21 Ha'Arba'a St. | Platinum Tower
Tel Aviv, 6473921 Israel
Tel. +972-3-6844700 | Fax. +972-3-6855002
www.midroog.co.il

Alony Hetz Properties and Investments Ltd.[1]

Monitoring Report | April 2024

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.
The binding version is the one in the original language.

Contacts:

Tamir Sherman
Senior Analyst, Lead Rating Analyst
Tamir.s@midroog.co.il

Naor Sultan
Analyst, Secondary Rating Analyst
Naor.s@midroog.co.il

Sigal Issachar, Vice President
Head of Real Estate
i.sigal@midroog.co.il

[1] Mr. Shlomi Shuv is a public director at Alony Hetz Properties and Investments Ltd. as well as a public director at Midroog Ltd. Mr. Shuv is not involved in any way in the assignment of ratings by Midroog Ltd.

Alony Hetz Properties and Investments Ltd.

Issuer Rating	Aa3.il	Outlook: Negative
Series Rating	Aa3.il	Outlook: Negative

Midroog affirms the Aa3.il rating of bonds (Series 9, 10, 12, 13 and 15) issued by Alony Hetz Properties and Investments Ltd. (the "Company" or "Alony Hetz") and changes the rating outlook from stable to negative. Additionally, Midroog assigns the Company an issuer rating of Aa3.il with a negative outlook.

Outstanding bonds rated by Midroog:

Bond series	Security No.	Rating	Outlook	Final Maturity
9	3900354	Aa3.il	Negative	28/02/2027
10	3900362	Aa3.il	Negative	28/02/2027
12	3900495	Aa3.il	Negative	28/02/2031
13	1189406	Aa3.il	Negative	28/02/2037
15	1189414	Aa3.il	Negative	28/02/2037

* The Company's outstanding bonds (Series 11) are not rated by Midroog.

Summary of Rating Rationale

- ***Change in the rating outlook from stable to negative based on Midroog's assessment of decline in the financial profile, mainly due to an increase in the leverage ratio given a weak operating environment in the office real estate sector.*** During 2023, the investees in the US (AH Boston and Carr) and in the UK (Brockton Everlast – "BE") recorded declines in the value of income-producing properties in the amount of NIS 2.7 billion (Company's share), in addition to declines in value in 2022 amounting to NIS 1.3 billion, and further to increases in value amounting to NIS 1.0 billion in 2021. Accordingly, equity attributable to the Company's shareholders decreased by 35% in 2023, amounting to NIS 5 billion as of December 31, 2023, compared with NIS 7.7 billion as of December 31, 2022. The decrease in values was mainly a result of an increase in the capitalization rate in the valuations of office properties of the investees in the US and the UK, in light of a weak operating environment of the office sector in those countries. The Company's leverage ratio, measured as the ratio of net financial debt (expanded solo) to total value of investments adjusted to market value (LTV), amounted to 40% before the date of publication of this report,[2] compared with 33% in 2022 and 24% in 2021. Under Midroog's base case scenario, which takes into account a sensitivity test on a further decline in value of the investees, the leverage ratio may be in the range of 45%-50% in the years 2024-2025.

[2] The ratio of net financial debt (expanded standalone) to adjusted value of investments is calculated based on net debt balance and value of unquoted holdings on the Company's books as of December 31, 2023 and market value of quoted holdings based on an average of the last 30 trading days before the report publication date.

- ***A relatively diversified holding portfolio supported mainly by the real estate segment and geographically diversified.*** The Company holds 51.05% of Amot Investments Ltd. ("Amot," Aa2.il) and 50.34% of Energix Renewable Energies Ltd. ("Energix," A2.il), which account respectively for 33% and 28% of the adjusted value of the Company's holding portfolio, compared with 32% and 19% as of December 31, 2022. Nevertheless, the diversification of the investees compares favorably with holding companies of the same type as Alony Hetz. The increase in the share of the two dominant holdings is due to a decline in property values recorded for the investees in the US and the UK, as mentioned above, as well as an increase in the market value of Energix. The high quality of the investees and strong weighted credit risk of the holding portfolio are both appropriate for the rating. Moreover, the portfolio mainly comprises holdings in the income-producing real estate sector, although the spread of real estate operations over different economies (Israel, US, UK) contributes to diversification within the sector. The holding in the renewable energy sector through the investment in Energix also contributes to the diversification of the portfolio.

