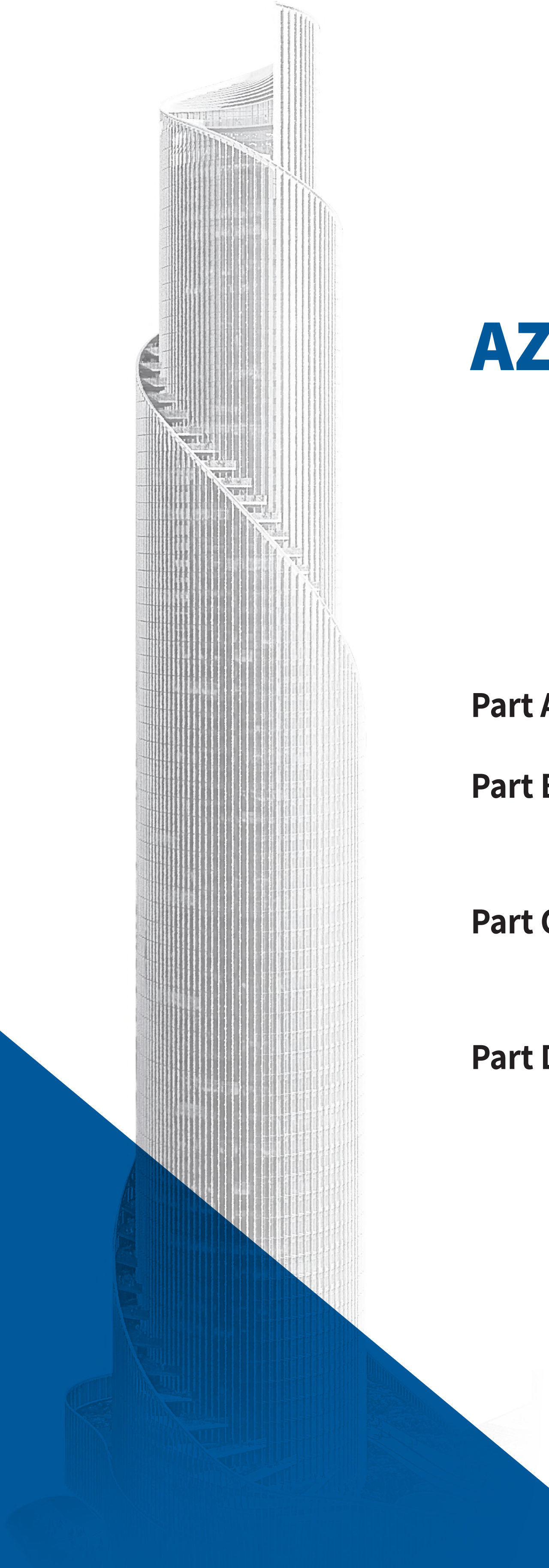
AZRIELIGROUP

AZRIELI GROUP LTD.

Quarterly Report Q3/2021

Dated 30 September 2021



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Dated 30 September 2021

PART A

Board Report

Azrieli Group

BUSINESS CARD

Azrieli Group is focused on the income-producing real estate sector and is Israel's largest real estate company.
In the shopping mall sector, the Group holds several leading malls, including Azrieli Jerusalem mall, Azrieli Ayalon mall and Azrieli Tel Aviv mall. The Company also holds and manages office properties, including some of the most prominent in Israel, such as the Azrieli Tel Aviv Center and Azrieli Sarona tower. In the past year, it opened two new office properties, Holon HaManor and the Azrieli Town office tower. The Company also operates in the senior housing sector, and as of the report date manages four active senior homes. In the United States, the Company holds several office buildings, mainly in Houston and Austin, Texas. The Company also has a holding of approx. 24% in a company operating mainly in the Data Centers industry in North America, and in August 2021 acquired Green Mountain, a company operating in the Data Centers industry in Norway. In addition, the Company holds the Mount Zion Hotel in Jerusalem. In February 2021, the Company purchased land located at the junction of Mikveh Israel, Levontin and HaRakevet streets in Tel Aviv, where it plans to build in the future a rental housing project. In May 2021, the Company entered into a conditional agreement for the acquisition of a company holding land in the North Glilot quarter, on part of which it will build and lease a campus for SolarEdge Technologies Ltd. In October 2021 the Company entered into a conditional agreement for the acquisition of Mall HaYam in Eilat.
Azrieli Group has an extraordinary pipeline of hundreds of thousands of square meters of office, retail and senior housing space, in projects which will contribute significantly to the Group's future growth. In addition, we constantly invest in the preservation of the quality and value of our current property portfolio.
In addition to its real estate operations, the Group owns the Azrieli.com e-commerce platform and, as of the report date, has a financial holding of Bank Leumi stock (approx. 2.8%).
Azrieli Group's financial strength puts it in a class of its own among real estate companies. The Company has low leverage, with a net debt to assets ratio of just 32%. We target the best locations for our properties, to provide good transportation access over time and form a significant part of their urban environment. The location and quality of the properties are planned to serve as the best platform for our malls' tenants and visitors. As Israel's leading and strongest real estate group, Azrieli Group intends to continue its work in the real estate sector, and lead the development and management of high-quality, modern and innovative income-producing properties in Israel and overseas.
The Group will continue to focus on its core business, while investing in new growth engines and applying advanced technologies.

Established in 1983

NIS 4.2 billion distributed in dividends since the IPO

~ 1.4 million sqm of leasable areas and ~0.7 million sqm under development

Israel's largest real estate company with total assets of NIS 39.5 billion

99% occupancy rate* on average in Israel

19 MALLS

343 thousand sqm | 99% Occupancy*

17 OFFICE BUILDINGS

645 thousand sqm | 99% Occupancy*

4 SENIOR HOMES

105 thousand sqm | 98% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

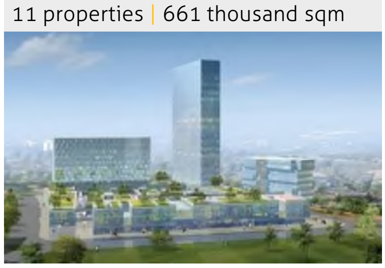
240 thousand sqm | 75% Occupancy

16 DATA CENTERS OVERSEAS

22 thousand sqm | 93% Occupancy

DEVELOPMENT PIPELINE

11 properties | 661 thousand sqm

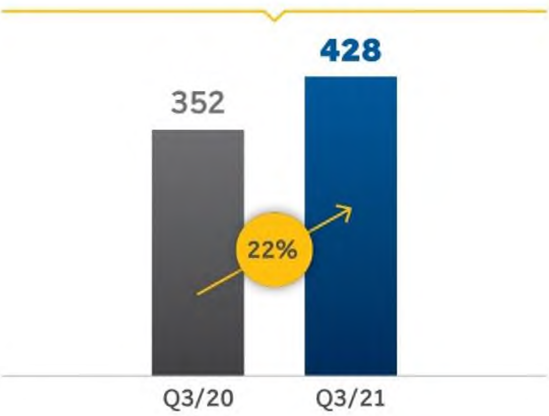


Net of properties under lease-up for the first time
GLA (gross leasable area) is based on the Company's share.

