,057	3,714	11,451
	420,728	419,792	3,147,558
b. Changes in asset and liability items (changes in working capital):			
Decrease (increase) in trade receivables and in other receivables	(41,733)	(156,228)	(2,754)
Decrease (increase) in current tax assets, net	1,799	7,152	30,103
Increase (decrease) in payables and credit balances	8,642	17,243	(10,169)
Increase (decrease) in current tax liabilities, net	33,340	22,527	110,149
Sale (purchase) of interest hedging transactions, net	1,511	-	(2,352)
	3,559	(109,306)	124,977
c. Non-cash activity			
Exercise of employee options against receivables	12,670	2,702	10,189
Investment in electricity-generating systems against supplier credit and payables	42,129	52,256	440,014
Increase in right-of-use asset against lease liabilities	138,949	69,524	123,421
Investment in real estate and fixed assets against other accounts payable	35,566	12,121	24,882
Increase in provision for evacuation and restoration against systems in development	-	-	64,055
Dividends declared for non-controlling interests in a consolidated company	-	10,021	-
Dividends declared for Company shareholders	32,350	-	-
Dividends not yet received from companies accounted for using the equity method	1,500	-	-
Investment of non-controlling interests	-	-	20,820
d. Additional information			
Interest paid	272,134	216,436	559,420
Interest received	20,895	14,951	54,977
Taxes paid (*)	27,436	13,693	74,297
Taxes received	682	10,190	14,696
Dividend and capital reductions received	4,621	4,987	27,459

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

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 1 – General

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

These Condensed Consolidated Financial Statements (hereinafter - the "**Interim Financial Statements**") were prepared as of March 31, 2024 and for the three-month period ended on that date. These statements should be reviewed within the context of the Company's Consolidated Annual Financial Statements as of December 31, 2023 and for the year ended on that date and with their accompanying notes (hereinafter - the "**Annual Financial Statements**").

The Iron Swords War:

On October 7, 2023, the terrorist organization Hamas carried out a murderous and unprecedentedly brutal surprise attack on the State of Israel, which included, among other things, the firing of rockets and the infiltration of thousands of terrorists into Israel. The attack claimed the lives of over 1,200 victims who were murdered, thousands were wounded, approx. 240 people including children and women were kidnapped into the Gaza Strip, with 128 still being held as hostages as of the date of publication of this report. Following the attack, the Israeli government declared the Iron Swords War (the "War"), a very extensive mobilization of the reserves was carried out and an attack on the Gaza Strip began. At the same time, an escalation of the security situation also developed on the northern border with the terrorist organization Hezbollah.

According to the Company's assessment, the continuation of the fighting for a long time and/or a full conflict on the northern border (or on other fronts) may result in significant and broader damage to the economy in general, which will lead to an increase in the construction costs for Amot's entrepreneurial projects, increased damage to private consumption and to businesses, including to the tenants of Amot, which will result in a decrease in revenues and changes in other economic parameters.

The War is expected to have an effect on the extension of the timelines for Energix's wind and photovoltaic energy projects in Israel.

Note 2 – Significant Accounting Policies

a. Preparation basis for the financial statements

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

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

In the preparation of these Interim Financial Statements the Group has implemented accounting policies, presentation principles and calculation methods identical to those implemented in the preparation of its financial statements as of December 31, 2023.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

New reporting standards

International Financial Reporting Standard 18 - "Presentation and Disclosure in Financial Statements" ("IFRS 18") - On April 9, 2024, IFRS 18 was published, which replaces International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The standard aims to improve the way information is presented by entities to users in their financial statements.

The standard focuses on the following areas:

Structure of the Statement of Income - Presentation of defined subtotals and a breakdown into categories in the statement of income.
Requirements regarding the file's improvement and the breakdown of information in the financial statements and in the notes.
Presentation of information known as Management-defined Performance Measures (“MPMs") that are not based on accounting standards (NON-GAAP) in the notes to the financial statements.
In addition, at the time of implementation of "IFRS 18”, amendments to other IFRS standards will enter into effect, among others, the amendments to IAS 7 - "Statement of Cash Flows”, aimed at improving comparability between entities. The changes mainly include: use of a subtotal of operating profit as a single starting point in the application of the indirect method for reporting cash flows from operating activities as well as a cancellation of the alternatives for choosing an accounting policy regarding the presentation of interest and dividends. In view of this, with the exception of certain cases, interest and dividends received will be included under cash flows from investing activities, and on the other hand, interest and dividends paid will be included under financing activities.

The standard will enter into effect for reporting periods beginning on or after January 1, 2027, the standard will be applied retroactively, with specific transition provisions, and early adoption is possible.
The group is examining the effect of "IFRS 18" including the effect of the amendments to additional IFRS standards as a result of its application to the financial statements.

Note 2 – Significant Accounting Policies (continued)

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

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

c. Exchange rates and linkage bases

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

	As of March 31 / for the month of March	As of March 31 / for the month of March	As of December 31 / for the month of December	Change in the three-month period ended March 31	Change in the three-month period ended March 31	Change in the period ended December 31
	2024	2023	2023	2024	2023	2023
				%	%	%
Consumer Price Index (CPI)						
(2000 base)						
In Israel (in lieu CPI)	149.184	145.244	147.777	0.95	1.19	2.96
In Israel (known CPI)	148.340	144.681	147.918	0.29	1.08	3.35
Exchange Rate against the NIS						
USD	3.681	3.615	3.627	1.49	2.70	3.13
GBP	4.654	4.467	4.620	0.74	5.35	8.96
PLN	0.92	0.840	0.920	0.3	5.00	15.00

d. Seasonal factors

Naturally, solar radiation and wind speed in various seasons influence the output of photo-voltaic systems or wind farms. In the photo-voltaic field, in the spring and summer months, when solar radiation levels are high, the photo-voltaic systems' output increases. In the autumn and winter months, when solar radiation levels are relatively low, the systems' output declines. In the field of wind energy, power generation is subject to changes in the wind regime in the different seasons, according to the specific region where 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 actual weather conditions in a certain period may have a significant impact on the electricity generation capacity of Energix's facilities, and accordingly on its operating results, in both photo-voltaic and wind energy facilities.

Note 3 – Amot (consolidated company)

As of March 31, 2024 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 51.1% of the rights in Amot. For information regarding a dividend received from Amot in the reporting period, see Note 10a below.

A. Transactions carried out by Amot in the reporting period and subsequent to the balance sheet date

Land on HaSolelim Street in Tel Aviv - In March 2024, Amot purchased land on HaSolelim Street in Tel Aviv with an area of approx. 5.6 dunams from the Tel-Aviv Jaffa Municipality for the construction of an office tower, for a total of NIS 210 million (not including transaction costs). The land is in a central location and highly accessible. The land is under lease from the Tel-Aviv Jaffa Municipality until 2059. Amot is promoting planning of the complex together with bordering land owners; on the site national outline plan no. 70 is being promoted (adding building rights in the vicinity of mass transit stations).

Beit Shemesh Logistic Center - As of the date of the report, the Logistics Center project is in the midst of finishing work, at a total cost of approx. NIS 360 million (Amot's share - 60%, NIS 216 million). The upper part of the Logistics Center, with an area of approx. 24 thousand sq.m. (Amot's share - 60%) was delivered to the customer and is generating income in the current quarter. In view of the above, that part of the Logistics Center was reclassified from "Investment property in development and land rights" to "Investment property".

Realization of assets - During the reporting period, Amot realized two income-generating properties for the amount of approx. NIS 178 million. As part of the terms of the sale agreement, there are receivable balances for deposits, which have not yet been received as of March 31, 2024 and which are presented under "Other receivables" in the statement of financial position.

In addition, in February 2024, Amot entered into an agreement with Gav-Yam Land Corp. Ltd., its partner in the ToHa project in Tel Aviv, for the sale of half of Amot's rights in a land tract with an area of approx. 3 dunams (plot 300) adjacent to the ToHa project, for the amount of NIS 155 million, plus VAT as required by law. According to the terms of the transaction, 50% of the transaction proceeds were received in the first quarter of 2024, and the remaining 50% will be received during the third quarter of 2024 and are presented under "Other receivables" in the statement of financial position. As a result of the transaction, revenues were recorded from fair value adjustments in Amot's financial statements.

B. Regarding the debt raising carried out by Amot during the reporting period, see Note 9 below.

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

A. The Company's holdings in BE

As of March 31, 2024 and immediately prior to the date of publication of the report, the Company indirectly holds approx. 83.7% of the rights in BE. During the reporting period, the Company invested approx. GBP 56.5 million (approx. NIS 257 million) in BE's capital.

B. Fair value adjustments of investment property

In the reporting period, the Company recorded a negative revaluation in the amount of GBP 16.5 million (NIS 77 million).

The negative revaluation of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of some of the properties by a rate of 0.25%.

C. Financial debt

For information regarding engagements in financing agreements in the reporting period, see Note 8g below.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 5 – Energix (consolidated company)

A. The Company's holdings in Energix

As of March 31, 2024, the Company held 50.3% of the rights in Energix. For information regarding a dividend received from Energix in the reporting period, see Note 10 below.

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

As part of Energix's total activity in Israel, the United States and Poland, the total capacity of its photovoltaic and wind systems, as of the date of publication of the report, amounts to approx. 1.3 GW and 34 MWh (storage) in projects in commercial operation, approx. 734 MW and 312 MWh (storage) in projects in development or pre-construction and approx. 480 MW and 48 MWh (storage) in projects in advanced initiation stages. 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. 6.9 GWh.

United States:

Photovoltaic projects -

1. **E3 projects in commercial operation (Virginia 3 and PA1 with a total capacity of 412 MWp)** - Further to Note 7d and note 12c.2 to the annual financial statements, in April 2024, subsequent to the date of the report, the tax partner's investment in the projects was completed in the amount of approx. USD 275 million. Regarding changes in the projects' financing arrangements, see Note 8b below.

2. **Projects in development with a capacity of 210 MWp** - Energix is in the midst of the construction work of 5 projects with a total capacity of approx. 210 MWp in Virginia and Pennsylvania. Electricity from projects with a capacity of 70 MWp will be sold under a dedicated engagement for the sale of electricity and green certificates with one of the electricity companies in Virginia, for a period of 20 years.

3. **Projects in pre-construction with a capacity of approx. 200 MWp** - In March 2024, Energix completed the acquisition of 2 projects with a total capacity of approx. 200 MWp in Pennsylvania, for a total amount of USD 23 million (of which approx. USD 10 million is for the reimbursement of construction expenses). Completion of the projects' acquisition was made possible after Energix engaged in an amendment to the projects' electricity and green certificates sales agreements under conditions favorable to it, with one of the largest technology companies in the world.

4. **Projects in advanced initiation - acquisition of a backlog of photovoltaic projects with a capacity of over 1.2 GWp and 1.2 GWh in the United States** - Subsequent to the date of the report, Energix entered into a non-binding memorandum of understanding with a leading global energy company for the acquisition of full ownership of a backlog of photovoltaic projects with a capacity of over 1.2 GWp in the PJM grid. In addition, the projects have the potential to integrate storage facilities with a capacity of over 1.2 GWh. According to the memorandum of understanding, subject to the completion of due diligence to Energix's satisfaction and the signing of a binding agreement between the parties, the rights in the project backlog will be acquired against a payment of approx. USD 62 million on the date of the acquisition, plus a success fee for each project that reaches the commencement of construction, in a total amount of up to USD 58 million. To the extent that storage facilities are integrated into the projects, the seller will be entitled to an additional payment of up to USD 16 million.