- ***Cash flow generated mainly from dividends from the two major holdings, which are expected to maintain steady distribution.*** The dividends received by the Company derive mainly from Amot, which accounted for 51% of the flow of dividends in 2023, and from Energix, which accounted for 19%. The investees have distribution policies and a track record of steady distribution over the years. It should be noted that the dividends received from the investees in the US and the UK are used for investments of the Company in those companies for the development and promotion of properties. In Midroog's estimation, the distribution of dividends from the investees in the US (AH Boston and Carr) and in the UK (BE) may be impaired to a certain extent in light of the decline in their financial profile. Under Midroog's base case scenario, during the years 2024-2025, dividends will be received by the Company mainly from Amot and Energix at approximately the same rates as in the past. Midroog estimates that the flow of dividends will be in the range of NIS 550-670 million per year in the years 2024-2025, with approximately one half of the amount expected to derive from Amot. The interest coverage ratio (ICR) is expected to stand at 2.5-3.0 years, while the net debt to FFO coverage ratio is expected to be in the range of 13-15 years, which is slow for the rating.

- ***Good financial flexibility for the rating, given that none of the Company's assets are encumbered, and that more than one half of the adjusted value of the investment portfolio is publicly.*** The Company enjoys adequate liquidity, including undrawn confirmed credit facilities of NIS 550 million. Moreover, Midroog estimates that the Company and its investees have good access to capital and debt funding sources.

- ***The rating is positively affected by a conservative and consistent financial policy.*** The Company maintains over time high liquidity reserves in the form of undrawn credit facilities, and it acts to maintain a relatively moderate level of leverage. In November 2023, the Company sold 2.6% of the shares of Amot for NIS 220 million, with an intentto improve the leverage ratio. The dividend distributed by the Company for 2023 was 12% lower than the dividend distributed in 2022. Moreover, the Company announced that the dividend according to the distribution policy for 2024 would be 50% lower than in 2023. At the same time, the Company distributes dividends to the shareholders in substantial amounts.

Midroog's base case scenario assumes, among other things, the issuance and repayment of bonds as part of the Company's current operations, dividend receipts from the investees, dividend distributions in accordance with the Company's distribution policy, investments in the investees, and settlement of a liability for financial derivatives. The base case scenario likewise takes into account a sensitivity test on the value of the Company's traded and untraded investments.

Additional Rating Considerations

The Company's final rating of Aa3.il is one notch above the A1.il rating derived from the rating scorecard. Among the additional rating considerations, Midroog gave favorable weight to the Company's strategy of investing in the investees in a manner that contributes to their growth and to the growth of the cash flows generated by them over time, reflecting a moderate financial policy. The Company over the years has maintained a solid level of leverage, coupled with good liquidity management, high cash flow visibility and compliance with forecasts. Midroog will continue to monitor this policy over the rating horizon.

Rating Outlook

The negative outlook reflects Midroog's forecast of deterioration in the financial profile, due mainly to continued growth in the level of leverage in view of the downturn in the office real estate sector in the US and the UK. Midroog may downgrade the Company's rating if it considers that the Company's financial profile will decline over time beyond Midroog's base case scenario, and should the operational performance of the properties decline.

Factors that Could Lead to a Rating Upgrade

- A significant improvement over time in the financial strength and leverage ratios.
- An improvement in the debt to FFO coverage ratio.
- Greater diversification of the portfolio of holdings.

Factors that Could Lead to a Rating Downgrade

- A downgrade in the rating of the Company's major investees.
- A continuing increase in the leverage ratio.
- Weakening of dividend visibility and stability and deterioration of the coverage ratios.

Alony Hetz Properties and Investments Ltd. – Key Financial Indicators (Expanded Standalone), NIS in Millions

	31.12.23	31.12.22	31.12.21	31.12.20	31.12.19
Investments in investees and carrying amount of securities at fair value	10,583	12,776	11,810	10,015	10,812
Equity attributable to the Company's shareholders	5,002	7,710	7,638	6,402	6,337
Gross financial debt	6,106	5,202	4,102	3,810	4,550
Liquidity reserves	1,025	409	113	603	518
Dividend received	672	621	466	484	514
Dividend paid	262	298	246	200	269

Detailed Rating Considerations

A downturn in the economic environment in the office real estate sector has led to negative revaluations of the investees in the US and the UK, impacting negatively on the Company's credit risk

Alony Hetz is a holding company operating through investees in two main business segments: investments in income-producing real estate in the office sector, and renewable energy. The Company's operations in the income-producing real estate segment span three main territories: Israel, the US and the UK. In Israel, the Company operates through its holding (51.05%) in Amot (Aa2; stable outlook), a public company operating locally in the field of income-producing office properties, trade and logistics, as well as its holding (50.34%) in Energix Renewable Energies Ltd. (A2.il; stable outlook), a public company engaging in the development, construction, management and operation of photovoltaic and wind energy systems for generating electricity, in Israel, Poland and the US.