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR Q3/2021 AND THE REPORT PERIOD

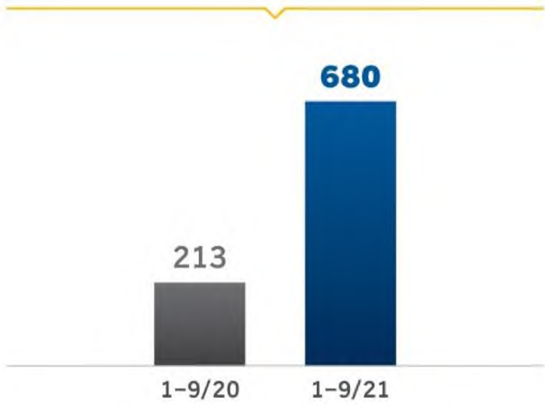
Increase of approx. 22% in Q3/2021 NOI to NIS 428 million compared with NIS 352 million in Q3/2020

NOI



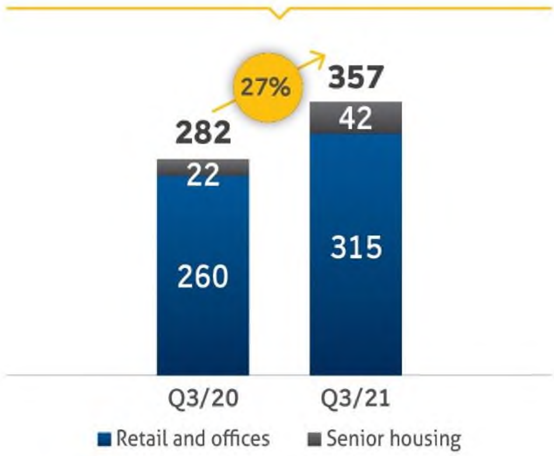
Net Profit NIS 680 million in the report period compared with NIS 213 million in the same period last year

Net Profit



Increase of approx. 27% in Q3/2021 FFO to NIS 357 million compared with NIS 282 million in Q3/2020

FFO from income-producing real estate business



Average debt duration extended while reducing the interest rate

Average interest vs. average duration

During the Report Period, the Company distributed a NIS 600 million dividend

This is a translation of Azrieli Group's Hebrew-language Quarterly Report and Financial Statements as of September 30, 2021. It is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in any event of discrepancy, the Hebrew version shall prevail.

1 | THE BOARD OF DIRECTORS' EXPLANATIONS ON THE STATE OF THE CORPORATION'S BUSINESS

1.1. General

The board of directors of Azrieli Group Ltd. (the "**Company**"; the Company jointly with all corporations directly and/or indirectly held thereby shall be referred to as the "**Group**" or the "**Azrieli Group**") is proud to present this board of directors' report for the nine and three months ended September 30, 2021 (the "**Report Period**" and the "**Quarter**", respectively), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Regulations**").

The review presented below is limited in scope and refers to events and changes in the state of the Company's affairs that occurred during the Report Period and have a material effect (for details on the ramifications of the spread of Covid-19, see Section 2.2 below). The review should be read in conjunction with the Description of the Corporation's Business chapter in the periodic report for December 31, 2020, the financial statements and the board of directors' report on the state of the Company's affairs for the year ended on the same date[1] (the "**Periodic Report for 2020**"), and with the update to the Corporation's Business chapter and the financial statements as of September 30, 2021.

Unless otherwise stated herein, the terms defined in Chapter A of the Periodic Report for 2020 shall have the meanings set forth alongside them.

The information in the board of directors' report is based on the consolidated financial statements as of September 30, 2021.[2] The Company's financials and results of operations are affected by the financials and results of operations of the companies held thereby. In some cases, we present details of events that occurred subsequently to the date of the financial statements as of September 30, 2021 and until the date of release of the report (the "Report Release Date"), while indicating the same, or additional figures and details that are strictly at Company-level. The materiality of the information included in this report has been examined from the Company's perspective. In some cases, an additional and detailed description is provided in order to provide a comprehensive picture of the described issue, which the Company believes to be material for the purposes of this report.

[1] See the Company's report of March 25, 2021 (Ref.: 2021-01-044625), which is included herein by way of reference.

[2] The attached financial statements are prepared according to the International Financial Reporting Standards ("**IFRS**"). For further details, see Note 2 to the financial statements as of September 30, 2021.

1.2. Key Figures from the Description of the Corporation's Business

1.2.1. Summary of Operating Segments for the Nine and Three Months Ended September 30, 2021

During the Report Period and as of the Report Release Date, Azrieli Group continued to focus its business operations on various real estate sectors, primarily on the retail centers and malls in Israel segment, the leasable office (and other) space in Israel segment, as well as on the income-producing property overseas segment (mostly in the U.S.). The Company also operates in the senior housing segment. In addition, the Company (indirectly) holds approx. 24% in Compass, a company operating in the data center industry in North America and EMEA. On August 24, 2021, the Company closed the acquisition of Green Mountains, AS ("**GM**"), a company operating in the data center industry in Norway. In view of the aforesaid, as of the report date, the activity of the Company in the data centers industry began being described as an operating segment and GM's financial data were consolidated in the financial statements as of September 30, 2021. Furthermore, the Company holds the Mount Zion Hotel in Jerusalem. The Company is also active in the e-commerce business through its holding in Azrieli.com website and has holdings of minority interests in Bank Leumi LeIsrael Ltd. ("**Bank Leumi**").

The Group's primary growth engine is the development of income-producing real estate projects: malls, offices, senior housing and data centers. As of the report date, the Company has eleven projects in Israel in various development stages, the planned area of which is approx. 669 thousand sqm, as well as land for development. A brief description of the Group's five reported operating segments, as well as its additional activities ("**Others**") follows.

1. **Retail centers and malls in Israel** – The Group has 19 malls and retail centers in Israel;[3]
2. **Leasable office and other space in Israel** – The Group has 17 income-producing office properties in Israel;[3]
3. **Income-producing properties in the U.S.** – The Group has 8 office properties overseas, mainly in the U.S.;
4. **Senior housing** – The Group has 4 active senior homes in Israel.
5. **Data centers** – The Group owns 100% (indirectly) of the issued and paid-up share capital of GM as well as (indirect) holdings in the scope of approx. 24% of Compass. For further details, see Section 2.13 below.

Additional activities – As of the Report Release Date, the Group has an e-commerce business through Azrieli E-Commerce that holds and operates the Azrieli.com website, and also the Group holds approx. 2.8% of the shares of Bank Leumi.

In addition, the Company owns the Mount Zion Hotel in Jerusalem. For further details, see Section 2.14.1 below.