5. **Strategic cooperation for the sale of electricity, green certificates and tax partner investment** - Further to Note 7d to the annual financial statements, Energix is in advanced negotiations (toward signing).

As of the date of the report, assets in the amount of NIS 439 million have been recognized in respect of the projects in development and pre-construction under "Electricity generation facilities in development".
Regarding the projects' financing, see Note 8 below.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 5 – Energix (consolidated company) (continued)

Israel:

Photovoltaic projects in Israel:

1. **Acquisition of the full rights of non-controlling interests in the Israel joint venture** - Subsequent to the date of the report, as part of a comprehensive settlement arrangement for all the disputes between Energix and the entrepreneurial company that held the non-controlling interests in the Israel joint venture (30% in the capital rights and 9% in the cash flow), Energix acquired the full rights of the entrepreneurial company in consideration for a total of approx. NIS 42 million (including for initiation services). Following the acquisition of the non-controlling interests, Energix has full ownership of its entire photovoltaic activity in Israel (with the exception of rights held by localities that provided the Company the land, in accordance with the requirements of the Israel Land Authority).

2. **The winning projects under Competitive Procedure 2 for the establishment of photovoltaic facilities with combined storage capacity (approx. 81 MWp and 298 MWh)** - Further to Note 8a.2 to the annual financial statements, during the reporting period and as of the date of approval of the report, Energix is in the midst of construction work on the photovoltaic projects for the generation of electricity with combined storage, of which, subsequent to the date of the report, one integrated facility with a capacity of approx. 8.7 MWp and 34 MWh (storage) the commenced commercial operation. In accordance with the electricity sales agreements signed by Energix in relation to the projects in this quota, subsequent to the date of the report, the project was converted to market regulation, and starting in May 2024, the electricity generated there is sold to a private supplier, Electra Power Supergas Ltd.

   As of the date of the report, assets totaling NIS 599 million were recognized for projects in development in Israel under "Electricity generation facilities in development".

Regarding the projects' financing, see Note 8 below.

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

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

A. The Company's Holdings in Carr:

As of March 31, 2024 and as of the date of publication of the report, the Group's holdings in Carr Properties Holdings LP is 52.3%. The Group's effective holdings in Carr as of March 31, 2024 is 47.7%.
The balance of the investment in Carr in the financial statements as of March 31, 2024 is USD 364 million (NIS 1.34 million).

B. Developments during the reporting period and subsequent to the balance sheet date in connection with investment property:

- **Acquisition of the 901 Pitt Street building** - In February 2024, Carr completed a transaction for the acquisition of a building located in northern Virginia, for a consideration of approx. USD 19.5 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 this project.

- **2001 Penn, metropolitan Washington D.C.** - In March 2024, Carr transferred control of the 2001 Penn office building to the property's financing entity. Following the above, Carr stopped including the wholly owned subsidiary that owns the building and the aforementioned debt in its financial statements, and in the first quarter of 2024, it recorded a profit in the amount of USD 15.3 million (the Group's share - approx. USD 7 million). As of March 31, 2024, 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 75-101 Federal building, Boston** - On April 1, 2024, Carr sold all of its rights in the entity that owns the building, the value of which is equal to the amount of the debt on the building, for a nominal consideration.

- **Columbia Center building** - Subsequent to the balance sheet date, in May 2024, Carr transferred control of the Columbia Center office building to the owner of the land where the building is located and with whom there is a lease liability in the amount of USD 136 million. Following the above, Carr is expected to stop including the wholly owned subsidiary that owns the building and the lease liability in its financial statements, and in the second quarter of 2024, it is expected to record a profit in the amount of approx. USD 66 million (the Group's share - approx. USD 31 million).

C. Fair value adjustments of investment property

In the reporting period, Carr recorded a negative revaluation in the amount of USD 157 million in its financial statements[1] (the Group's share in the negative revaluation before tax is approx. USD 75 million, (NIS 274 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, mainly in the range of 0.25%-0.50%.

D. Financial debt

- In March 2024, a loan for the 2001 Penn building in the amount of USD 65 million was written off, in exchange for the transfer of control of the building to the lender (see Subsection b above).

- Subsequent to the date of the report, in April 2024, Carr paid off the balance of the debt in the amount of approx. USD 60 million for the 1700 NY building by utilizing a credit facility.

- As of March 31, 2024, Carr's unused credit facility balance is approx. USD 282 million and close to the date of publication of the report, it is approx. USD 219 million.

[1] The amount includes a profit of approx. USD 15.3 million due to the exit of the subsidiary from the consolidation.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

E. The following is concise information regarding Carr:

	For the three-month period ended March 31	For the three-month period ended March 31	For the year ended December 31
	2024	2023	2023
	USD thousands		
Revenue (not including real estate valuations)	41,872	58,409	216,216
Adjustment of investment property value (*)	(159,690)	(101,005)	(837,529)
Net loss from ongoing activity	(140,820)	(77,148)	(757,718)
Other comprehensive loss	(459)	(6,089)	(12,370)
Total comprehensive loss (including share of non-controlling interests in profit (loss))	(141,279)	(83,237)	(770,088)
Company share in Carr's net loss, in USD thousands	(69,936)	(36,992)	(370,433)
Company share in Carr's comprehensive loss, in USD thousands	(337)	(39,744)	(376,033)
Company share in Carr's net loss, in NIS thousands	(248,959)	(130,804)	(1,383,740)
Company's share of Carr's comprehensive loss, in NIS thousands	(1,233)	(140,535)	(1,404,679)

(*) 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.

	As of March 31	As of March 31	As of December 31
	2024	2023	2023
	USD thousands		
Investment property	897,785	2,021,773	1,191,124
Property in development and land for development	44,146	10,071	23,379
Investment in investees	385,337	680,798	435,546
Other non-current assets	159,696	189,623	162,534
Held-for-sale assets	148,878	-	-
Other current assets	36,434	54,015	60,778
Total assets	1,672,276	2,956,280	1,873,361
Liability held for sale	148,878	-	-
Current liabilities	88,823	231,503	160,576
Non-current liabilities	690,672	1,148,737	826,915
Total liabilities	928,373	1,380,240	987,491
Equity attributed to shareholders	695,744	1,468,987	826,172
Non-controlling interests	48,159	107,053	59,698
Equity (including non-controlling interests)	743,903	1,576,040	885,870
Total liabilities and equity	1,672,276	2,956,280	1,873,361
Company share in net assets - in USD thousands	364,192	768,662	432,466
Book value of investment - in NIS thousands	1,340,591	2,778,713	1,568,555

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

A. The Company's holdings in Boston:

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

The balance of the investment in the three Boston Partnerships, in the financial statements as of March 31, 2024, is USD 124 million (approx. NIS 457 million).

In the reporting period, the Group invested a total of USD 0.8 million (approx. NIS 3 million) in the Boston partnerships.

In the reporting period, the Group received dividends and returns of capital from the Boston Partnerships in the total amount of USD 1.3 million (approx. NIS 4.6 million).

B. Fair value adjustments of investment property

In the reporting period, negative revaluations were recorded in the amount of USD 40 million in respect of the Boston Properties (the Group's share in the negative revaluation before tax is approx. USD 21.7 million (NIS 80 million)).

The negative revaluations of the properties in the reporting period resulted mainly from the increase in the discount rate of the projected cash flow of the properties in the range of 0.25%-0.50%.

Note 8 – Loans from Banking Corporations and Financial Institutions

The Company:

Further to Note 12a.1 to the annual financial statements, subsequent to the date of the report, in May 2024, the facility agreement in the amount of NIS 150 million was renewed between the Company and an Israeli bank (hereinafter, in this subsection - the “**Bank**”) for a utilization period of one year from date of signing the renewed agreement (hereinafter, in this subsection - the “**Utilization Period**”) to be repaid by the end of two years from the date of signing (hereinafter, in this subsection - the “**New Facility Agreement**”). The utilized credit under the new facility agreement will bear annual interest at the rate of the Bank's borrowing cost (Prime and/or SOFR and/or SONIA, according to the utilized currency) plus a 2.2% margin on credit that is repayable for a period of up to one year and a margin of 2.5% for credit that is repayable in more than one year from the date of granting.

As of March 31, 2024 and as of the date of publication of the report, the Company has a credit facility in the total amount of NIS 550 million, which is unutilized.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

Energix (consolidated company):

A. **Receipt of financing for the winning projects in Competitive Procedure 2 for the establishment of photovoltaic facilities with combined storage capacity (approx. 81 MWp and 298 MWh)** - Further to Note 12c.6 to the financial statements, during the reporting period, Energix made withdrawals to finance the projects' construction in the amount of approx. NIS 143 million from a total facility of up to NIS 400 million, which it has at its disposal under an agreement for the financing of the projects' construction that was signed in March 2024.

B. **Financing of E3 projects (Virginia 3 and PA1 with a total capacity of 412 MWp)** - Further to Note 12c.2 to the annual financial statements, in April 2024, subsequent to the date of the report, the tax partner's investment in the projects in the amount of approx. USD 275 million was completed and accordingly, the bridging loan provided by Santander CIB to finance the projects' construction costs in the amount of approx. USD 221 million was fully repaid. In addition, on the same date, the short-term loan for the construction period, which was provided by CIB Santander in the amount of approx. USD 260 million, was converted into a long-term back leverage loan in the amount of approx. USD 256 million.

C. During and after the reporting period, Energix increased the credit facility in Israel, Poland and the United States in the amount of approx. NIS 474 million.

D. After the reporting period, Energix signed for a short-term loan from a banking corporation in Poland in the amount of up to USD 75 million.

E. Energix has credit facilities from financial institutions that are used to provide guarantees and for short-term loans. As of the date of the report, the Company has credit facilities in the amount of approx. NIS 807 million, of which the utilized facilities are in the amount of approx. NIS 695 million for guarantees and for short-term loans.

BE (consolidated company):

F. Further to Note 12d(b) to the annual financial statements, 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 capital in the amount of approx. GBP 60 million (the Company's share - approx. GBP 51 million):

(1) A loan in the amount of GBP 75 million instead of a loan in the amount of GBP 132.3 million. 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%.

(2) A loan in the amount of approx. 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 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.

Note 9 – Bond Raising

The Company:

A. Further to Note 11 to the annual consolidated financial statements, as of March 31, 2024, the Company's bonds amount to approx. NIS 5,496,235 thousand, of which NIS 589,426 thousand are classified as current liabilities in the condensed consolidated statements of financial position.

Amot:

B. Further to Note 11b to the annual financial statements, in March 2024, Amot issued NIS 155 million in Amot bonds (Series H) by way of an expansion of the existing series, through a private allocation to classified investors, for a total net consideration of NIS 151 million. The Amot bonds (Series H) bear an effective CPI-linked interest rate of 3.1% and have a 6-year average duration.

C. In March 2024, Amot issued NIS 245 million in bonds (Series I) and NIS 162.7 million in bonds (Series J) to the public, through a shelf offering report, by means of an initial issuance of these bond series, for a total net consideration of NIS 403 million. The Amot bonds (Series I) bear fixed annual interest, linked to the CPI in lieu of February 2024, at a rate of 3.2% (an effective CPI-linked interest rate of 3.3%). The Amot bonds (Series J) bear fixed, unlinked annual interest at a rate of 5.79% (an effective CPI-linked interest rate of 3.3%, including hedging transactions). The Amot bonds (Series I) and the Amot bonds (Series J) have an average duration of approx. 9 years.

The Amot bonds (Series J) principal is payable in four annual payments at a rate of 20% of the principal, each, on January 5 of each of the years from 2033 to 2037 (inclusive). The interest on the Amot bonds (Series I) and on the Amot bonds (Series J) will be paid in annual payments on January 5 of each of the years from 2025 to 2037 (inclusive).