The US market of income-producing office real estate faced heightened challenges during 2020-2023, starting especially from 2022, due to a rise in interest rates, structural changes in office demand, weakening of investments in high-tech and domestic banking problems, with all these factors subject to continuing uncertainty. The difficulties in the income-producing office real estate market are reflected in an increase in vacancy rates, slower growth in nominal rent, high investment needs for CAPEX, as well as financing difficulties, and they are expected to carry on into 2024. The intensity of the effect varies between geographical areas, as a function of the characteristics and positioning of the properties, and mainly their quality. In some areas, there has been an apparent increase in office cap rates, while simultaneously there is a trend towards shorter leases, increased subletting and high investment demands from property owners on the part of renters and lenders. The rise in interest rates has caused the volume of transactions in the sector to slow significantly, along with a slowdown in the construction of new office buildings. These trends have led appraisal firms to increase the capitalization rates, in light of the increase and change in long-term risk-free interest rates, while at the same time reducing the NOI forecasts in some cases. These negative trends led Carr to record a drop of 35% in the value of the income-producing properties on its balance sheet, cumulatively in the last two years. Higher interest rates and similar challenges experienced by the office real estate market in the UK led BE to a cumulative drop of 28% in the value of its properties in those years.

The Company's investees in the US and in the UK operate primarily in the major city centers, specifically in the Washington DC metropolis and in Boston in the US, and in central London, Cambridge and Oxford in the UK.

The Washington DC metropolis is a leading location in the US, impacted mainly by the activity of the federal administration and boasting a high concentration of employees with academic credentials (63% of the total population). The construction of the Amazon corporation's second largest center in the US, coupled with the establishment of a new technological university, will accelerate the growth of non-federal economic activity in the area. GDP rose in 2023 to 7.7% from 7.4 in 2022, while unemployment in the metropolis continued to decline, standing at the end of 2023 at 2.7% compared with 4.6% at the end of 2022. The rate of return to work in offices rose to 52%, below other locations in the US, due to the relatively large share of the federal administration in overall activity. As of the end of 2023, the vacancy rate in Trophy Class offices stood at 12.8% compared with 18.1% for Class A offices. The shift to high-quality properties built after 2015 (Flight-to-Quality) has continued to gain momentum, and in 2023 rental prices for prime offices built after 2015 rose by 3.3%. Additionally, the scope of tenant concession packages (free rental period and tenant improvement packages) stabilized. Total areas leased in 2023 amounted to 6 million square feet, the same as in 2022.

The Greater Boston area is the tenth largest metropolis in the US, with a population of 5 million. It has the largest concentration of higher education institutions (including Harvard-MIT) as well as the largest number of leading hospitals in the US, and it is home to thousands of high-tech companies and hundreds of research institutes and biotech firms. As of the end of 2023, unemployment in the Boston Metropolitan Area stood at 3.2%, up from 2.8% at the end of 2022. The performance of the office market in Boston continued to moderate in 2023, due to the macroeconomic developments. As of the end of 2023, vacant spaces in Boston CBD rose to 16.2% (compared with 11.2% at the end of 2022), with vacant spaces in Class A properties standing at 15.8% (compared with 9.6% at the end of 2022). The change is mainly due to occupancy of Trophy Class office buildings, as well as a reduction in activity of the technology sector. During 2023, rental prices for Class A offices decreased by 3.5%.