Discontinued operations – the Granite segment - The Group held (through Granite Hacarmel) 100% of the shares of Supergas and 100% of the shares of GES, which have been sold. Further to the foregoing, Granite and GES are presented in the financial statements as discontinued operations, in accordance with GAAP.

[3] During the Report Period, the Group closed the sale of the "Azrieli Kiryat Ata" mall and office building. For further details, see Section 1.2.3.2 below. Furthermore, after the Report Period the Company entered into an agreement fort the acquisition of "Mall HaYam" in Eilat. For further details, see Section 1.2.3.7 below.

1.2.2. Breakdown of Asset Value by Operating Segment

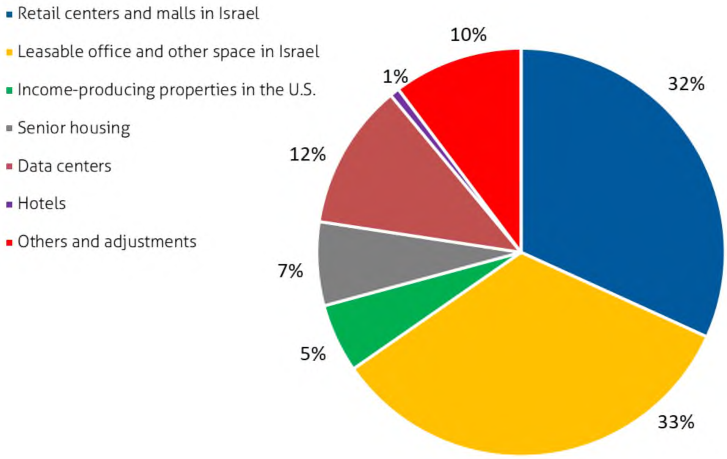
The following chart presents a breakdown of the total balance sheet assets by operating segment:[4]

Breakdown of Total Balance Sheet Assets by Operating Segment

As of	30.9.2021	31.12.2020
Retail centers and malls in Israel	**12,559**	12,431
Leasable office and other space in Israel	**13,243**	12,463
Income-producing properties in the U.S.	**2,153**	2,126
Senior housing	**2,619**	2,597
Data centers	**4,570**	1,101
Hospitality	**299**	292
Others and adjustments	**4,054**	4,114
Total	**39,497**	35,124

Percentage of Segment Assets out of Total Assets

30.9.2021



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 33% of the total balance sheet assets and the assets in the retail centers and malls segment constitute approx. 32%. The other income-producing real estate segments, in the aggregate, constitute approx. 25% of the total balance sheet assets.

1.2.3. Summary of the Main Developments during and after the Report Period

1.2.3.1. Development Pipeline

During the Report Period, the Group continued to invest in the development and construction of new properties and in expansion and renovation of existing properties. For details on developments in the Group's development pipeline during the Report Period, see Section 4.1 below.

1.2.3.2. Sale of the "Azrieli Kiryat Ata" Mall and Office Building

On February 23, 2021, an (indirectly) wholly owned subsidiary of the Company (in this section: the "**Seller**") entered into two sale agreements with an unrelated third party (in this section: the "**Buyer**"), for sale to the Buyer of all of the Seller's rights and obligations in respect of the mall and office building known as "Azrieli Kiryat Ata", for a total consideration of NIS 90 million, plus V.A.T. as required by law. On June 30, 2021, after the Buyer had fully paid the Seller the consideration under the agreements, the transactions were closed, and possession of the properties was handed over to the Buyer with part of the consideration paid by means of a 36-month loan provided to the Buyer by the Seller and secured by a first-ranking mortgage on the mall.

For further details, see the Company's immediate reports of February 23, 2021 and July 1, 2021 (Ref.: 2021-01-021555 and 2021-01-110127, respectively), which are included herein by reference.

[4] The Company applied IFRS 8 – Operating Segments in its financial statements.

1.2.3.3. Entry into Agreements for the Acquisition of Land in Tel Aviv

On February 25, 2021, the Company entered into agreements with Bezeq the Israel Telecommunications Corporation Ltd., for acquisition of all of the rights in the land situated on the intersection of the streets Mikveh Israel, Levontin and HaRakevet in Tel Aviv, in consideration for a sum total of NIS 180 million, plus V.A.T and possession of the property was handed over. Furthermore, in April 2021, the Company paid purchase tax in the sum of approx. NIS 10.8 million. For further details, see the Company's immediate report section of February 28, 2021 (Ref.: 2021-01-023911), which is included herein by reference.

1.2.3.4. Changes in the Service of Officers of the Company

On February 1, 2021, Mr. Uri Kilstein assumed the office of Head of Malls and Deputy CEO of the Company.

On April 4, 2021, Mr. Israel Keren assumed the office of COO of the Company, *in lieu* of his former position in the Company.

On August 1, 2021, Mr. Ofer Yarom assumed the office of CMO of the Company, *in lieu* of his former position as CEO of Azrieli E-Commerce.

1.2.3.5. Extension of a Shelf Prospectus

On May 2, 2021, the Israel Securities Authority extended the Company's shelf prospectus as of May 7, 2019, by additional 12 months until May 7, 2022.

1.2.3.6. Engagement in an agreement for the acquisition of land in the Glilot North site and an agreement for the construction and lease of a campus for SolarEdge Technologies Ltd.

On May 10, 2021, the Company engaged in an agreement conditional upon conditions precedents for the acquisition of control (directly and indirectly) of a company not affiliated with the Company, which is entitled to receive leasehold rights from the Israel Land Authority ("**ILA**") in lands located at the Glilot North site. The Company has also engaged in a lease agreement for the construction and lease of a campus for SolarEdge Technologies Ltd. on part of the land.

For further details, see the Company's immediate report of May 11, 2021 (Ref.: 2021-01-082779), which is included herein by reference.

1.2.3.7. Entering into an agreement for acquisition of ownership of "Mall HaYam" in Eilat

On October 3, 2021, the Company entered into an agreement conditional upon conditions precedents with two third parties unrelated to the Company and with Mall HaYam Eilat (1978) Ltd. for acquisition of all (100%) the rights in the property on which the "Mall HaYam" is built in Eilat, for consideration reflecting a total value of approx. NIS 1.31 billion.

For further details, see the Company's immediate report of October 4, 2021 (Ref.: 2021-01-150663), which is included herein by reference.

1.2.3.8. Completion of acquisition of Green Mountain AS, a company in the data center industry

On August 24, 2021, the Company, through a wholly-owned special-purpose subsidiary incorporated under the Norwegian law, acquired 100% of the issued and paid-up share capital of Green Mountain AS, which operates in the data center industry in Norway, in consideration for a sum total of approx. NOK 6.5 billion, and in Israeli currency approx. NIS 2.427 billion. For further details about the engagement in the agreement and completion of such acquisition, see the Company's immediate reports of July 19 and August 24, 2021 (Ref.: 2021-01-118377 and 2021-01-136974, respectively), which are included herein by reference and Note 3J to the financial statements as of September 30, 2021.