The Amot bonds (Series I) and the Amot bonds (Series J) include financial covenants and generally accepted conditions for their immediate redemption, as detailed in Note 11m to the annual financial statements.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

A. Dividend distributed and dividend declared:

The Company - In March 2024, the Company's Board of Directors made a decision regarding the dividend distribution policy for 2024, according to which the Company will distribute a total dividend of NIS 0.72 per share in 2024, which will be paid in 4 payments of NIS 0.18 per share each (subject to a specific decision of the Board of Directors at the end of each quarter, taking into account business considerations and in accordance with any law).

In accordance with the above, in April 2024, the Company paid the dividend for the first quarter in the amount of NIS 0.18 per share (NIS 32 million).

In May 2024, the Company announced a dividend distribution for the second quarter of 2024 in the amount of NIS 0.18 per share (NIS 32 million), to be paid during June 2024.

Amot (consolidated company) - 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 payments in the amount of NIS 0.27 per share each (subject to a specific decision of the Amot Board of Directors at the end of each quarter). In addition, Amot’s Board of Directors decided to distribute an additional dividend in respect of 2023 in the amount of NIS 0.22 per share.

Further to this Amot policy, in February 2024, Amot paid a dividend for the first quarter of 2024 in the total amount (including the additional dividend) of NIS 49 per share (approx. NIS 231 million, the Company’s share - approx. NIS 118 million).

In May 2024 Amot declared a dividend distribution for the second quarter of 2024 in the amount of NIS 0.27 per share (approx. NIS 127 million, the Company’s share - approx. NIS 65 million), which will be paid in May 2024.

Energix (consolidated company) - In March 2024, the Energix Board of Directors decided that in 2024 Energix intends to distribute an annual dividend in the amount of NIS 0.40 per share, to be paid in 4 quarterly payments of NIS 0.10 per share each (subject to a specific decision by the Energix Board of Directors at the end of each quarter). The Energix Board of Directors also decided on an additional dividend distribution in respect of 2023 in the amount of NIS 0.20 per share.

Further to Energix’s above policy, in March 2024, Energix paid a dividend for the first quarter of 2024 in the total amount (including the additional dividend) of NIS 0.30 per share (approx. NIS 164 million, the Company’s share - approx. NIS 83 million).

In May 2024, Energix declared a dividend distribution for the second quarter of 2024 in the amount of NIS 0.10 per share (approx. NIS 55 million, the Company’s share - approx. NIS 28 million), which will be paid in June 2024.

B. Remuneration of employees and officers:

(1) In March 2024, the Company’s Board of Directors decided to grant an annual ration of 786,031 non-tradable option warrants to three Company officers, 5 directors (including a director who is the daughter of the Company CEO), the Chairman of the Company’s Board of Directors and to 7 employees. The total economic value of the above granted options amounts to approx. NIS 4.3 million. For additional information, see Note 16e. to the annual financial statements.

C. For information regarding the signing of a credit facility agreement with a bank in Israel in the amount of NIS 150 million, subsequent to the date of the report, see Note 8a above.

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 11 – Financial Instruments

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

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

	As of March 31, 2024		As of March 31, 2023		As of December 31, 2023	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial liabilities						
Long-term loans (including maturities)	5,554,990	5,325,024	4,014,709	3,738,949	5,664,380	5,365,126
Bonds (including maturities)	15,511,219	14,745,556	14,564,573	13,586,734	16,101,306	15,256,035
	21,066,209	20,070,580	18,579,282	17,325,683	21,765,686	20,621,161

- The fair value of long-term loans is determined according to discounted cash flows. Interest rates used for discounting are based on a quote obtained from a financial institution for a loan under similar conditions. Calculation of the fair value of long-term loans is according to Level 2.

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

- The fair value of the traded bonds, except for Energix's convertible bonds (Series B), is determined based on prices quoted on the stock exchange in Israel and is in accordance with Level 1.

Note 11 – Financial Instruments (continued)

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

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

	As of March 31, 2024			
	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)	-	2,954	-	2,954
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	907	-	907
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	6,187	-	6,187
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	1,661	1,661
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	98,766	-	98,766
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	87,274	-	87,274
Financial assets measured at fair value through profit and loss:				
Tradable securities	4	-	-	4
Real estate investment funds (1)	-	-	263,082	263,082
	4	196,088	264,743	460,835
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(211,649)	-	(211,649)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(178,462)	(178,462)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(40,511)	-	(40,511)
Financial derivatives (Swap contract for swapping NIS principal and interest with GBP principal and interest) designated for hedging	-	(6,365)	-	(6,365)
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	(4,099)	-	(4,099)
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	(1,014)	-	(1,014)
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	(2,447)	-	(2,447)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(468,982)	-	(468,982)
Contingent consideration for a transaction carried out by Energix with non-controlling interests in the United States (1) (2)	-	-	(84,478)	(84,478)
	-	(735,067)	(262,940)	(998,007)

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 11 – Financial Instruments (continued)

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

	For the three-month period ended March 31, 2024
	NIS thousands
Balance as of January 1, 2024	23,745
Investments	56,412
Amounts recorded to profit and loss in the period	(19,504)
Amounts recorded to other comprehensive income in the period	(58,850)
Balance as of March 31, 2024	1,803

(2) Contingent consideration for a transaction carried out by Energix with non-controlling interests in the United States:

Description of the instrument measured	Fair value as of March 31, 2024	Valuation technique	Discount rate
	NIS thousands		
Contingent consideration	84,478	Discounted cash flows	5.2%-5.4%

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

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

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Financial assets at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping the NIS principal and interest with CHF principal and interest)	-	6,372	-	6,372
Financial derivatives (Swap contract for swapping NIS principal and interest with PLN principal and interest) designated for hedging	-	22,851	-	22,851
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	1,921	-	1,921
Financial derivatives (CAP options for hedging the exposure to variable interest)	-	146,608	-	146,608
Financial derivatives (Swap contract swapping variable interest with fixed interest) designated for hedging	-	49,655	-	49,655
Financial assets measured at fair value through profit and loss:				
Tradable securities	15	-	-	15
Real estate investment funds (1)	-	-	227,989	227,989
	15	227,407	227,989	455,411
Financial liabilities at fair value				
Derivatives:				
Financial derivatives (swap contract, swapping NIS principal and interest with CPI-linked principal and interest) designated for hedging	-	(225,024)	-	(225,024)
Financial derivatives (Swap contract for fixing electricity prices in the US) designated for hedging (1)	-	-	(160,658)	(160,658)
Financial derivatives (swap contract, swapping the NIS principal and interest with USD principal and interest) designated for hedging	-	(44,644)	-	(44,644)
Financial derivatives (Swap contract for swapping NIS principal and interest with GBP principal and interest) designated for hedging	-	(4,432)	-	(4,432)
Financial derivatives (forward contract for foreign currency swap) designated for hedging	-	(472,471)	-	(472,471)
	-	(746,571)	(160,658)	(907,229)

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

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

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 11 – Financial Instruments (continued)

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

	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)

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 11 – 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

C. Changes in investments in associates

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

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2023
	NIS millions	NIS millions	NIS millions
Investment in Carr	(228)	(66)	(1,276)
Investment in Boston	(69)	(41)	(231)

- Investment in Carr - The decrease in the balance of the investment in the reporting period was mainly due to the Group's share in Carr's comprehensive loss (a decrease of approx. NIS 250 million). On the other hand, there was an increase as a result of an increase in the USD exchange rate (an increase of approx. NIS 22 million).

- Investment in Boston - The decrease in the investment balance in the reporting period was resulted mainly from accumulated equity losses in the amount of approx. NIS 74 million. On the other hand, there was an increase due to the increase in the USD exchange rate (an increase of approx. NIS 7 million).

Alony-Hetz Properties and Investments Ltd. | Notes to the Condensed Consolidated Financial Statements

Note 12 – Operating Segments

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

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

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the three-month period ended March 31, 2024							
	Income-generating property segment	Income-generating property segment	Income-generating property segment	Income-generating property segment	Energy segment	Unattributed results	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Group share in investees' profits (losses), net	76,215	(248,969)	(60,221)	(73,814)	39,984	-	(52,369)	(319,174)
Net profits (losses) from investments in securities measured at fair value through profit and loss	-	-	-	(10,311)	-	-	(7,068)	(17,379)
Profit from decrease in rate of holding, from purchase and realization of associates	-	10	-	-	-	-	-	10
Other revenue, net (*)	2,801	-	-	-	2,648	-	477,870	483,319
	79,016	(248,959)	(60,221)	(84,125)	42,632	-	418,433	146,776
Administrative and general	-	-	-	-	-	9,397	48,654	58,051
Financing expenses, net	-	-	-	-	-	58,935	115,581	174,516
Other expenses, net (*)	-	-	-	-	-	-	112,102	112,102
	-	-	-	-	-	68,332	276,337	344,669
Profit before tax	79,016	(248,959)	(60,221)	(84,125)	42,632	(68,332)	142,096	(197,893)
Additional information regarding segment results:								
Revenue (in the investee's books) including revaluation profits (losses)	249,671	(431,764)	(24,488)		230,480			
Revaluation profits (losses) (in the investee's books), before tax (**)	3,331	(585,207)	(76,703)		-			
Revenue from the tax partner	-	-	-		17,470			
Net profit (loss) (in the investee's books)	149,171	(516,045)	(72,132)		80,065			
Company share in net profits	76,215	(248,969)	(60,221)		39,984			

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

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

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

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

	As of March 31, 2024							
	Income-generating property segment				Energy segment	Unattributed assets and liabilities	Adjustments	Total
	Amot	CARR	BE	Others	Energix			
	NIS thousands							
Assets:								
Investment in investees	4,463,989	1,340,594	2,878,220	456,958	1,112,751	10,013	(8,028,180)	2,234,345
Investment in securities measured at fair value through profit and loss	-	-	212,921	-	-	4	50,161	263,086
Other assets	-	-	-	-	-	179,910	35,776,404	35,956,314
	4,463,989	1,340,594	3,091,141	456,958	1,112,751	189,927	27,798,385	38,453,745
Liabilities	-	-	-	-	-	5,996,487	21,758,482	27,754,969

Note 12 – Operating Segments (continued)

Segment revenues and results

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

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

(*) Other net revenues/expenses, mainly consisting of revenues/expenses from rental fees and management of investment property and from the activation of electricity-generating facilities, which are included in other items in the statement of income.

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

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

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

Note 12 – Operating Segments (continued)

Segment revenues and results

	For the 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 investees' profits, 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)
Revenues from decrease in holdings in investees	-	449	-	-	-		-	449
Other revenues, 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)	-	(2,830,161)	(1,192,651)		258,068			
Company share in net profits (loss)	371,116	(1,383,740)	(993,819)		130,138			

For additional information regarding Carr's concise financial information, see Note 6e to the annual financial statements.