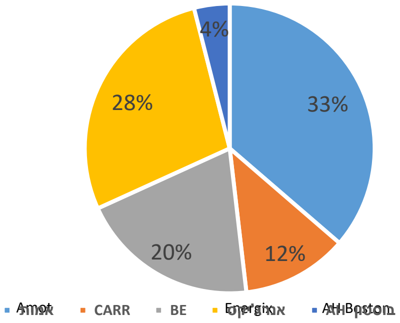
During 2023, demand continued for prime offices in Central London, accompanied by price rises. Rental prices for these offices broke new records – office spaces were leased at prices of more than £140 per square foot per year in the West End (8% annual increase), and £80 per square foot per year in the City (10% annual increase). Total investments in office transactions in Central London amounted to £65 billion in 2023, which is below the decade average of £14 billion. Capitalization rates rose in 2023 by 0.25% in the West End and by 1% in the City, reaching 4% and 5.25% respectively. The decrease in the volume of transactions is mainly a result of the significant increase in interest rates and the drop in availability of new financing for the purchase of buildings. The rate of vacant office spaces in Central London stood at the end of 2023 at 9.2%, compared with 8.5% at the end of 2022 and an average of 5.8% in the last decade. The increase in the rate of vacant spaces is attributable to the completion of new buildings on a speculative basis, without pre-leases, as well as an increase in subletting and a decrease in active demand on the part of high-tech companies. Total office spaces in Central London for which new lease agreements were signed stood at 9.7 million square feet, close to the average for the last decade. As of December 2023, total office spaces offered for subletting stood at 5.8 million square feet.

In Cambridge, total office and laboratory spaces as of the end of 2023 stood at 10 million square feet. New leases were signed for an annual total of 700,000 square feet in 2023, reflecting an increase of 38% over 2022. The rate of vacant office spaces stood at 12%, in contrast to only 2.8% of vacant laboratory spaces. During 2023, rental prices rose 22% for laboratories and 7% for offices. Total investments in office and laboratory transactions amounted to £120 million in 2023, compared with £900 million in 2022. As of the end of 2023, total office spaces in Oxford stood at 8 million square feet. Spaces for which lease agreements were signed amounted to 414,000 square feet, 18% less than in 2022. The combination of an educated workforce from two of the world's best universities, continued growth in the AI and life science sectors and a limited supply of new spaces has created a balance between supply and demand that is expected to last, supporting higher rental prices.

High quality and a strong weighted credit risk profile of the investees, based to a large extent on the holdings in Amot and Energix

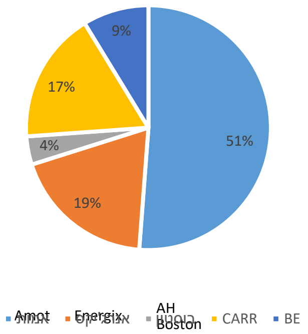
The Company has a high dependence on dividends from Amot and Energix, as well as a high exposure to the value of these two holdings, which has even increased over the last year following the negative revaluations recorded by the Company for its investees in the US (AH Boston and Carr) and in the UK (BE). Some 70% of the Company's dividend receipts in 2023 were generated by Amot and Energix, and under Midroog's base case scenario, these companies will be responsible for the majority of dividends in 2024-2025 as well. As of December 31, 2023, Amot and Energix account respectively for 33% and 28% of the holding portfolio, compared with 32% and 19% as of December 31, 2022. The four principal investees (Amot, Energix, Carr and BE) account together for 95% of the portfolio.

Chart 1: Segmentation of Adjusted Value of the Company's Holdings, December 31, 2023[3]



Source: Company reports as of December 31 2023; processing: Midroog

Chart 2: Segmentation of Dividend Contribution by the Company's Holdings in 2023



Source: Company reports as of December 31 2023; processing: Midroog

Amot's rating (Aa2.il) is supported by a large and widely diversified inventory of quality income-producing properties in Israel, mostly located in prime areas, with high occupancy rates over time, generating a stable cash flow based on long-term lease agreements, with a continuing increase in same-property NOI (increase of 5.5% in 2023) and a relatively solid financial profile.

Energix (A2.il) operates in several markets in the high growth sector of renewable energy, with significant operations in Poland and the US. Its activity is growing based on investments in new projects, which are expected to significantly expand its operations in the coming years in all the territories in which it operates. Energix's income-producing projects generate a strong and stable cash flow, alongside an increasing level of leverage resulting from a massive investment plan.

The Company has joint control, together with an investment fund managed by JP Morgan, of Carr (Company's stake 47.1% and 50% control), which operates in the office property sector in Washington DC and Boston, with 16 investment properties valued at $2.4 billion generating annual NOI of $164 million, of which 12 properties (53% of total value) are located in the Washington DC metropolitan area. In 2021, Carr also began operating in the field of income-producing office properties in Austin, Texas. Most of the properties are wholly owned by it, and it manages the properties through management companies owned by it. Over time, Carr has enlarged its portfolio of properties through the acquisition and development of properties. Carr's properties are all located in urban areas in proximity to transportation hubs. The income-producing properties have an average occupancy rate of 89%, with diverse tenants including well known international companies and an average contract duration of 7.5 years. Carr's same-property NOI declined by 3.0% in 2023 compared with 2022. As of December 31, 2023, Carr has a key property in Boston in

[3] Market value of quoted holdings based on an average of the last 30 trading days before the report publication date.

occupancy stages (75% owned by Carr), the construction of which was completed in 2023 and which has been fully pre-leased to two major tenants.