1.2.3.9. Financing transactions

In July 2021, the Company issued two new bond series (Series G and H) of the Company[5], issuing Series G Bonds of approx. NIS 1,904 million par value in consideration for approx. NIS 1,904 million (approx. NIS 1,883 million after attribution of issue expenses), and Series H Bonds of approx. NIS 1,751 million par value in consideration for approx. NIS 1,751 million (approx. NIS 1,730 million after attribution of issue expenses).

1.2.3.10. Covid-19 pandemic

For further details regarding Covid-19 and its impact on the Company's operations, see Section 2.2 below.

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Sum of Dividend
Azrieli Group	March 24, 2021	May 12,2021	NIS 450 million
Azrieli Group	May 25, 2021	July 6, 2021	NIS 150 million

On March 24, 2021, the Company's board of directors examined the distribution of a dividend in the sum of NIS 600 million and reached a unanimous opinion that the said distribution meets all distribution tests. However, for reasons of conservatism, and *inter alia*, in view of the uncertainty regarding the continued impact of Covid-19, the Company's board of directors resolved to approve a dividend distribution of only NIS 450 million. On May 25, 2021, the Company's board of directors resolved to approve an additional distribution of NIS 150 million. For further details see the Company's immediate report of May 26, 2021 (Ref.: 2021-01-090690), which is included herein by reference.

1.2.5. Dividends distributed to the Company

	Date of Approval	Date of Payment	Sum of Dividend	Company's share out of the dividend distributed
Bank Leumi	August 12, 2021	September 2, 2021	Approx. NIS 630 million	Approx. NIS 18.7 million

On November 15, 2021, the board of directors of Bank Leumi approved an additional dividend distribution in the total sum of approx. NIS 1,367 million. The Company's share out of such dividend, the expected payment date of which is December 12, 2021, will be approx. NIS 36 million.

[5] Under a shelf offering report released on July 19, 2021 (Ref.: 2021-01-118986), released under Shelf Prospectus 2019, which is included herein by reference.

2 | INCOME-PRODUCING REAL ESTATE

2.1. Business Environment

The business environment in which the Company operates is described in Section 6 of Chapter A of the Periodic Report for 2020 and included herein by way of reference. In this context, see Section 2.2 below for updates in connection with the ramifications of the spread of Covid-19.

*The Group's aforesaid estimations with regards to the changes in the income-producing real estate sector in Israel and their effect on the Group's results are merely subjective estimations and constitute forward-looking information as defined in the Securities Law, 5728-1968 (the "**Securities Law**"). Actual results and effects may materially differ from the aforesaid estimations and what they imply, for various reasons, including the further intensification of competition, a decline in demand, a deterioration of the Israeli economy and the ramifications of Covid-19.*

2.2. Covid-19 Pandemic and its Implications

The beginning of 2020 saw the outbreak of Covid-19 in China which spread across the world. On March 11, 2020, the WHO declared a global pandemic and steps were taken to mitigate the spread of Covid-19.

The pandemic is affecting various business sectors in many countries. In Israel, GDP decreased by 2.6% in 2020.

From March 2021 and during Q2/2021, in view of the extensive Covid-19 vaccination campaign, a return to normalcy was evident in the Israeli economy. However, in the period between the beginning of Q3/2021 and the end of Q3/2021, there was a renewed rise in morbidity in Israel and worldwide due to the spread of the Delta variant, and in view of the waning of the effect of the vaccine over time. As a result, it was decided to offer a third Covid-19 shot ("booster") to persons aged 12 and above (in this section: the "**General Population**"), such that as of the Report Release Date, morbidity is low. Nevertheless, it is difficult to estimate the risk reflected by the continued and/or renewed spread of the pandemic.

In accordance with the macro-economic forecasts that were released by the Bank of Israel's Research Department in October 2021 (which were made under the assumption that the process of easing the restrictions in Israel would continue in parallel with a gradual waning of the pandemic in the next two years, alongside further spikes in morbidity in Israel and worldwide which would be accompanied by relatively 'soft' restrictions whose impact on economic activity is limited), the GDP is expected to grow at a rate of 7% and 5.5% in 2021 and 2022, respectively. In addition, according to additional forecasts of the Bank of Israel's Research Department from the same date, the general unemployment rate is expected to be around 5.2% at the end of 2022 (relative to an average rate in 2019 of 3.8%), and the inflation rate in the next four quarters ending Q3/2022 is expected to be 1.7%, and approx. 1.6% at the end of 2022.

In view of the low and stable morbidity figures in the period following the third lockdown, the Green Pass requirement and the Purple Badge restrictions were revoked starting from June 1, 2021. However, on June 25, 2021, and in view of the renewed increase in morbidity, the Ministry of Health announced a requirement for mask-wearing at any indoor venue, and in view of further increase in morbidity, starting from July 29, 2021, the Green Pass regulations were reinstated, further restrictions were imposed to cope with the pandemic, and a decision was made to vaccinate the General Population with a third dose. Starting from August 18, 2021, the Green Pass regulations and the Purple Badge regulations were updated and various gathering restrictions were updated in an effort to stop the spread of the pandemic aside keeping normal routine. Further to the aforesaid, and in view of the decrease in morbidity, a series of relaxations took effect on November 12, 2021 regarding, *inter alia*, the possibility of unlimited outdoor gatherings and relaxation of the duty to present a Green Pass in some indoor venues. In addition, the obligation to wear masks in outdoor gatherings of over 100 people was canceled.

For further details on the Company's Covid-19-related action, See Section 2.2.1 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

2.2.1. Effect of the Covid-19 crisis on the segment of retail centers and malls in Israel

From March 15, 2020 to May 7, 2020, a directive by the Israeli Government on the closedown of cultural and recreational venues was in effect (in this section: the "**First Lockdown**"), which also applied to the Company's malls (other than essential businesses such as supermarkets, drugstores, clinics, banks, etc.). Similarly, in view of the rise in morbidity, various restrictions were re-imposed in order to limit the spread of the virus, and *inter alia*, from September 18, 2020, a directive on the closedown of cultural and recreational venues took effect, which also applied to the Company's malls (other than the aforesaid exceptions), and remained effective until December 8, 2020, save for three of the Company's malls which were opened during this time as part of the malls pilot (in this section: the "**Second Lockdown**"). Furthermore, at the end of December 2020, in view of a further increase in morbidity, similar restrictions were imposed, *inter alia* on the Company's malls, until their re-opening on February 21, 2021 (in this section: the "**Third Lockdown**").

<u>Establishment of a special financial aid fund for the Group's mall tenants</u>

In view of the impact of the First Shutdown on the tenants in the Group's malls, the Company set up special financial aid fund for tenants in the Group's malls, in the amount of a NIS 100 million. As of the Report Release Date the fund was closed. For further details, see Section 2.2.2 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

<u>Relief plan for tenants of the Company's malls</u>

On March 17, 2020, the Company reported the grant of an exemption from payment of rent for the second half of March 2020 to tenants whose businesses were closed following the First Shutdown (in this section: the "**Tenants**"), as well as the suspension of rent and management fee payments by the Tenants for the period between April 1, 2020 and the date of resumption of normal operations.