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

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

Note 12 – Operating Segments (continued)

Segment assets and liabilities:

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 12 – Operating Segments (continued)

Geographical information:

	For the three-month period ended March 31, 2024							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	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	279,264	-	52,214	-	-	-	-	331,478
Fair value adjustments of investment property	3,331	-	(76,703)	-	-	-	-	(73,372)
Group share in profits (losses) of associates, net	4,697	(322,782)	(1,089)	-	-	-	-	(319,174)
Revenues from sale of electricity and green certificates	-	-	-	32,008	162,382	28,158	-	222,548
Other	32	10	(17,379)	2,633	-	-	-	(14,704)
	287,324	(322,772)	(42,957)	34,641	162,382	28,158	-	146,776
Costs and expenses								
Cost of investment property rental and operation	33,407	-	3,727	-	-	-	-	37,134
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	8,343	17,761	5,578	-	31,682
Depreciation and amortizations	793	-	532	14,198	15,750	11,685	328	43,286
	34,200	-	4,259	22,541	33,511	17,263	328	112,102
Administrative and general expenses							58,051	58,051
Profit (loss) before financing	253,124	(322,772)	(47,216)	12,100	128,871	10,895	(58,379)	(23,377)

Note 12 – Operating Segments (continued)

Geographic information:

	As of March 31, 2024								
	Income-generating property		Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	Canada	USA (*)	UK	Israel	Poland	USA	Others	Total
	NIS thousands		NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Main assets									
Investment property (including investment property in development and land rights)	18,952,303	-	-	4,958,130	-	-	-	-	23,910,433
Investments in associates	423,570	-	1,797,552	3,246	-	-	-	9,977	2,234,345
Connected electricity-generating facilities	-		-	-	911,341	1,511,112	3,190,130	-	5,612,583
Electricity-generating facilities in development	-	-	-	-	1,373,061	75,917	809,390	-	2,258,368
Right-of-use asset	-	-	-	-	194,110	139,335	315,663	-	649,108
Securities measured at fair value through profit and loss (**)	-	-	-	263,082	-	-	-	4	263,086
	19,375,873	-	1,797,552	5,224,458	2,478,512	1,726,364	4,315,183	9,981	34,927,923

(*) The balance is in respect of an investment in Carr in the amount of NIS 1,340,594 thousand in respect of an investment in Boston in the amount of NIS 456,958 thousand.

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

Note 12 – Operating Segments (continued)

Geographical information:

	For the three-month period ended March 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	UK	Israel	Poland	USA	Others	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	272,254	-	50,017	-	-	-	-	322,271
Fair value adjustments of investment property	-	-	(157,161)	-	-	-	-	(157,161)
Group share in profits (losses) of associates, net	4,123	(198,834)	(1,396)	-	-	-	-	(196,107)
Revenues from sale of electricity and green certificates	-	-	-	30,268	257,307	8,299	-	295,874
Other	29	111	388	670	-	-	(3)	1,195
	276,406	(198,723)	(108,152)	30,938	257,307	8,299	(3)	266,072
Costs and expenses								
Cost of investment property rental and operation	34,849	-	6,424	-	-	-	-	41,273
Development, maintenance and operation costs of electricity-generating facilities	-	-	-	5,243	10,259	5,859	-	21,361
Depreciation and amortizations	803	-	521	8,658	11,376	6,725	5,544	33,627
	35,652	-	6,945	13,901	21,635	12,584	5,544	96,261
Administrative and general expenses							46,296	46,296
Profit before financing	240,754	(198,723)	(115,097)	17,037	235,672	(4,285)	(51,843)	123,515

Note 12 – Operating Segments (continued)

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

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

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

Note 12 – Operating Segments (continued)

Geographical information:

	For the year ended December 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy		
	Israel	USA	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 12 – Operating Segments (continued)

Geographical information:

	As of December 31, 2023							
	Income-generating property	Income-generating property	Income-generating property	Energy	Energy	Energy	Others	Total
	Israel	USA (*)	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 13 – Deposits, Tradable Securities and Restricted Cash

Deposits, tradable securities and restricted cash	As of March 31		As of December 31
	2024	2023	2023
	NIS thousands	NIS thousands	NIS thousands
	(Unaudited)	(Unaudited)	
Short-term deposits	-	400,000	-
Short-term pledged deposits and restricted cash (*)	640,202	24,820	641,620
	640,202	424,820	641,620

(*) As of the date of the report, a total of NIS 635 million is in respect of cash received from the tax partner in Energix and will be used to repay the bridging loan subsequent to the reporting period.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OF FINANCIAL REPORTING AND DISCLOSURE

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

IMAGE OF THE DOVETAIL BULIDING

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

For the First Quarter of 2024

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

In this regard, the members of management are:

1. Nathan Hetz, CEO;

2. Moti Barzilay, VP of Business Development;

3. Oren Frenkel, Chief Financial Officer;

4. Hanan Feldmus, Legal Counsel;

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

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

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

In the annual report on the effectiveness of the internal controls over the financial reporting and disclosure attached to the periodic report for the period ended December 31, 2023 (hereinafter - the "**Latest Annual Report on Internal Controls**"), the Board of Directors and management assessed the Corporation's internal controls. Based on this assessment, the Corporation's Board of Directors and management reached the conclusion that the internal controls as of December 31, 2023 are effective.

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

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

Executive Statements

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

Executive Statement | Statement of the CEO

I, Nathan Hetz, do hereby state that:

1. I have examined the quarterly report of Alony-Hetz Properties and Investments Ltd. (hereinafter - the "**Corporation**") for the first quarter of 2024 (hereinafter - the "**Reports**");

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

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

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

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

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

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

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

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

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

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

Signature

May 20, 2024 — Nathan Hetz, CEO

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

Executive Statement | Statement of the Senior Finance Officer

I, Oren Frenkel, do hereby state that:

1. I have examined the Interim Financial Statements and the other financial information included in the interim reports of Alony-Hetz Properties and Investments Ltd. (hereinafter - the "**Corporation**") for the first quarter of 2024 (hereinafter - the "**Reports**" or the "**Interim Reports**");

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

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

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

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

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

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

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

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

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

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

Signature

May 20, 2024 Oren Frenkel, Chief Financial Officer

REFERENCE TO THE REPORT ON THE CORPORATION'S LIABILITIES BY REPAYMENT DATES

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

AMOT PLATINUM, PETAH TIKVA

Report on the Status of Liabilities by Repayment Dates, as of March 31, 2024

Regarding the status of liabilities by repayment dates as of March 31, 2024, see the Immediate Report dated May 21, 2024.

ATTACHMENT OF THE FINANCIAL STATEMENTS OF AN ASSOCIATE - CARR

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

IMAGE OF TOHA2, TEL AVIV

CARR PROPERTIES HOLDINGS L.P.

Condensed Consolidated Financial Statements as of March 31, 2024 (Unaudited)

CARR PROPERTIES HOLDINGS L.P.

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Report of Independent Auditors

To the Management of Carr Properties Holdings L.P.

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated interim financial information of Carr Properties Holdings L.P. and its subsidiaries (the "Partnership"), which comprise the condensed consolidated balance sheet as of March 31, 2024, and the related condensed consolidated statements of operations and comprehensive income (loss), of changes in equity, and of cash flows for the three-month periods ended March 31, 2024 and 2023, including the related notes (collectively referred to as the "condensed consolidated interim financial information").

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

Basis for Review Results

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

Responsibilities of Management for the Condensed Consolidated Interim Financial Information

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

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Carr Properties Holdings L.P. and its subsidiaries as of December 31, 2023, and the related consolidated statements of operations and comprehensive income (loss), of changes in equity and of cash flows for the year then ended (not presented herein), and in our report dated February 15, 2024, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2023, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Washington, District Of Columbia
May 9, 2024

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

	Notes	March 31, 2024	December 31, 2023
ASSETS			
Non-current assets			
Investment properties, at fair value			
Income generating properties	4,11	$ 897,785	$ 1,191,124
Properties in development	4,11	44,146	23,379
Investments in associates and joint ventures	5	385,337	435,546
Goodwill	8	9,326	9,326
Derivative assets, net of current	12	25,738	18,045
Straight line rent receivable		90,179	100,608
Deferred leasing costs and other, net		34,453	34,555
		1,486,964	1,812,583
Current assets			
Trade receivables, net		5,165	9,185
Prepaid expense and other assets		11,533	16,572
Restricted cash	10	428	1,705
Cash and cash equivalents		18,407	31,050
Derivative assets	12	901	2,266
Assets held for sale	6	148,878	—
		185,312	60,778
Total assets		$ 1,672,276	$ 1,873,361
EQUITY			
Equity attributable to common shareholders	19	$ 1,666,082	$ 1,666,082
Equity reserve from increase in CPP		9,730	9,725
Equity reserve for cash flow hedges		(4,941)	(4,298)
Retained earnings (accumulated deficit)		(975,127)	(845,337)
Equity attributable to non-redeemable non-controlling interests	18	48,159	59,698
Total equity		743,903	885,870
LIABILITIES			
Non-current liabilities			
Credit facility, net of deferred financing fees	8,9	$ 415,033	$ 396,620
Notes payable, net of current portion and deferred financing fees	8,9	100,546	244,818
Lease liabilities, net of current portion	6	146,590	150,617
Redeemable non-controlling interests, net of current portion	18	20,374	24,194
Security deposits		2,146	3,388
Other liabilities		5,983	7,278
		690,672	826,915
Current liabilities			
Current portion of notes payable, net of deferred financing fees	8,9	62,686	127,854
Current portion of lease liabilities	6	288	360
Current portion of redeemable non-controlling interests	18	2,973	2,251
Rent received in advance		3,927	6,335
Trade and other payables		18,949	23,776
Liabilities held for sale	6	148,878	—
		237,701	160,576
Total liabilities		928,373	987,491
Total equity and liabilities		$ 1,672,276	$ 1,873,361

Oliver T. Carr	Oliver T. Carr	Member of the Board and Chief Executive Officer
Eric Tracy	Eric Tracy	Chief Financial Officer
Financial Statements Approval Date	May 9, 2024	

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

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

	Notes	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues			
Rental revenue		$ 33,607	$ 48,592
Recoveries from tenants		4,887	5,687
Parking income		2,005	2,763
Property management fees and other	15	1,373	1,367
Total revenues		41,872	58,409
Operating expenses			
Property operating expenses			
Direct payroll and benefits		1,801	2,312
Repairs and maintenance		2,022	2,425
Cleaning		1,180	1,399
Utilities		1,980	2,591
Real estate and other taxes		7,007	9,441
Other expenses	14	4,948	5,554
Property operating expenses		18,938	23,722
Non-property general and administrative expenses	13	5,678	5,802
Total operating expenses		24,616	29,524
Other operating loss			
Net loss from fair value adjustment of investment properties	4	(113,565)	(99,799)
Realized gain on investment properties	4	15,261	—
(Loss) income from investments in associates and joint ventures	5	(54,500)	4,658
Total other operating loss		(152,804)	(95,141)
Operating loss		(135,548)	(66,256)
Other (expense) income			
Other income		156	18
Revaluation of redeemable non-controlling interests		4,378	4,259
Interest expense	9	(9,851)	(15,291)
Pre-tax (loss)		(140,865)	(77,270)
Income and franchise tax benefit		(45)	(122)
Net (loss)		$ (140,820)	$ (77,148)
Attribution of net (loss)			
Common shareholders		$ (129,790)	$ (70,695)
Non-redeemable non-controlling interests		(11,030)	(6,453)
		$ (140,820)	$ (77,148)
Other comprehensive income			
Items that may be subsequently reclassified to income or loss:			
Unrealized gain (loss) on cash flow hedges	12	$ 4,532	$ (2,729)
Hedging (gains) reclassified to net income	12	(4,991)	(3,360)
Other comprehensive loss		(459)	(6,089)
Total comprehensive loss		$ (141,279)	$ (83,237)
Attribution of comprehensive (loss) income			
Common shareholders		$ (130,433)	$ (75,896)
Non-redeemable non-controlling interests		(10,846)	(7,341)
		$ (141,279)	$ (83,237)