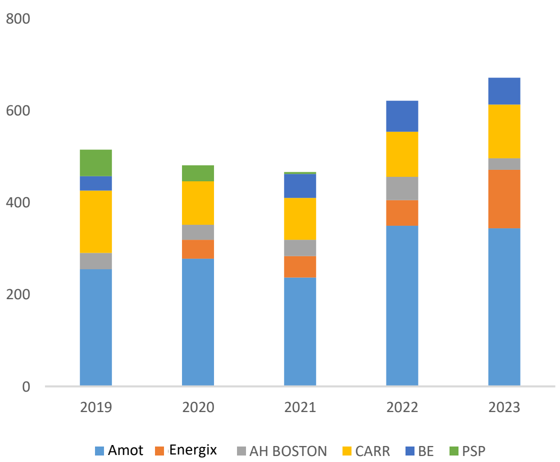
Alony Hetz has additional activity in the income-producing office real estate sector in the US, through a joint holding in AH Boston (55% capital holding and 50% control, under a joint control agreement with Oxford Properties). AH Boston owns three property companies, two in Central Boston and one in East Cambridge.

The Company operates as well in the office and life science real estate market in the UK, in Central London, Cambridge and Oxford, through Brockton Everlast Inc. (BE), which owns 10 income-producing office properties as well as land, valued all together at ₤1.1 billion, with a weighted occupancy rate of 98.3%. NOI for 2023 amounted to ₤41 million, of which 28% derived from a single tenant, Marks & Spencer, which leases office space from BE. BE's NOI increased by 11% in 2023 compared with 2022 (calculated net of one-time income from the completion of an arbitration proceeding in 2022). The sharp increase is attributable to properties purchased in October 2022 in Cambridge, which yielded a full year's income in 2023. In addition, BE operates in the life science real estate sector in Cambridge, within the boundaries of the Cambridge Science Park. BE's growth strategy is based on achieving in the coming years a significant increase in building rights in the portfolio of existing properties.

High visibility of dividends from the investees contributions to the Company's cash flow stability and coverage ratios

The flow of dividends received from the investees is stable and continuous over recent years, amounting in the last three years to an average of NIS 585 million per year and trending upward. Amot is responsible for approximately one half of the dividends received by the Company – a higher percentage than its share in the value of the investees. Due to the significant holding percentages in the investees, the Company is well able to estimate the expected scope of dividends and over time has met its forecasts in this regard.

Chart 3: Dividends Received from Investees (Company's Share), NIS in Millions



Source: The Company's financial statements; processing: Midroog

The Amot board of directors has a long-standing distribution policy, according to which Amot announces in the first quarter of each year the amount of the distribution for that year, thus there is a very well established distribution track record. The Company's dividend receipts from Amot in 2023 totaled NIS 344 million, compared with NIS 350 million in 2022. Energix has a distribution policy whereby shortly before the publication of its annual reports each year, it announces the amount of the distributable dividend in that year. In recent years, Energix has increased its dividend distributions, due, among other things, to a significant expansion of its operations. The Company's dividend receipts from Energix in 2023 totaled NIS 127 million, compared with NIS 55 million in 2022 and NIS 47 million in 2021.

The entity owning Carr is defined as a REIT, and it therefore is obligated to distribute a dividend amounting to at least 90% of the adjusted income for tax purposes. The Company's dividend receipts from Carr are intended for reinvestment in Carr. In 2023, the Company received from Carr dividends amounting to NIS 117 million, compared with NIS 98 million in 2022 and NIS 91 million in 2021. Beginning in 2021, dividends are also received from BE, which is defined as a REIT for tax purposes and accordingly is obligated to distribute at least 90% of its taxable current income from real estate activities. The Company's dividend receipts from BE in 2023 totaled NIS 59 million, compared with NIS 67 million in 2022 and NIS 52 million in 2021 (Company's share, translated into shekels at the exchange rate in effect on the distribution date).