Prior to the resumption of operations of the Group's malls after the First Shutdown, the Company formulated a relief plan for the Tenants of its malls regarding the period of the restrictions in which the majority of the businesses in the malls were closed, as well as the period after their reopening (in this section: the "**Relief Plan**" or the "**Plan**"). For the key elements of the Plan, see Section 2.2.2 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

During H2/2020 too and during Q1/2021 until the end of the Third Lockdown, the Company granted reliefs to the Tenants due to the Second and Third Lockdown, and also granted reliefs to Tenants whose activity was limited by law also during periods in which the malls were open, such as movie theaters, restaurants and cafés and to Tenants who experienced diminished store revenues. The Company estimates that the total reliefs granted by the Company to the Tenants during Q1/2021, where most of the Third Lockdown took place, are approx. NIS 115 million. In Q2 and Q3 2021 specific reliefs were granted in an immaterial amount to the Company and mainly to movie theaters which, as described below, were opened to the general population during Q2.

It is emphasized that the impact of the Covid-19 crisis, including the relief for the Third Lockdown, were reflected in the Company's NOI results as specified in Section 2.5 below.

On August 9, 2020, the Israel Securities Authority (ISA) published an Accounting Staff Position regarding accounting alternatives with respect to recognition of waivers of rent attributed to the period of the Covid-19 crisis. According to the provisions of IFRS 9 "Financial Instruments" and IFRS 16 "Leases", the Company has decided to recognize the full impact of the relief provided to the Tenants in 2020 and in the Report Period, *in lieu* of "straight line" amortization of the rent relief over the remaining lease periods, as reported by the Company in the immediate report of May 5, 2020 (Ref.:2020-01-044070), which is included herein by reference.

<u>The strategy for return to normalcy in the Israeli economy</u>

As part of the strategy for the return to normalcy in the Israeli economy, after the First Lockdown, the Israeli Government released a directive whereby, from May 7, 2020, the malls resumed operations, subject to the definitions and rules determined (the Purple Badge), including the appointment of a Covid-19 officer in each mall who will be responsible for compliance with the rules, the requirement to wear face masks, the restriction on the number of people per sqm, the marking of places to stand in order to comply with the 2-meter distance requirement, the maintenance of a high standard of hygiene, and more.

Despite the reopening of the malls after the three lockdowns, resumption of the activity of movie theaters was not immediately permitted (towards the end of March 2021, they were permitted to be reopened exclusively to Green Pass holders, and from June 2021, upon revocation of the Green Pass, they were reopened to the general public until July 29, 2021, as noted below). In addition to these restrictions, every store on the malls' premises was required to operate in accordance with the guidelines relevant thereto, including restaurants, cafés and gyms, and restrictions on dining in fast food courts, cafés and restaurants in the malls. As noted above, these restrictions were revoked from June 1, 2021.

Despite the aforesaid, in view of the renewed rise in morbidity, on July 29, 2021, the Green Pass was reinstated, according to which entry to indoor and outdoor venues, from the age of 12, where there are more than 100 people, such as gyms, restaurants, cafés, movie theatres etc., **excluding malls and stores**, is subject to presentation of a vaccination/recovery certificate or a negative test. From August 8, 2021, the Green Pass was expanded to any number of participants, and from August 18, 2021, the Green Pass applies also to children from the age of 3. As aforesaid, a series of relaxations took effect on November 12, 2021 regarding, *inter alia*, the possibility of unlimited outdoor gatherings and cancelling the duty to present a Green Pass in indoor cultural, sport and praying events, up to 100 sitting participants. In addition, starting from August 18, 2021, the Purple Badge is instated (an occupation of one person for every 7 sqm), *inter alia*, in malls, retail centers, stores bigger than 100 sqm and complexes open to the public. Unlike the preliminary estimations, the reopening of the malls to the general public after the First Lockdown has been characterized by the quick return of consumers to the Group's malls. Accordingly, the reopening of the malls after the Second Lockdown and the Third Lockdown demonstrated a similar trend.

Store revenues reported by the Tenants in the Group's malls from the date of the reopening thereof on February 21, 2021 until September 30, 2021 were approx. 2.4% higher (despite the emergency security situation in Israel during May 2021) and compared with the same period in 2019 (with February adjusted to a full month of activity),[6] excluding store revenues of Tenants that had not resumed normal operations or operated on a partial basis during the period, including the revenues of movie theaters, restaurants and cafés, food courts, gyms, schools, conference centers, etc.

2.2.2. Impact of the Covid-19 crisis on the leasable office and other space in Israel segment

During the three lockdowns, the Ministry of Health announced directives on "reducing people's need to get out of the house". These directives led to a switch to telecommuting by a large percentage of workers, in consequence of which the number of workers coming into the Company's office properties decreased. For further details, see Section 2.2.3 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

As of the Report Release Date and in view of the return of economic activity to routine, there has been a significant upward trend in the traffic of workers and visitors to the majority of office properties owned by the Company. The Company is continuing to take various measures to reduce the spread of the virus in its properties, *inter alia*, carrying out cleaning and disinfection of the public areas of its properties, requiring use of face masks, etc.

The Company's revenues from the segment of leasable office space in Israel have not been materially affected since the outbreak of the Covid-19 crisis, other than due to a response to specific requests of tenants in the Company's office properties for relief (mainly tenants the reopening of which has been banned or significantly restricted such as: gyms, colleges, etc.) as well as the spreading out of rent payments due to the Covid-19 crisis. Further to the aforesaid, during the Report Period, the Company witnessed high demand for leasable office areas, particularly in the area of Tel Aviv.

Furthermore, in view of the reduced use, during the Report Period, of the Company's car parks which serve both the retail centers and malls segment and the office segment, the Company's revenues from operation of the car

[6] Examined against the relevant periods in 2019, in order to compare with months with full store revenues (as noted above, the First Lockdown commenced on March 15, 2020).

parks have decreased. At the same time, the Company took cost-saving measures. The total adverse effect on the results of operations of the car parks in the Report Period amounted to approx. NIS 7 million.

2.2.3. Further impact of the Covid-19 crisis on other activities of the Company

The Company's income-producing properties in the U.S. – Similarly to the office properties in Israel, the Company's office properties in U.S. have also seen less employee and visitor traffic due to Covid-19. There has been a limited effect on the Company's revenues from the segment of income-producing properties in the U.S. since the outbreak of the Covid-19 crisis, due to the grant of specific requests by tenants to spread out rent payments.