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

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

	Notes	Equity Attributable to Common Shareholders		Equity Reserve from Increase in CPP	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ (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		—	—	—	—	—	—	123	123
Issuance of common shares, net of offering costs	18	142					—	—	—
Change in equity reserve from increase in CPP		—	—	130	—	—	130	832	962
Net loss		—	—	—	—	(70,695)	(70,695)	(6,453)	(77,148)
Other comprehensive income	11	—	—	—	(5,201)	—	(5,201)	(888)	(6,089)
Reverse stock split		(1,465,689)							—
Dividends	19	—	—	—	—	—	—	(962)	(962)
Balance as of March 31, 2023		14,947	1,666,533	9,618	1,199	(208,362)	1,468,988	107,052	1,576,040

	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, 2023		15,472	$ 1,666,082	$ 9,725	$ (4,298)	$ (845,337)	$ 826,172	$ 59,698	$ 885,870
Non-controlling interest partner distribution	4	—	—	—	—	—	—	(680)	(680)
Change in equity reserve from increase in CPP		—	—	5	—	—	5	(5)	—
Net loss		—	—	—	—	(129,790)	(129,790)	(11,030)	(140,820)
Other comprehensive loss	11	—	—	—	(643)	—	(643)	184	(459)
Dividends	17	—	—	—	—	—	—	(8)	(8)
Balance as of March 31, 2024		15,472	$ 1,666,082	$ 9,730	$ (4,941)	$ (975,127)	$ 695,744	$ 48,159	$ 743,903

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

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

	Notes	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities			
Net (loss) income		$ (140,820)	$ (77,148)
Adjustments to reconcile net income to net cash provided by operating activities			
Net loss from fair value adjustment of investment properties	4	113,565	99,799
Loss (income) from investments in associates and joint ventures	5	54,500	(4,658)
Net realized gain on investment properties	4	(15,261)	—
Income and franchise tax benefit		(45)	(122)
Interest expense, net excluding amortization of deferred financing fees	8	9,327	14,873
Amortization of deferred financing fees		514	451
Amortization of deferred leasing costs and lease incentives		455	1,462
Amortization of other non-cash items		135	126
Provision for bad debt expense		443	53
Impairment of straight-line rent receivable		1,074	—
Straight line rent		(243)	(3,033)
LTIP Compensation/(Revaluation)		(60)	430
Revaluation of redeemable non-controlling interests		(4,378)	(4,259)
Changes in assets and liabilities			
Trade receivables		3,092	(3,194)
Purchase of interest rate cap		(7,892)	—
Prepaid expense and other assets		5,039	1,263
Trade and other payables		(5,935)	(7,845)
Rent received in advance		(2,445)	(1,296)
Cash generated by operations		**11,065**	**16,902**
Cash paid for interest		(8,284)	(12,988)
Net cash provided by operating activities		**2,781**	**3,914**
Cash flows from investing activities			
Deconsolidation of cash and cash equivalents associated with 2001 Pennsylvania Ave	4	(544)	—
Contributions to investment in associates and joint ventures	5	(1,350)	(8,538)
Return of capital from investments in associates	5	8	4,112
Acquisition of development property		(19,473)	—
Additions to deferred leasing costs		(680)	(299)
Additions to tenant improvements		(869)	(11,013)
Additions to construction in progress, including capitalized interest		(1,023)	(1,375)
Other capital improvements on income generating properties		(3,775)	(3,596)
Decrease in restricted cash		29	129
Net cash (used in) investing activities		**(27,677)**	**(20,580)**
Cash flows from financing activities			
Redemption of redeemable non-controlling interest	18	(681)	(24)
Distribution to non-controlling interest partner	4	(680)	—
Principal portion of lease payments		(96)	(340)
Borrowings under credit facility	8	18,000	12,000
Repayments of notes payable	8	(702)	(682)
Payment of deferred financing fees		(418)	—
Distributions to shareholders and non-redeemable non-controlling interests		(8)	—
Issuance of preferred shares of consolidated subsidiary, net of offering costs		—	123
Net cash (used in) provided by financing activities		**15,415**	**11,077**

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

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

	Notes	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net (decrease) increase in cash and cash equivalents		**(9,481)**	**(5,589)**
Net change in cash and cash equivalents classified within assets held for sale		**(3,162)**	**—**
Cash and cash equivalents, beginning of the period		**31,050**	**36,629**
Cash and cash equivalents, end of the period		**$ 18,407**	**$ 31,040**
Supplemental disclosures of non-cash information:			
Capitalized interest		$ 583	$ 139
Accrual of retainage liabilities and construction requisitions for income generating properties and development projects		423	193
Lease liabilities arising from obtaining/revaluing right-of-use assets	6	—	3
Non-cash interest expense	8	609	588
Deconsolidation of property and other assets associated with 2001 Pennsylvania Ave	4	55,759	—
Deconsolidation of debt and other liabilities associated with 2001 Pennsylvania Ave	4	(71,020)	—
DRIP reinvestment of non-controlling interests at CPP		—	962

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

1. Organization and Description of Business

Carr Properties Holdings L.P. (“CPH”) was formed as a Delaware limited partnership. CPH is referred to herein as "we," "us," "our" or other similar terms. CPH’s corporate headquarters are located at 1615 L Street, NW, Suite 650, Washington, D.C. 20036. CPH owns a 100% interest in Carr Properties Corporation (“CPC”), which owns an 91.05% interest in Carr Properties Partnership (“CPP”) a consolidated subsidiary. Through CPP, and various consolidated subsidiaries, CPH owns, operates and develops 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. CPH has 13 consolidated properties, including 1 joint operation, and 3 non-consolidated properties owned through joint ventures.

CPH 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, Clal CW Mishtatef RH, LP, Clal CW Mishtatef US, LP, and Clal CW Hishtalmut US, LP, 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 CPH as of March 31, 2024, were 52.33%, 38.89%, and 8.76%, respectively. The remaining interests are held by five additional investors.

2. Basis of Presentation and Summary of Significant Accounting Policies

(a) Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and as such do not include all the disclosures that would be included in annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with CPH's consolidated financial statements and notes thereto contained in CPH's audited annual consolidated financial statements for the year ended December 31, 2023. Any changes to accounting policies and methods of computation during the three months ended March 31, 2024 are specifically disclosed. We believe the disclosures are adequate to ensure the information presented is not misleading. In our opinion, all adjustments and eliminations, consisting only of normal, recurring adjustments necessary for a fair statement of the condensed consolidated financial statements for the interim periods, have been included. The results of operations for the interim periods are not necessarily indicative of the operating results for the full year.

(b) Basis of Presentation

The preparation of financial statements requires us 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 CPH's functional and reporting currency. CPH has elected to present a single statement of operations and comprehensive income and to disclose its expenses by nature.

CPH 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 CPH’s business activities.

(c) Principles of Consolidation

General

The condensed consolidated financial statements include financial statements of CPH and its subsidiaries. Subsidiaries are all entities which CPH has control over, generally accompanying an ownership of more than 50% of the voting rights. Control exists when CPH is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Barriers that would deter CPH 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 CPH and de-consolidated from the date that control ceases. All intercompany balances and transactions, primarily management fees, have been eliminated in consolidation.

Investments in associates and joint ventures

Associates are entities over which CPH 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 CPH's share of profits, losses, contributions and distributions. Significant influence is derived when CPH 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. CPH's ownership interests in the real estate investments owned by the associates also reflect CPH's ownership interests in the associates' other assets and liabilities, including the associates' debt. CPH's share of profits or losses is recognized in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), and CPH records its share of losses until the carrying amount of its investment is reduced to zero. No further losses are recorded by CPH 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, CPH 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

CPH may enter into contractual arrangements related to the ownership of investment or development properties. CPH 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 CPH 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

CPH's condensed consolidated financial statements include the accounts of CPH 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 Condensed 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 Condensed Consolidated Balance Sheets depending on the contractual provisions of the redemption features. Redeemable non-controlling interests are recorded at contractual redemption amounts based on the Net Asset Value of CPP at each respective period end. The associated gains and losses are recorded within "Revaluation of redeemable non-controlling interests" on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

(d) Leases

CPH is the lessee to ground leases under its Columbia Center and 1701 Duke Street properties. CPH also enters into various office, 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, CPH allocates the consideration in the contract to each component on the basis of their relative standalone prices. However, for the leases of land and air rights, CPH has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

CPH 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 any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROUA for ground and air rights leases qualify as investment property and as such are measured at fair value. The ROUA for office and equipment leases is subsequently depreciated using the straight-line method from the lease commencement date to the end of the lease term. In addition, the ROUA for equipment leases 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, CPH's incremental borrowing rate. Generally, CPH 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 CPH is reasonably certain to exercise, lease payments in an optional renewal period if CPH is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless CPH 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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

(e) Acquisitions/Dispositions of Investment Property

Acquisitions

CPH 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 associated with the investment property will flow to the CPH; and (ii) the cost of the investment property can be measured reliably. CPH 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.

CPH 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. CPH recognizes any contingent consideration to be transferred by CPH at its acquisition date fair value. Goodwill represents the purchase price of acquired businesses in excess of the fair value of net assets acquired and liabilities assumed. Acquisition related costs for business combinations are expensed in the period incurred.

Assets Held for Sale

CPH classifies disposal groups as held for sale when it has determined that its carrying amount will be recovered principally through a sale transaction rather than its continuing use. The sale must be considered highly probable whereby management has the authority to approve the action, commits to a plan to sell the asset, and the sale of the asset is probable with completion expected within one year.

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

(f) Investment Properties

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" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), in the period in which they arise. CPH 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 benefits derived from expected cash outflows in respect to investment property. Some of those outflows are recognized as a separate liability on the Condensed Consolidated Balance Sheets, including lease liabilities associated with ground leases or air rights, while others are expensed as incurred. Those cash outflows recognized as a separate liability are excluded from the determination of fair value of Investment Properties on the Condensed Consolidated Balance Sheets.

Certain investment properties being constructed, developed or redeveloped are also measured at fair value. Fair value measurement of an investment property in development is only applied if the fair value is considered to be reliably measurable. If CPH 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.

CPH 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. CPH 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, CPH 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.

Development rights are opportunities in the early phase of the development process where CPH either has an option to acquire land, enter into a leasehold interest or where CPH is the buyer under a long-term conditional contract to purchase land. CPH capitalizes related pre-development costs incurred in pursuit of new developments for which CPH currently believes future development is probable.

(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. CPH evaluates the values assigned to its goodwill, which has an indefinite life, through an impairment test on an annual basis or more frequently if indicators of impairment are present. No such losses have been identified and reflected in the accompanying condensed consolidated financial statements.

(h) Restricted Cash

CPH 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 Condensed Consolidated Statements of Cash Flows, changes in restricted cash are classified according to their nature.

(i) Fair Value Measurements

CPH measures the fair value of its assets and liabilities. CPH 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 three months ended March 31, 2024 and 2023.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement requires the use of unobservable inputs and is not based on observable market information, that measurement falls under Level 3 of the fair value hierarchy.

Investment Properties

CPH 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 CPH. Such valuation techniques include income capitalization and sales comparison approaches. CPH also considers actual sale negotiations and bona fide purchase offers received from third parties, as well as independent external appraisals. In general, CPH 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 our judgment 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

CPH 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 Condensed Consolidated Balance Sheets. CPH does not enter into hedging derivative transactions for trading or other speculative purposes. The valuation of the derivative contracts is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each contract. This analysis reflects the contractual terms of the derivative instrument, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatility.

CPH assesses the effectiveness of qualifying cash flow hedges both at inception and on an on-going basis. CPH defers the effective portion of changes in fair value of the designated cash flow hedges to "Other Comprehensive Income (Loss)" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), which is subsequently reclassified into "Interest Expense" in the period the hedged forecasted transactions affect earnings. CPH 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, CPH recognizes changes in fair value as a component of "Interest Expense".