Under Midroog's base case scenario, the Company's dividend receipts from the investees will be in the range of NIS 550-670 per year in the years 2024-2025, compared with receipts of NIS 672 million in 2023 and NIS 621 million in 2022. In estimating the dividends payable to the Company in 2024-2025, Midroog assumed stable distribution from Amot and Energix, but it did not include in the forecast an additional dividend distributed by Amot and Energix from time to time. Midroog also took into account a possible decrease in dividends distributed from the investees in the US (AH Boston and Carr) and in the UK (BE) following a further decline in the financial profile of those companies. As against these receipts, the Company's current expenses comprise mainly financial expenses, which amounted to NIS 173 million in 2023 and are expected to grow, in light of the growth in the Company's debt and its refinancing at a higher interest rate, to a range of NIS 200-230 million per year in the years 2023-2024, along with headquarter G&A expenses net of management fees and tax in an amount similar to previous years. The ICR coverage ratio (ratio of interest expenses to income from dividends and management fees less headquarter G&A expenses and before dividends to the shareholders) is expected to average out to 2.5-3.0 years.

As of December 31, 2023, the Company's net financial debt (expanded solo) is NIS 5.1 billion, due entirely in respect of bonds, compared with NIS 4.8 billion as of December 31, 2022. The increase in net financial debt over the last year stems mainly from investments made by the Company in the investees, and primarily in BE and AH Boston, for a total of NIS 325 million, along with the settlement of a liability for financial derivatives. These amounts were offset to a certain extent by the Company's sale, in November 2023, of 2.6% of the shares of Amot for NIS 220 million. Under Midroog's base case scenario, the net financial debt may grow in the coming year, due to continued investments in the investees. Some investments were already made after the balance sheet date, with the Company investing in BE a sum of NIS 257 NIS 257 million mainly for the purpose of refinancing a debt by BE. In addition, the Company has an outstanding liability for financial derivatives in the amount of NIS 240 million. Midroog likewise estimates that the Company will distribute a dividend in accordance with its policy, while, on the other hand, it will continue to receive dividends from the investees. Should the Company make more extensive investments than foreseen by us, Midroog believes it will act to regulate the leverage by selling shares and/or holding capital issues.

The adjusted value of the Company's holding portfolio before the date of this report (average of the last 30 trading days) is NIS 12.8 billion, compared with NIS 14.6 billion at the end of 2022. As mentioned, the decrease is mainly due to negative revaluations of the investees in the US (AH Boston and Carr) and in the UK (BE), of which the Company's share is NIS 2.3 billion, which was partly offset by a 20% increase in the market value of the Energix share during 2023. Accordingly, the Company's leverage ratio, measured as the ratio of the net financial debt (expanded standalone) to the total value of investments adjusted to market value (LTV) is trending upward, standing at 40%[4] before the date of this report, compared with 33% at the end of 2022 and 24% at the end of 2021. Midroog has taken into account in the base case scenario a 15%-20% decrease in the value of the quoted investees as well as a decrease in the value of the private investees, such that the leverage ratio may be in the range of 45%-50%, which is poor for the rating category.

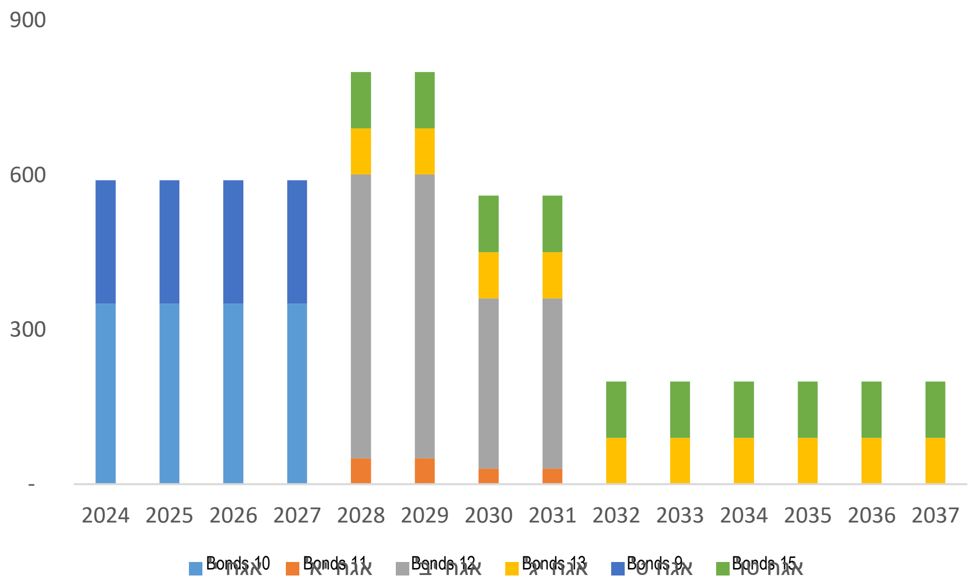
Good financial flexibility given a substantial volume of unencumbered shares and a significant component of quoted holdings