Senior housing properties – The Company formulated strict procedures with respect to the entrance of visitors to the Group's senior homes, since the residents are an at-risk population. For further details on the Company's Covid-19-related action in its senior housing properties, see Section 2.2.4 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

The e-commerce business (Azrieli E-Commerce) – the Covid-19 crisis accelerated the shift in Israeli consumers' shopping habits, which was reflected by a significant increase in the online shopping and expansion of the populations who buy online. Accordingly, since March 2020 there has been a significant increase in the sales volume on Azrieli.com which continued also during Q1/2021 which included the Third Lockdown. With the physical opening of retail after the end of the Third Lockdown, there was a decrease in online purchases compared with the lockdown periods.

Mount Zion Hotel – See Section 2.14.1 below.

2.2.4. Impact on the value of the Company's properties

The Company examined the value of the Company's properties in Israel as of June 30, 2021, using an outside appraiser. In the appraiser's estimation, it is too early to estimate the effect of the Covid-19 crisis on the long-term valuations, in view of the reasonable assumption, that considering the vaccination rate, no further lockdown is expected. In addition, it was assumed that no material discounts are expected to be given to tenants.

2.2.5. Effect of the Covid-19 crisis on property development

During the Third Lockdown (as well as the First and Second Lockdown), the construction industry was defined as essential, and excluded from the list of industries on which restrictions were imposed due to the spread of Covid-19. Therefore, this industry was allowed to work at full capacity. During the Report Period, the Group continued investing in the development and construction of new properties, as well as expansion and renovation of existing properties.

2.2.6. Effect of the Covid-19 crisis on liquidity, financial position and sources of financing

The Company has exceptional financial strength, as demonstrated by the following parameters:

- As of the report date, the Company has low leverage with a net debt to assets ratio of approx. 32%. The leverage ratio is low relative to competitors in the market and provides flexibility also in times of crisis. For further details see Section 5.1 below.
- As of the report date, the Company has approx. NIS 27 billion in unencumbered assets, in addition to mortgaged assets with a low LTV. For further details see Section 5.8 below.
- The cash balance available to the Company, as of the report date, is approx. NIS 2.7 billion, in addition to which the Company holds marketable shares of Bank Leumi worth approx. NIS 1.1 billion. For details on the dates of payment of financial liabilities, see Section 5.7 below.
- In April 2020, at the height of the Covid-19 crisis, the Company raised debt through the issue of Series E and F bonds, by way of expansion of such series, in the sum of approx. NIS 1.7 billion, at an interest rate lower than the nominal interest rate of the bonds (premium). For further details, see Section 19.5 of Chapter A of the

Periodic Report for 2020, which is included herein by reference. Furthermore, in July 2021, the Company raised debt by means of issuing new bond series (Series G and H) in the amount of approx. NIS 3.7 billion. For further details, see Section 1.2.3.9 above.

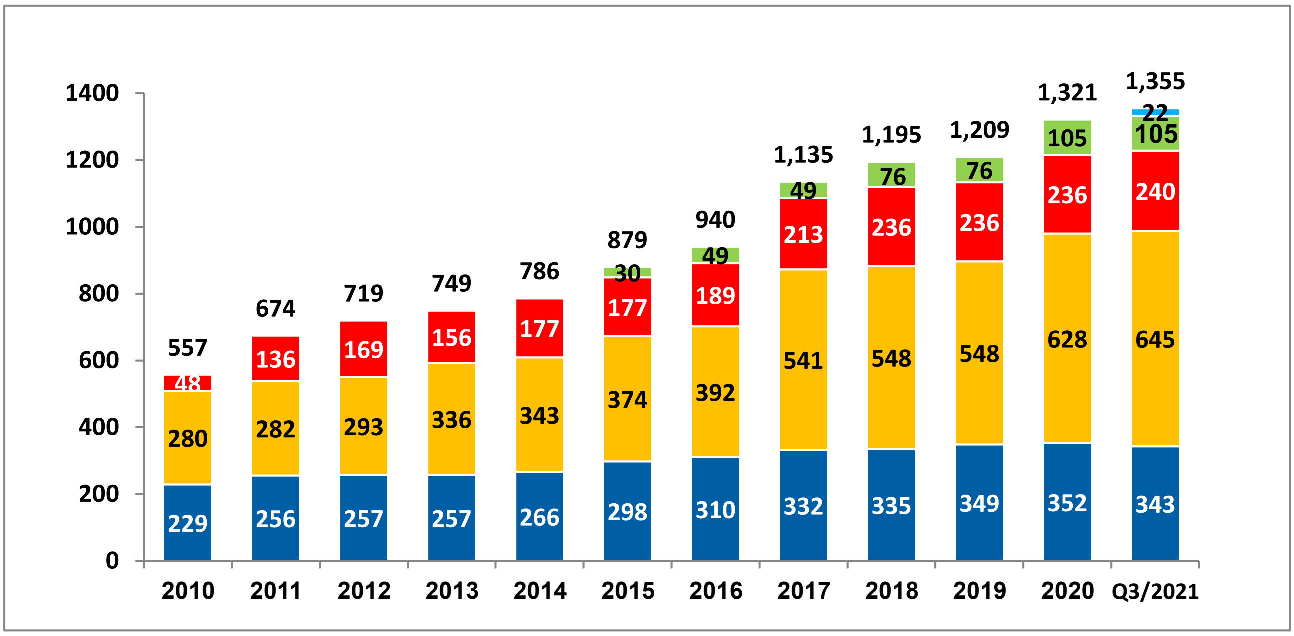
- The Company's credit rating is the highest given to real estate companies, AA+ by Maalot and Aa1 by Midroog. For further details, see Section 5.4 below.

As of the Report Release Date, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with another outbreak of the Covid-19 pandemic and the measures to be taken by the various countries as well as the amount of time it will take before full normalcy is restored, the Company is unable to assess such effects on its future activity, since the extent of the impact depends on the degree and scope of materialization thereof. In the Company's estimation, despite the vaccination campaign in Israel, in the event of further wide-spread outbreaks of the virus, the global economy may continue to suffer additional material adverse effects, including some of the markets and sectors in which the Company operates, as well as some of the tenants in the Group's properties. The Company's management estimates that in view of its financial strength, which is demonstrated by the total cash and cash equivalents held thereby, low leverage ratio and a significant amount of unencumbered assets, long loan durations and its ability to raise capital on convenient terms, and in view of the broad dispersion of the Company's portfolio of properties, the diversity of tenants and operating segments, the impact of the exposure of the Group's business to the crisis and/or significant instability due to the spread of Covid-19, decreases.

The Company's assessments in this Section 2.2 regarding the potential implications of the spread of the Covid-19 pandemic constitute forward-looking information as defined in the Securities Law. This information is based, inter alia, on assessments and estimates of the Company as of the date of this Report, based on publications in Israel and worldwide on this matter and the directives of the relevant authorities, the materialization of which is uncertain and is beyond the Company's control. Non-materialization of the Company's assessments may result from developments or a different materialization of the factors mentioned above.

2.3. Consolidated GLA Data

As of September 30, 2021



▪ Retail centers and malls in Israel ▪ Offices and others in Israel ▪ Income-producing real estate overseas (mainly the U.S.) ▪ Senior housing ▪ Data Centers

Figures represent thousands of sqm.