CPH 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, CPH considers 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. CPH 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, CPH monitors the credit ratings of counterparties and the exposure of CPH to any single entity, thus reducing credit risk concentration.

The majority of the inputs used to value CPH’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. CPH believes the likelihood of realizing losses from counterparty nonperformance is remote and accordingly has classified the derivative assets and liabilities as Level 2 in the fair value hierarchy.

(j) Revenue Recognition

Rental Revenue

CPH 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.

CPH assesses its straight-line rent receivable balances for impairment when lease payments are in doubt. To the extent CPH 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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

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

If CPH 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, CPH 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 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 CPH cannot determine that collectability of the lease termination revenue is reasonably assured.

Future cash revenues under non-cancelable leases as of March 31, 2024 are as follows:

Years Ending December 31,	**Amount**
2024	75,477
2025	94,009
2026	95,185
2027	90,803
2028	72,717
Thereafter	408,739
	$ 836,930

Recoveries from Tenants

CPH incurs certain property operating expenses that are subject to reimbursement by the tenant. For all investment properties, CPH reports these operating expenses, subject to tenant recovery, on a gross basis. CPH 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 CPH for managing the construction of tenant and capital improvements at properties owned by related 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. CPH determined the overall service of providing construction management activities 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 CPH's proportion of the management fees earned from unconsolidated entities in which CPH is invested have been eliminated in consolidation.

Property Management Fees

Management fees are earned by CPH 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. CPH determined the overall service of providing property management activities has the same pattern of performance over the term of the agreement. Management fees for wholly owned properties have been eliminated in consolidation.

Parking Income

CPH generates revenues from the parking garages located within its operating properties through third-party management agreements. CPH operates as a principal with respect to parking activities as it retains the ability to direct the use of and derive substantially all of the benefits from the parking facilities and, accordingly, records parking revenue on a gross basis.

(k) Trade and Other Payables

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

3. Standards Issued

IFRS 18, Presentation and disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and disclosure in Financial Statements which replaces IAS 1, Presentation of Financial Statements. The new standard is a result of the IASB's Primary Financial Statements project, which is aimed at improving comparability and transparency of communication in financial statements.

While a number of sections have been brought forward from IAS 1, with limited wording changes, IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including the specified totals and subtotals. It also requires disclosure of management defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

In addition, certain amendments have been made to IAS 7, Statements of Cash flows.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. Comparative periods in both interim and annual financial statements will need to be restated.

CPH is currently assessing the new requirements of IFRS 18.

4. Investment Properties

Acquisitions

On February 5, 2024, CPH acquired 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 site is planned to be re-developed into a multifamily property. As part of the acquisition, CPH also paid the seller $4.0 million as a reimbursement of pre-development expenses.

Dispositions

On March 12, 2024, CPH deconsolidated the subsidiary that owns a commercial office building and leases air rights at 2001 Pennsylvania Avenue ("2001 Penn"). CPH lost the power to affect the returns of 2001 Penn in conjunction with a modification to the loan encumbering the asset, but retained significant influence over the subsidiary. See note 9 - "Debt" for additional detail regarding the loan modification. A gain of $15.3 million was recorded upon deconsolidation within "Net realized gain on investment properties" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). As of March 31, 2024, CPH's investment in the affiliate was zero, and CPH has discontinued recording losses as it has not guaranteed the entity's obligations or otherwise committed to providing financial support.

On August 25, 2023, CPH completed the sale of The Elm and its accompanying assets and liabilities at a contractual price of $250.0 million. CPH used the proceeds to pay down $234.5 million of the credit facility. CPH 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, CPH deconsolidated the subsidiary that owns a commercial office building located at 1615 L Street ("1615 L Street"). CPH 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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2023. As of December 31, 2023 and as of March 31, 2024, CPH's investment in the affiliate was zero, and CPH has discontinued recording losses as it has not guaranteed the entity's obligations or otherwise committed to providing financial support.

Income Generating Properties

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

Balance, December 31, 2023	**$**	**1,191,124**
Capital expenditures additions and other		5,231
Net loss from fair value adjustment of income generating properties		(113,565)
Reclassification of 75-101 Federal Street to properties held for sale		(135,091)
Deconsolidation of 2001 Pennsylvania Ave		(49,914)
Balance, March 31, 2024	**$**	**897,785**

Joint Arrangements

CPH'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. CPH 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, CPH recognizes its proportionate ownership of the assets, liabilities, revenue and expenses within its financial statements.

The fair value of CPH's proportionate interest in the investment property was $144.5 million as of March 31, 2024, and the carrying value of the associated debt, net of deferred financing costs, was $143.4 million. As of March 31, 2024, the assets encompassing 75-101 Federal Street were reclassified to "Assets held for sale" on the Condensed Consolidated Balance Sheets and the liabilities were reclassified to "Liabilities held for sale" on the Condensed Consolidated Balance Sheets. Refer to Note 6 - "Assets Held for Sale" for additional detail.

Properties in Development

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

Balance, December 31, 2023	**$**	**23,379**
Capital expenditures additions and other		1,294
Acquisition of 901 North Pitt (land and building improvement)		19,473
Balance, March 31, 2024	**$**	**44,146**

Consolidated, Non-Wholly Owned Properties, and Capital Contributions

CPH is a controlling partner of the subsidiary that owns 2311 Wilson, an approximately 178,000 square foot office building completed in February 2018. As of March 31, 2024, the building was 100% leased. During the three months ended March 31, 2024, the consolidated non-wholly owned operating property distributed a total of $1.7 million, of which $0.7 million were distributed to the non-controlling interests, and $1.0 million to CPH. There were no distributions for the three months ended March 31, 2023.

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

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

	As of March 31, 2024						For the three months ended March 31, 2024	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	2,450	86,859	1,232	80,690	7,387	2,378	(6,533)
Less interest held by non-controlling interests						(2,955)		2,613
Equity attributable to CPH						$ 4,432		$ (3,920)

	As of December 31, 2023						For the three months ended March 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
2311 Wilson	60.00 %	2,644	94,156	1,053	80,690	15,057	2,370	(4,670)
Less interest held by non-controlling interests						(6,022)		1,868
Equity attributable to CPH						$ 9,035		$ (2,802)

5. Investments in Associates and Joint Ventures

The changes in CPH's investments in associates and joint ventures are set forth below:

Balance, December 31, 2023	**$ 435,546**
Contributions	1,350
Distributions	(8)
Share of unrealized loss on valuation of underlying properties	(61,386)
Share of net income (excluding unrealized loss on valuation)	9,835
Balance, March 31 2024	**$ 385,337**

Financial information related to CPH's investments in associates and joint ventures is as follows:

	As of March 31, 2024						For the three months ended March 31, 2024	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center	51.00 %	$ 8,466	$ 593,390	$ 8,929	$ 529,198	$ 63,729	$ 17,909	$ (32,337)
100 Congress	51.00 %	5,232	232,608	6,929	140,592	90,319	7,545	(20,719)
One Congress	75.00 %	8,127	1,008,081	524,683	80,373	411,152	18,890	(34,655)
		$ 21,825	$ 1,834,079	$ 540,541	$ 750,163	$ 565,200	$ 44,344	$ (87,711)
Less: interest held by third-parties						(179,863)		33,211
Amounts per financial statements						$ 385,337		$ (54,500)

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

	As of December 31, 2023						For the three months ended March 31, 2023	
Property	**Percent Owned**	**Current Assets**	**Non-Current Assets**	**Current Liabilities**	**Non-Current Liabilities**	**Equity**	**Revenues**	**Net Income (Loss)**
Midtown Center [1]	51.00 %	$ 6,602	$ 686,464	$ 9,497	$ 590,452	$ 93,117	$ 20,402	$ (11,787)
100 Congress	51.00 %	7,585	255,100	10,716	140,932	111,037	7,239	(2,896)
One Congress	75.00 %	6,154	1,031,609	512,800	80,948	444,015	—	16,208
		$ 20,341	$1,973,173	$ 533,013	$ 812,332	$ 648,169	$ 27,641	$ 1,525
Less: interest held by third-parties						(212,623)		3,133
Amounts per financial statements						$ 435,546		$ 4,658

(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.

Debt

The debt related to CPH's investments in associates and joint ventures is as follows:

			Principal Balance as of [2]	
Property	**Contractual Rate**	**Maturity**	**March 31, 2024**	**December 31, 2023**
Midtown Center	3.09%	10/11/2029	$ 267,750	$ 267,750
100 Congress	3.30%	11/1/2026	71,146	71,200
One Congress	SOFR + 1.75%	12/10/2024[1]	380,346	368,828
			$ 719,242	**$ 707,778**

(1) Loan is eligible for a one-year loan extension option, subject to terms and conditions.
(2) Principal balances represent CPH's ownership share in the outstanding debt.

6. Assets Held for Sale

2024 Assets Held for Sale

On April 1, 2024, CPH sold its interest in 75-101 Federal Street for nominal consideration, which included the assignment of CPH's interest in the mortgage encumbering the building and the related interest rate cap. CPH classified 75-101 Federal Street as held for sale as of March 31, 2024 as the criteria for such classification has been met.

CPH's assets and liabilities held for sale as of March 31, 2024, are as follows:

	March 31, 2024
Assets	
Property, at fair value	$ 135,091
Restricted cash	3,511
Derivative assets	762
Straight line rent receivable	5,134
Deferred leasing costs and other, net	801
Trade receivables, net	409
Prepaid expenses and other assets	8
Cash and cash equivalents	3,162
Total Assets Held for Sale	**$ 148,878**
Liabilities	

Notes payable	$	143,437
Security deposits		1,444
Other liabilities		2,027
Rent received in advance		311
Trade and other payables		1,659
Total Liabilities Held for Sale	**$**	**148,878**

Operating results of CPH's assets held for sale for the three months ended March 31, 2024, are as follows:

		Three months ended March 31, 2024
Revenues		
Rental revenue and other		5,277
Total Revenues	**$**	**5,277**
Expenses		
Property operating expenses		2,610
Total Expenses	**$**	**2,610**
Net gain (loss) from fair value adjustment of investment properties		(16,671)
Operating income (loss)	**$**	**(14,004)**

2023 Assets Held for Sale

There were no assets classified as Held for Sale for the year ended December 31, 2023.