In Midroog's estimation, the Company has good financial flexibility, stemming primarily from substantial control of its holdings, all of which are unencumbered. Furthermore, more than one half of the value of the Company's holdings derives from traded shares. The Company's liquidity is adequate, relying mainly on stability of the cash flows from the investees as well as on undrawn confirmed credit facilities amounting to NIS 550 million. The Company has bond principal repayments of NIS 589 million due in each of the years 2024 and 2025. Under Midroog's base case scenario, the debt service ratio (DSCR+cash) is expected be in the range of 1.4-1.7 in 2024-2025.

[4] The ratio of net financial debt (expanded standalone) to total value of investments adjusted to market value is calculated based on net debt balance and value of unquoted holdings on the Company's books as of December 31, 2023 and market value of quoted holdings based on an average of the last 30 trading days before the report publication date.

In September 2023, Carr elected not to repay a non-recourse loan of $134 million on the 1615 L Street asset, and it thus entered into an event of default, without being liable for the debt. Additionally, Carr is conducting negotiations with a lender and with a lessor, to change the terms of a loan due this year and the terms of an existing lease agreement on two assets with a value of $132 million and recorded liabilities amounting to $205 million as of the end of 2023. The Company notes that the lender and the lessor have no recourse against Carr in respect of these agreements, other than existing charges on the assets themselves. Apart from this, as of the report publication date, the Company and the investees are in compliance with the financial covenants in favor of the lenders (bondholders, banks and others).

Alony Hetz (expanded standalone): Bond principal amortization schedule as of December 31, 2023 (NIS in millions)



Environmental, Social and Governance (ESG) Considerations

ESG considerations do not materially affect the Company's rating. In Midroog's opinion, the Company has minimal exposure to environmental and social risks and likewise insignificant exposure to governance risks.

RATING SCORECARD

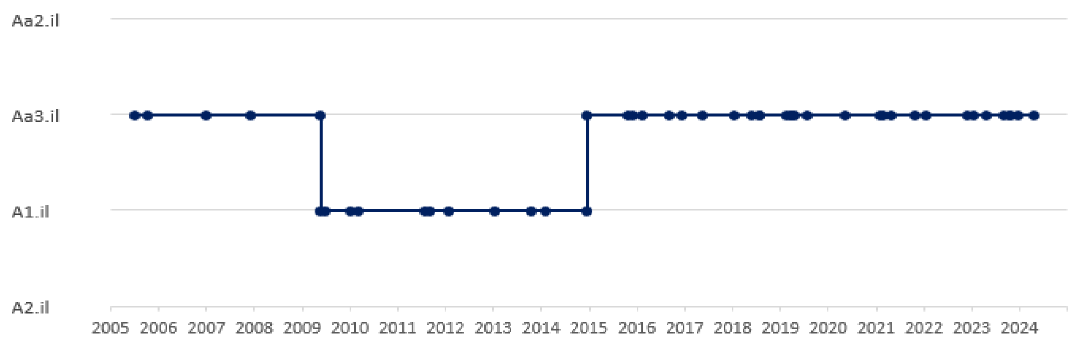
Category	Parameters	As of 31.12.2023 Measurement[1]	As of 31.12.2023 Score	Midroog Forecast[1] Measurement	Midroog Forecast[1] Score
Holding portfolio profile	Investees' credit risk profile	-	Aa.il	-	Aa.il
	Visibility of cash flows from investees and restrictions on dividend distributions as a percent of retail revenues	-	Aa.il	-	Aa.il
	Portfolio concentration attributes	-	A.il	-	A.il
Financial profile	Adjusted financial debt/adjusted asset value*	40%	A.il	45%-50%	A.il
	ICR	3.7	A.il	2.5-3.0	A.il
	Financial debt/FFO	12	Baa.il	13-15	Baa.il
	Financial flexibility	-	Aa.il	-	Aa.il
	DSCR+cash	1.5	A.il	1.4-1.7	A.il
	Financial policy	-	Aa.il	-	Aa.il
Implied score					**A1.il**
Final score					**Aa3.il**