2.4. Average Occupancy Rates in the Income-Producing Properties

Following are the average occupancy rates in the Group's income-producing properties by operating segments as of September 30, 2021:

- Retail centers and malls in Israel – approx. 99%;[7]
- Leasable office and other space in Israel – approx. 99%;[7]
- Income-producing properties in the U.S. – approx. 75%;
- Senior housing in Israel – approx. 98%;[7]
- Data Centers – approx. 93%[8].

2.5. NOI of the Properties

Net Operating Income (NOI) is a measure that presents the net operating income of the properties: income after the deduction of the property's operating expenses and prior to the deduction of taxes and interest. It serves as one of the important parameters in the valuation of income-producing real estate companies, as its division by the appropriate cap rate for the properties provides an indication for the determination of the value of income-producing properties[9]. In addition, after deduction of the current maintenance expenses incurred to preserve the property's condition, NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property.

[7] Excluding areas in properties construction of which has been completed and which are in lease-up stages for the first time.

[8] The average occupancy rate was calculated based on the data of the lease agreements as of September 30, 2021, at a weighted average of GM and Compass, with Compass being presented according to the rate of the Company's holding in Compass (approx. 24%). The occupancy rate does not include areas under construction.

[9] Additional indications are, for example: The market value of similar properties in the same area and the sale prices of similar properties in recent transactions.

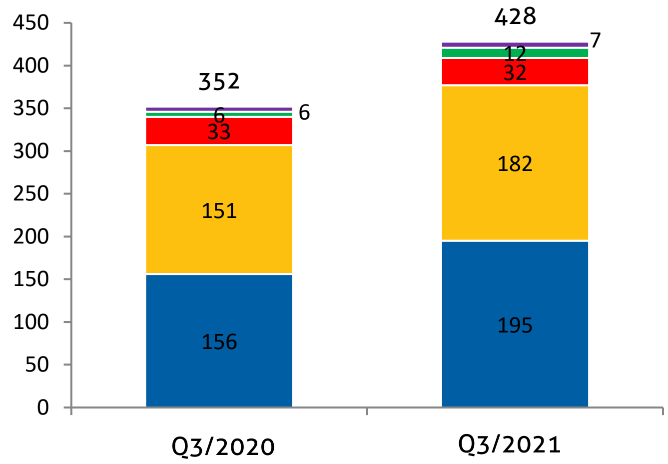
We wish to emphasize that these parameters do not present cash flows from current operations according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's cash flows (including its ability to make distributions), and they are not meant to be deemed as a substitute for net profit in the evaluation of the results of the Group's operations.

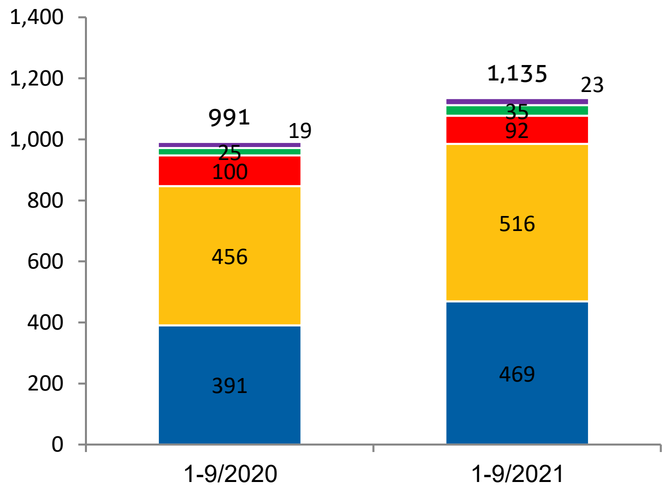
2.5.1. NOI Data

For the purpose of calculating the NOI, on the revenues side – all proceeds from tenants are taken into account (including rent, management fees and other payments), and for the purpose of calculating the costs – all operating expenses in respect of the properties are taken into account, including management, maintenance and other costs.[10]

The NOI figures for the income-producing real estate portfolio are as follows:[11]

NOI





▪ Retail centers and malls in Israel ▪ Leasable office and other space in Israel
▪ Income-producing properties in the U.S. ▪ Senior housing ▪ Data centers

Figures are presented in millions of NIS.

For explanations with respect to the change in NOI, see Sections 2.9, 2.10, 2.11 and 2.12 below.

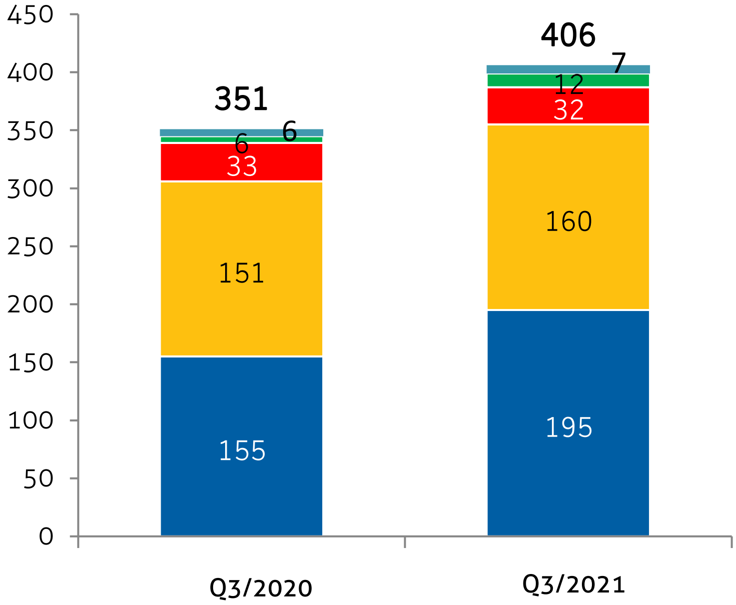
[10] The Group prepares its financial statements based on international standardization, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment properties, depreciation was not taken into account. Furthermore, for the purpose of calculating the aforesaid parameters, profit from the revaluation of properties was not taken into account.

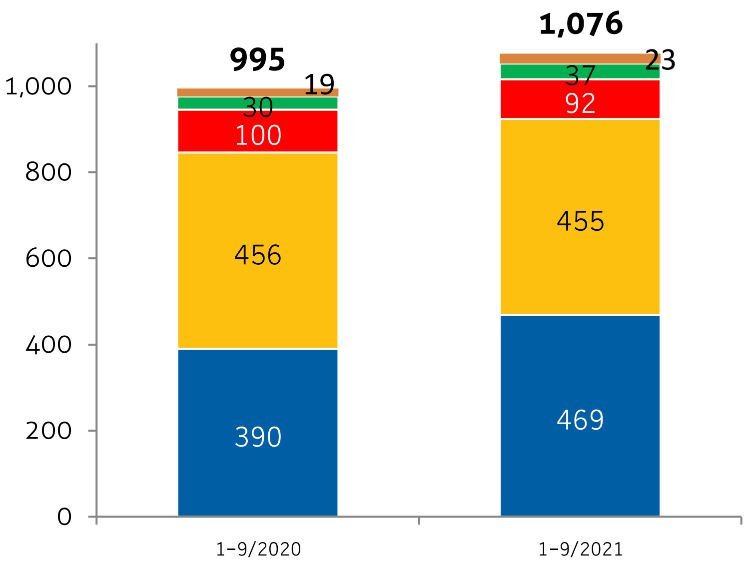
[11] Including properties from the segments: retail centers and malls in Israel; leasable office and other space in Israel; income-producing properties in the U.S.; senior housing and data centers.