7. Leases

The Condensed 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 CPH's corporate office, equipment, and copier leases:

		March 31, 2024		**December 31, 2023**
Non-current assets				
Income generating properties, net of ROUA	$	825,585	$	1,112,824
ROUA, at fair value		72,200		78,300
Income generating properties, at fair value		897,785		1,191,124
Properties in development, net of ROUA		44,146		23,379
Properties in development, at fair value		44,146		23,379
Total investment properties, at fair value		**941,931**		**1,214,503**
Current assets				
Prepaid expense and other assets, net of ROUA		8,577		13,526
ROUA, net of accumulated depreciation		2,956		3,046
Prepaid expense and other assets	**$**	**11,533**	**$**	**16,572**

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

A summary of CPH's lease assets is as follows:

ROUA	**Ground Lease and Air Rights, at fair value**	**Corporate Office, Equipment, and Copier Leases**	**Total**
Balance as of December 31, 2023	**$ 78,300**	**$ 3,046**	**$ 81,346**
Fair value adjustment, valuation[1]	(2,600)	—	(2,600)
ROUA Additions, net	—	3	3
Accumulated Depreciation	—	(93)	(93)
Deconsolidation of 2001 Pennsylvania Ave	(3,500)	—	(3,500)
Balance as of March 31, 2024	**$ 72,200**	**$ 2,956**	**$ 75,156**

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 CPH's lease liabilities is as follows:

Property	**Discount Rate**	**Maturity**	**Carrying Value March 31, 2024**	**Carrying Value December 31, 2023**
Columbia Center	4.93%	2120	$ 136,080	$ 135,504
1701 Duke Street	5.20%	2107	8,035	8,001
2001 Penn	4.94%	2087	—	4,427
Other equipment leases	Various	Various	2,763	3,045
Total lease liabilities			146,878	150,977
Less current portion			288	360
Lease liabilities, net of current portion			**$ 146,590**	**$ 150,617**

Future Lease Maturities	**March 31, 2024**
Maturity analysis - contractual undiscounted cash flows	
Less than one year	$ 4,836
One to five years	19,591
More than five years	1,251,225
Total undiscounted lease liabilities as of March 31, 2024	$ 1,275,652

Lease liabilities	**March 31, 2024**
Current lease liabilities	$ 288
Non-current lease liabilities	146,590
Total lease liabilities	$ 146,878

Lease expense costs were as follows:

Lease Expense	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
Amounts recognized in profit or loss		
Interest expense on lease liabilities	$ 1,754	$ 1,719
Equipment lease depreciation	93	106
Total lease expense	$ 1,847	$ 1,825

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

Cash Flows	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Amounts recognized in the statements of cash flows		
Principal portion of lease payments	$ 96	$ 340
Interest paid on lease liabilities	1,144	1,130
Total cash outflows related to leases	$ 1,240	$ 1,470

8. Goodwill

CPH 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 March 31, 2024 and December 31, 2023. No impairment losses were recognized in the three months ended March 31, 2024 and 2023, respectively.

9. Debt

CPH's debt obligations consist of the following:

Borrower/Facility	Contractual Rate	Maturity	Principal Balance as of March 31, 2024	Principal Balance as of December 31, 2023
Credit facility [1]:				
Revolver	SOFR +1.36% to 2.11%[3]	7/1/2025[2]	218,000	$ 200,000
Term Loan	SOFR +1.31% to 2.01%[3]	7/1/2026	200,000	200,000
75-101 Federal[6]	SOFR +1.61%[4]	3/12/2025	143,639 [6,8]	143,639 [6,8]
1700 New York Avenue[6]	SOFR +1.61%[7]	4/25/2024[12]	60,975	61,260
2001 Pennsylvania[6]	4.10%[11]	8/1/2024	— [9]	65,000
Clarendon Square[6]	4.66%	1/5/2027	27,409	28,235 [10]
2311 Wilson[6]	SOFR +1.46%[5]	3/27/2027	75,000	75,000
Total Debt			725,023	773,134
Less unamortized deferred financing fees			3,118	3,842
Total Debt, net of unamortized deferred financing fees			721,905	769,292
Less current portion, net of unamortized deferred financing fees [11]			62,686	127,854
Less debt related to liabilities held for sale			143,639	—
Debt obligations, net of current portion			**$ 515,580**	**$ 641,438**

(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 March 31, 2024, SOFR was 5.34%, and as of December 31, 2023, SOFR was 5.38%. As of March 31, 2024, the premium was 1.60% for the Revolver and 1.50% for the Term loan, each inclusive of the additional credit spread. As of December 31, 2023, the premium was 1.45% for the Revolver and 1.40% for the Term loan.

(2) The Revolver portion of the credit facility has a one-year extension through July 2026.

(3) As of March 31, 2024, an interest rate cap with a notional amount of $400 million caps SOFR at 2.50% through May 2025.

(4) On June 1, 2023, CPH amended the loan and associated interest rate swap agreement to modify the reference rate from LIBOR to SOFR, effective in June 2023. The amendment also added a credit spread adjustment of 0.1145%. As of March 31, 2024, an interest rate swap with a notional amount of $280 million, of which our share is $140 million fixes SOFR at 1.94% through April 1, 2024. Effective April 1, 2024, an interest rate cap with a notional amount of $292 million, of which our share is $146 million, caps SOFR at 4.50% through March 2025.

(5) On May 12, 2023, CPH amended the loan and associated interest rate swap agreement to modify the reference rate from LIBOR to SOFR, effective in June 2023. The amendment also added a credit spread adjustment of 0.1145%. As of March 31, 2024, an interest rate swap with a notional amount of $75 million fixes SOFR at 2.01% through May 1, 2024.

(6) The fair value of the collateral pledged to these notes was $328.1 million and $400.8 million as of March 31, 2024, and December 31, 2023, respectively.

(7) As of March 31, 2024, an interest rate swap with a notional amount of $61.0 million fixes SOFR at 4.18% through May 1 2024.

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

(8) Represents CPH's proportionate share of the $287.3 million loan encumbering 75-101 Federal Street.
(9) On March 12, 2024, CPH deconsolidated 2001 Pennsylvania Ave.
(10) The carrying value of the Clarendon Square note payable as of December 31, 2023, included a premium of $0.4 million.
(11) The current portion of unamortized deferred financing fees was $0.1 million, as of December 31, 2023.
(12) On April 25, 2024, CPH paid off the maturing 1700 New York Ave loan balance.

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

2001 Pennsylvania Avenue Debt

On March 12, 2024, CPH modified the loan associated with 2001 Penn, which gave the lender approval over major decisions impacting the property and included a cash management agreement where all rents and profits of the property will be deposited to lender controlled bank accounts. CPH deconsolidated 2001 Penn on March 12, 2024 as a result of the modification. See Note 4 - "Investment Properties" for additional information.

1615 L Street Debt

On September 1, 2023, CPH 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. On December 1, 2023, CPH deconsolidated 1615 L Street. See Note 4 - "Investment Properties" for additional information.

Credit Facility

CPH has no outstanding letters of credit as of March 31, 2024 and December 31, 2023.

On September 6, 2023, CPH 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 March 31, 2024, CPH had capacity to borrow an additional $282 million under the Credit Facility. Subsequent to March 31, 2024, CPH borrowed $63.0 million from the Revolver through May 9, 2024.

Interest Expense

Interest expense is comprised of the following:

	Three Months Ended March 31,	
Description	**2024**	**2023**
Credit facility	$ 5,558	$ 8,295
Notes payable	2,608	4,299
Distributions to redeemable non-controlling interests	—	667
Lease liabilities	1,754	1,719
Amortization of deferred financing fees	540	458
Gross interest expense	$ 10,460	$ 15,438
Capitalized interest expense		
Capitalized deferred financing fees	(26)	(8)
Capitalized interest	(583)	(139)
Total capitalized interest expense	(609)	(147)
Net interest expense	9,851	15,291

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

Future Maturities of Debt

Scheduled annual maturities of debt outstanding, including principal and interest and excluding the effect of extension options and debt held for sale, as of March 31, 2024 are as follows:

Years Ending December 31,	Amount
Remainder of 2024	$ 88,969
2025	247,640
2026	215,006
2027	98,857
2028	—
Thereafter	—
	$ 650,472

Net Debt Reconciliation

This section shows the changes in net debt for the three months ended March 31, 2024:

	Borrowings	Leases	Subtotal	Cash and cash equivalents	Total
Net Debt, December 31 2023	$ (769,292)	$ (150,977)	$ (920,269)	$ 31,050	$ (889,219)
Cash flows	(16,880)	96	(16,784)	(12,643)	(29,427)
Reclassification to held for sale	143,639	—	143,639	—	143,639
Deconsolidation of 2001 Penn Ave	65,000	4,433	69,433	—	69,433
Other changes	(732)	(430)	(1,162)	—	(1,162)
Net Debt, March 31 2024	$ (578,265)	$ (146,878)	$ (725,143)	$ 18,407	$ (706,736)

10. Financial Instruments

Credit facility and floating rate notes payable are subject to interest rate risk that may result in higher interest expense and adversely impact fair values.

The fair values of financial instruments not carried at fair value but for which the fair value is disclosed as of March 31, 2024, in the accompanying condensed consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Trade receivables, net	5,165	5,165	Level 3
Liabilities, including current portion			
Credit facility[1,2]	$ 418,000	$ 418,000	Level 3
Notes payable[1,2]	163,384	148,758	Level 3
Redeemable non-controlling interests	23,347	23,347	Level 3

(1) Excludes deferred financing fees and debt premium.
(2) 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.

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

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 condensed consolidated financial statements are set forth in the table below:

	Carrying Value	Fair Value	Fair Value Level
Assets			
Trade receivables, net	9,185	9,185	Level 3
Liabilities, including current portion			
Credit facility[1,2]	$ 400,000	$ 400,000	Level 3
Notes payable[1,2]	372,725	348,517	Level 3
Redeemable non-controlling interests	26,445	26,445	Level 3

(1) Excludes deferred financing fees and debt premium.
(2) 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 trade receivables, and trade and other payables approximate their fair values.

11. Fair Value Measurements

The following assets, measured at fair value as of March 31, 2024, are classified as follows:

Description	Level 1	Level 2	Level 3
Assets:			
Investments in income generating properties	$ —	$ —	$ 897,785
Investments in properties in development	—	—	44,146
Derivative assets[1]	—	26,639	—
Total Assets	$ —	$ 26,639	$ 941,931

(1) See Note 12 - "Derivative Instruments" for additional information.

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	—	—	23,379
Derivative assets[1]	—	20,311	—
Total Assets	$ —	$ 20,311	$ 1,214,503

(1) See Note 12 - "Derivative Instruments" for additional information.

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

CPH engages a third-party appraiser each reporting period. As part of the valuation process, CPH evaluates factors that may adversely impact the fair value assessments. In consideration of curbed lending activity, higher interest rates and the sustained shift towards hybrid office and remote work arrangements (as further disclosed in Note 20 - "Credit and Other Risks") CPH considered the potentially broad effects on the fair value measurement of the properties at March 31, 2024. While there remains substantial uncertainty regarding the extent or duration of impacts on fair value, CPH'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.

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

The following table, which excludes properties in development carried at their aggregate cost basis, sets forth quantitative information about the Level 3 fair value measurements as of March 31, 2024:

Description	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Avg)
Investments in income generating properties	$ 897,785	Discounted cash flow - Income capitalization	Discount Rate	7.5 - 12.5% (7.88%)
			Exit Capitalization Rate	6.5% - 7.5% (6.94%)
Investments in properties held for sale	$ 135,091	Market Approach	Negotiated Price	N/A
Total	$ 1,032,876			

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			

12. Derivative Instruments

The following table summarizes CPH's interest rate swap and interest rate cap agreements as of March 31, 2024:

	Cash Flow Hedges(2)	
	Interest Rate Cap	Interest Rate Swaps
Notional balance	$ 400,000	$ 275,975
Weighted average interest rate (1)	2.50 %	1.33 %
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) Excludes derivatives whose terms have not commenced as of March 31, 2024.

On March 20, 2024, CPH entered into multiple non designated interest rate caps with a combined notional value of $375.0 million in an effort to hedge its interest rate exposure associated with debt held by One Congress, an unconsolidated entity. The hedged instruments will cap any interest rate exposure above SOFR of 2.0% and are effective from the period April 1, 2024, through December 1, 2024.

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

On March 28, 2024, CPH entered into an interest rate cap with a notional value of $292.0 million, of which our share is $146 million, in an effort to hedge its interest rate exposure on the loan associated with 75-101 Federal Street, as the existing interest rate swap expired on April 1, 2024. The interest rate cap is effective from April 1, 2024 through March 12, 2025. Refer to Note 9 - "Debt" for additional detail on our derivative arrangements.

On April 18, 2024, CPH entered into multiple interest rate caps with a notional value of $75.0 million in an effort to hedge its interest rate exposure on its credit facility. The hedged instruments will cap any interest rate exposure above SOFR of 1.5% and are effective from the period May 1, 2024, through December 31, 2024.