*[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its base case scenario, and not the issuer's assessments. * The ratio of net financial debt (expanded standalone) to total value of investments adjusted to market value assumes a net debt balance and value of unquoted holdings as of December 31, 2023 and market value of quoted holdings based on an average of the last 30 trading days before the report publication date.*

COMPANY PROFILE

Alony Hetz Properties and Investments Ltd. focuses primarily on long-term investments in the income-producing real estate sector in and outside Israel, including value-add real estate development. The Company's holdings are diverse and include investments in several countries, among them Israel, the US and the UK. In addition, the Company invests in the renewable energy sector through Energix Renewable Energy Ltd., which operates in Israel, Poland and the US. Alony Hetz is a public company whose shares are traded on the Tel Aviv Stock Exchange. The Company has no controlling shareholders and is mainly held by institutional investors and the public.

Rating History



Related Reports

Alony Hetz Properties and Investments Ltd. – Related Reports

Rating of Holding Companies – Methodology Report, January 2021

Financial Statement Adjustments and Presentation of Main Financial Measures in Corporate Rating – May 2020

Guidelines for Reviewing Environmental, Social and Governance Risks in Credit Ratings – February 2022

Implications of the Iron Swords War for the Creditworthiness of Issuers Rated by Midroog – Special Report, October 2023

Effects of the Increase in Interest Rate s and Inflation on Israel's Income-Producing Real Estate Sector – Special Report, June 2022

Table of Relationships and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	April 16, 2024
Date of last revision of the rating:	December 26, 2023
Date of first publication of the rating:	June 27, 2005
Rating commissioned by:	Alony Hetz Properties and Investments Ltd.
Rating paid for by:	Alony Hetz Properties and Investments Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Long-Term Rating Scale

Aaa.il	**Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.**
Aa.il	**Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.**
A.il	**Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.**
Baa.il	**Issuers or issues rated Baa.il are those that, in Midroog judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.**
Ba.il	**Issuers or issues rated Ba.il are those that, in Midroog judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.**
B.il	**Issuers or issues rated B.il are those that, in Midroog judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.**
Caa.il	**Issuers or issues rated Caa.il are those that, in Midroog judgment, have extremely weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.**
Ca.il	**Issuers or issues rated Ca.il are those that, in Midroog judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.**
C.il	**Issuers or issues rated C are those that, in Midroog judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.**

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from Aa.il to Caa.il. The modifier '1' indicates that the obligation ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the obligation ranks in the lower end of that category, denoted by letters.

professional advice in respect to his investments, to the applicable law, and/or to any other professional issue.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MIDROOG IN ANY FORM OR MANNER WHATSOEVER.

Midroog's credit ratings and publications are not intended for use by retail investors and it would be reckless and inappropriate for retail investors to use Midroog's credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

All the information contained in Midroog ratings and/or publications, and on which it relied (hereinafter: "the Information") was delivered to Midroog by sources (including the rated entity) that it considers credible. Midroog is not responsible for the accuracy of the Information and presents it as provided by the sources. Midroog exercises reasonable means, to the best of its understanding, so that the Information is of sufficient quality and that it originates from sources Midroog considers to be credible, including information received from independent third parties, if and when appropriate. However, Midroog does not carry out audits and cannot therefore verify or validate the Information.

The provisions of any Midroog publication other than one expressly stated as a methodology do not constitute part of any Midroog methodology. Midroog may change its position regarding the content of such publications at any time.

Subject to applicable law, Midroog, its directors, its officers, its employees and/or anybody on its behalf involved in the rating shall not be held responsible under law, for any damage and/or loss, financial or other, direct, indirect, special, consequential, associated or related, incurred in any way or in connection with the Information or a rating or a rating process, including not issuing a rating, including if they were advised in advance of the possibility of damage or a loss as said above, including but not confined to (a) any loss of profit in present or future, including the loss of other investment opportunities; (b) any loss or damage caused consequential to holding, acquisition and/or selling of a financial instrument, whether it is a subject of a rating issued by Midroog or not; (c) any loss or damage caused consequential to the relevant financial asset, that was caused, *inter alia* and not exclusively, as a result of or in respect to negligence (except for fraud, a malicious action or any other action for which the law does not permit exemption from responsibility) by directors, officers, employees and/or anybody acting on Midroog's behalf, whether by action or omission.

Midroog maintains policies and procedures in respect to the independence of the rating and the rating processes.

A rating issued by Midroog may change as a result of changes in the information on which it was based and/or as a result of new information and/or for any other reason. Updates and/or changes in ratings are presented on Midroog's website at http://www.midroog.co.il.