The following table summarizes CPH's interest rate swap and interest rate cap agreements as of December 31, 2023:

	Cash Flow Hedges	
	Interest Rate Cap	**Interest Rate Swaps**
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 at which LIBOR and SOFR was fixed on the hedged debt.

The interest rate caps and swaps are being accounted for as cash flow hedges as these transactions were executed to hedge CPH’s anticipated interest payments, and these hedges are deemed to be highly effective. As such, changes in the fair value of these derivative instruments are recorded as unrealized gains (losses) on cash flow hedges included within “Equity Reserve for Cash Flow Hedges” on the Condensed Consolidated Balance Sheets and Statements of Changes in Equity.

There was no material hedge ineffectiveness recognized during the three months ended March 31, 2024 and 2023.

The following table summarizes changes in the Company's "Other Comprehensive Income (Loss)":

	Three Months Ended March 31,	
Description	**2024**	**2023**
Unrealized (loss) gain on cash flow hedges	$ 4,532	$ (2,729)
Swap hedging (gains) reclassified to net income	(3,053)	(2,293)
Interest rate cap hedging (gains) reclassified to net income	(2,899)	(2,028)
Amortization of interest rate cap	961	961
Other Comprehensive Loss	$ (459)	$ (6,089)

Included in CPH's "Other comprehensive income" of the Condensed Consolidated Statements of Changes in Equity was $(1.0) million and $(0.4) million of unrealized loss on cash flow hedges for intrinsic value and time value, respectively, and $1.0 million of interest rate cap amortization, net of hedging (gains) losses reclassified to net income for the three months ended March 31, 2024, and $(7.3) million and $0.2 million of unrealized gain (loss) on cash flow hedges for intrinsic value and time value, respectively, and $1.0 million of interest rate cap amortization, net of hedging (gains) losses reclassified to net income for the three months ended March 31, 2023.

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

13. Non-Property General and Administrative Expenses

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

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

	Three Months Ended March 31,	
Description	**2024**	**2023**
Personnel and compensation	$ 3,364	$ 3,631
Professional fees	1,139	1,111
Information technology	357	321
Other corporate	818	739
Total non-property general and administrative	$ 5,678	$ 5,802

14. Other Property Operating Expenses

CPH incurred other property operating expenses of $4.9 million and $5.6 million for the three months ended March 31, 2024 and 2023, respectively. Other expenses are comprised of parking management fees associated with third-party agreements, tenant specific charges and office expense costs for which CPH 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

CPH 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 eliminated in consolidation. Development and construction management fees charged to joint ventures and joint operations are eliminated to the extent of CPH's ownership. Property management fees for the three months ended March 31, 2024 and 2023 totaled $1.3 million and $1.3 million, respectively. Construction management fees for the three months ended March 31, 2024 and 2023 totaled $0.0 million and $0.1 million, respectively. Property management and construction fees are recorded in "Property management fees and other" on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Outstanding related party receivables pertaining to these fees were $1.7 million and $3.4 million for March 31, 2024 and December 31, 2023, respectively. CPH leases the ground under the 1701 Duke property from related parties. See Note 7 - "Leases" for additional information.

On April 21, 2023, a related party of CPH exercised its contractual redemption right of its 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 CPH exercised its contractual redemption right of its Redeemable Non-Controlling Interests in CPH totaling $0.1 million.

On September 1, 2023, a related party of CPH 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, CPH acquired a future development parcel located at 901 N Pitt Street in Alexandria, Virginia from a related party for $15.4 million. As part of the acquisition, CPH also paid the seller $4.0 million as a reimbursement of pre-development expenses. CPH 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, CPH is required to post performance bonds to secure performance under development projects. These bonds guarantee that CPH will perform under the terms of a contract. To date, CPH has not been required to make any reimbursements to its sureties for bond-related costs. Management believes that it is highly unlikely it will have to fund significant claims under the surety arrangements in the foreseeable future. As of March 31, 2024, CPH had $1.0 million in performance bonds outstanding with commitment terms expiring through March 6, 2025.

Repayment Guarantees

CPH and its subsidiaries have guaranteed certain construction work to be performed at CPH's investment properties, payment of construction loans related to property development, ground lease payments and repayment of mortgage liabilities. Because CPH controls the investment properties, the related construction spending and construction loan borrowings, no liabilities have been recorded relating to these guarantees. As of March 31, 2024 and 2023, CPH was in compliance with all guarantees and guarantee covenants.

Carr Properties OC LLC, a consolidated subsidiary of CPH, 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 11.25% of the 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 CPH is a party or to which any of the properties is subject to, that CPH 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 CPH's respective Net Asset Value ("NAV") at the time of issuance.

Award Class	No. of units granted (in thousands)	Grant Date	Vest Date	Outstanding Units (in thousands) (1)
2020 special service units	91	Dec 2019	Dec 2023, Dec 2024, Dec 2025	70.2
2021 service units	19	Apr 2021	Mar 2024	—
2021 performance units (2)	38	Apr 2021	Mar 2024	—
2022 special service units	19	Mar 2022	Mar 2025	15.4
2022 service units	27	Mar 2022	Mar 2025	23.1
2022 performance units	27	Mar 2022	Mar 2025	23.1
2023 service units	71	Jun 2023	June 2026, June 2027, June 2028	69.3
Total outstanding units				**201.1**

(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 the 2021 LTIP Performance Units were dependent upon CPH achieving certain return thresholds based on NAV over a three-year performance period, which were not met. As such, no 2021 LTIP Performance units were earned.

Vesting of 2022 LTIP Performance Units is dependent upon CPH achieving certain return thresholds based on NAV over a three-year performance period. A cumulative return per annum below 4.5% will result in no LTIP Performance Units being earned. A cumulative return per annum between a 4.5% and 7.5% will result in earning between 75% to

125% of LTIP Performance Units granted based on linear interpolation within that range, while a cumulative return per annum in excess of 7.5% will result in 125% of LTIP Performance Units granted being earned.

A summary of CPH's LTIP activity during the three months ended March 31, 2024 is presented below:

(in thousands)	Total Units
LTIP units outstanding, December 31, 2023	**270**
LTIP units converted	(37)
LTIP units forfeited	(32)
LTIP units outstanding, March 31, 2024	**201**

(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 CPH's expectation of performance and the anticipated units expected to vest. LTIP liability is recorded in "Other liabilities" on the Condensed Consolidated Balance Sheets.

During the three months ended March 31, 2024 and 2023, respectively, CPH recognized $(0.1) million and $0.5 million of LTIP-related expense, net of $0.1 million capitalized in the three months ended March 31, 2023. During the three months ended March 31, 2024, CPH did not recognize LTIP dividend expense. During the three months ended March 31, 2023, CPH recognized $0.2 million of LTIP dividend expense.

17. Corporate Officer's Compensation

Salary and bonus expense for the CPH's corporate officers totaled $1.1 million and $0.8 million for the three months ended March 31, 2024 and 2023, respectively. Employee benefit expense for these officers was $0.1 million for both the three months ended March 31, 2024 and 2023. For the three months ended March 31, 2024 and 2023, LTIP expense was $(0.1) million and $0.2 million, respectively. No long-term compensation or retirement contributions were paid. These amounts are included in "Non-property general and administrative expenses" in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

18. Redeemable Non-Controlling Interests

Certain 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 March 31, 2024, the value of current and non-current redeemable non-controlling interests were $3.0 million and $20.4 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, 2023, the value of these redeemable non-controlling interests were $2.3 million current and $24.2 million non-current, respectively.

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

(in thousands)	Shares	Value
Balance, December 31, 2023	**495**	**$ 26,445**
LTIP Vesting	37	1,961
Redemptions	(13)	(681)
Reverse Stock Split		—
Revaluation/Other	—	(4,378)
Balance, March 31, 2024	**519**	**$ 23,347**

As of March 31, 2024 and December 31, 2023, the total value of non-redeemable non-controlling interests was $48.2 million and $59.7 million, respectively.

2024 Redemptions

On March 8, 2024, an LTIP unit holder exercised the right to redeem 13 thousand LTIP units totaling $0.7 million, which vested on December 31, 2023. These units were granted as part of the 2020 service awards.

2023 Redemptions

On April 21, 2023, a related party of CPH exercised its contractual redemption right of its 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 CPH exercised its contractual redemption right of its Redeemable Non-Controlling Interests in CPH totaling $0.1 million.

On September 1, 2023, a related party of CPH exercised its contractual redemption right of its 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.

Dividends

Distributions are declared and paid upon the declaration of the Board of Directors, generally quarterly. For the three months ended March 31, 2024, CPH did not pay out any distributions. For the three months ended March 31, 2023, CPH paid $0.9 million of distributions from CPP attributable to redeemable non-controlling interests, of which $0.2 million was attributed to LTIP unit holders. As of March 31, 2024, CPH has not declared any unpaid dividends.

19. Equity

2023 Reverse Stock Split

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

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. CPH continues to monitor the affects of these trends on its business, including:

- the ability and willingness of CPH's tenants to meet their contractual obligations;
- CPH's ability to maintain occupancy in its properties and obtain new leases for unoccupied space;
- CPH's access to debt and equity capital on desired terms or at all;
- the supply of products or services from CPH's vendors; and
- ability to continue or complete planned development, including the potential for delays in labor or material supply necessary for development.

CPH collected approximately 99% of contractual rent from its tenants during both the years ended March 31, 2024 and 2023. CPH 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

CPH 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 CPH's ability to attract or retain tenants. It may also impact the rents CPH is able to charge.

Credit Risk

CPH’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. Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. CPH generally manages this risk by signing long-term leases with tenants who have investment grade credit ratings.

21. Subsequent Events

CPH evaluated subsequent events through May 9, 2024, the date the condensed consolidated financial statements were available to be issued. On April 1, 2024, CPH sold its interest in 75-10 Federal Street. See Note 6 - "Assets Held for Sale" for additional information. On May 8, 2024, the subsidiary that owns the building located at 1152 15th Street, Washington, DC (“Columbia Center”) issued a preferred equity interest to an unaffiliated third party, which resulted in CPH ceding power to affect Columbia Center's returns. As of March 31, 2024, Columbia Center represented $60.0 million of our Investment Properties balance, and had a leasehold interest in the property’s land, which had a remaining lease liability of $136.1 million.

CPH concluded that no additional subsequent events have occurred that would require additional recognition or disclosure in the condensed consolidated financial statements other than those disclosed in the respective footnotes and herein.

AUDITOR'S CONSENT LETTERS

ALONY HETZ PROPERTIES & INVESTMENTS LTD.

AlonyHetz
Properties & Investments Ltd

BANIE, POLAND

Deloitte.

Date: May 20, 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 April 2024

We hereby advise you that we agree to the inclusion (including by a way of reference) of our review reports detailed below in connection with the April 2024 shelf prospectus.

(1) Review Report dated May 20, 2024, regarding the Consolidated Financial Statements of the company as of March 31, 2024, and for the periods of three months ended March 31, 2024.

Respectfully,

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

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Beit Shemesh
Yigal Alon 1 St.
Beit Shemesh, 9906201

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

Re: Consent letter in respect of Alony-Hetz Properties and Investments Ltd. shelf prospectus dated April 17, 2024

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 April 17, 2024, which was published by Alony-Hetz Properties and Investments Ltd on April 16, 2024:

1) Review Report of Independent Auditors dated May 9, 2024, regarding the Condensed Consolidated Interim Financial Statements of Carr Properties Holdings L.P. as of March 31, 2024 and 2023, and for the three-month periods then ended.

PricewaterhouseCoopers LLP

Washington, DC
May 17, 2024