2.5.2. Same-Property NOI Data

The NOI index is affected by changes in the property portfolio. That is to say, the sale of a property or the addition of a new property to the Company's portfolio is reflected in a change in the NOI. Contrarily, the Same-Property NOI index discounts such changes and allows for an examination of changes in the profitability of the same portfolio of the Group's properties over time. For the purpose of calculation thereof, only properties that were part of the Group's property portfolio throughout the analysis period are taken into account. In the Report Period and the same period last year, this measure was as follows:

Same-Property NOI





▪ Retail centers and malls in Israel ▪ Leasable office and other space in Israel ▪ Income-producing properties in the U.S. ▪ Senior housing ▪ Data centers

Figures are presented in millions of NIS.

The increase in Same-Property NOI was mainly affected by the increase in the segment of retail centers and malls in Israel due to the closure of malls to visitors according to the Government's decisions and in view of the relief to tenants of the Company's malls in the same quarter last year, as specified in Section 2.2 above, net of a decrease in the income-producing properties in the U.S. segment, mainly due to a decrease in the U.S. dollar exchange rate.

2.6. Weighted Cap Rate

The following table shows the calculation of the weighted cap rate derived from all of the Group's income-producing real estate, excluding senior housing[12], excluding data centers[13] and excluding Mount Zion Hotel[14], of the Group as of September 30, 2021:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment properties in the statement	**31,944**
Net of value attributed to investment properties under construction	**(2,327)**
Net of value attributed to land reserves	**(682)**
Net of value attributed to income-producing senior housing	**(2,196)**
Net of value attributed to data centers properties	**(1,594)**
Total value of income-producing investment properties (including the fair value of vacant space)	**25,145**
Actual NOI in the quarter ended September 30, 2021 (excluding senior housing, data centers)	**409**
Additional future quarterly NOI (1)	**37**
Total standardized NOI	**446**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers)	**1,784**
Weighted cap rate derived from income-producing investment properties (including vacant space) (2)	**7.1%**

Financials are presented in millions of NIS.

(1) The figure mainly includes estimates of additional NOI for vacant space not yet fully occupied and space occupied and to be occupied during 2021 under a whole-year lease in respect of which value was recorded in the update of the valuations as of June 30, 2021 (the main amounts in this item are due to the Group's overseas properties and due to the areas vacated by Bezeq in the Azrieli towers).

(2) Standardized annual NOI rate out of total income-producing investment properties (including vacant space). This figure does not constitute the Company's NOI forecast for 2021 and its entire purpose is to reflect the NOI assuming full occupancy for a whole year of all income-producing properties.

The Company's estimations referred to in this section include forward-looking information as defined in the Securities Law. This information is uncertain and is based, inter alia, on information pertaining to contractual engagement with tenants as of the report date, parameters in the calculation of fair value and the Company's estimations regarding space occupancy. The actual results may vary materially from the foregoing estimations and the implications thereof,

[12] Since the value of senior housing properties is derived from the FFO indicator, rather than the NOI indicator, such properties were not included in this calculation. The weighted senior housing cap rate as of the Report Release Date is 8.25%.

[13] Included in investments in a company accounted for using the equity method and therefore excluded from income-producing real estate.

[14] Presented as fixed assets and is not measured at fair value since it is not included in the definition of income-producing real estate.

for various reasons, including immediate cancelation of lease agreements or a business crisis of any one of the tenants, or a change in the fair value parameters or non-meeting of the development or occupancy targets or due to the ramifications of Covid-19.

2.7. Real Estate Business FFO

Funds from Operations (FFO) is a measure that presents the cash flow from the real estate business. It is commonly used worldwide and provides a proper basis for the comparison of income-producing real estate companies. This indicator reflects income from net profit, discounting revenues and expenses of a capital nature and adding the Company's share in real estate depreciation and other amortizations.

This report presents the FFO indicator in respect of the Group's income-producing real estate business.

It should be stressed that the FFO indicator does not reflect cash flow from current operations according to generally accepted accounting principles, nor does it reflect cash held by the Company and its ability to distribute the same, and it is not a substitute for the reported net profit. It is further clarified that this indicator is not a figure audited by the Company's auditors.

FFO from the Income-Producing Real Estate Business

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	**September 30, 2021**	September 30, 2020
Net profit for the period attributable to shareholders	**187**	192	**679**	219
Discounting the net loss from GES (in comparison figures Granite HaCarmel) and Azrieli E-Commerce attributable to shareholders (including a deduction of excess cost)	**11**	16	**39**	49
Profit adjustments:[1]				
Decrease (increase) in the value of investment properties and fixed assets, net	**14**	(2)	**(240)**	456
Depreciation and amortizations	**3**	3	**10**	10
Net non-cash flow financing and other expenses (revenues)	**93**	(3)	**233**	(79)
Tax expenses	**3**	38	**100**	29
Net of a dividend received from financial assets available for sale	**(19)**	-	**(19)**	(9)
Effect of profits of an associate	**(11)**	1	**(12)**	26
The Company's share in the FFO of an associate	**-**	-	**-**	(3)
One-time expenses	**29**	-	**29**	-
Cash flow from the receipt of residents' deposits net of deposits returned to residents [2]	**47**	30	**139**	76
Net of revenues from the forfeiture of residents' deposits	**(10)**	(7)	**(29)**	(23)
Total profit adjustments	**149**	60	**211**	483
Plus interest paid for real investments [3]	**1**	1	**2**	2
Total FFO attributed to the income-producing real estate business [4] [5]	**348**	269	**931**	753
Total cash flow of financing of development pipeline [6]	**9**	13	**25**	33
Total FFO attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline	**357**	282	**956**	786

Financials are presented in millions of NIS.

(1) The below profit adjustments do not include adjustments in respect of GES (in comparison figures Granite HaCarmel) and Azrieli E-Commerce, as their results have been fully discounted.

(2) Senior housing residents' deposits are deemed received or returned on the date on which the agreement is signed or terminated, as applicable.

(3) Calculated according to the Group's weighted interest for the real investments which include: Granite HaCarmel (until sale thereof), Azrieli E-Commerce, Bank Leumi (net of dividends and consideration from sales) and the remaining consideration due to Leumi Card, for 65% of the cost of the investments.

(4) Attributable to shareholders only.

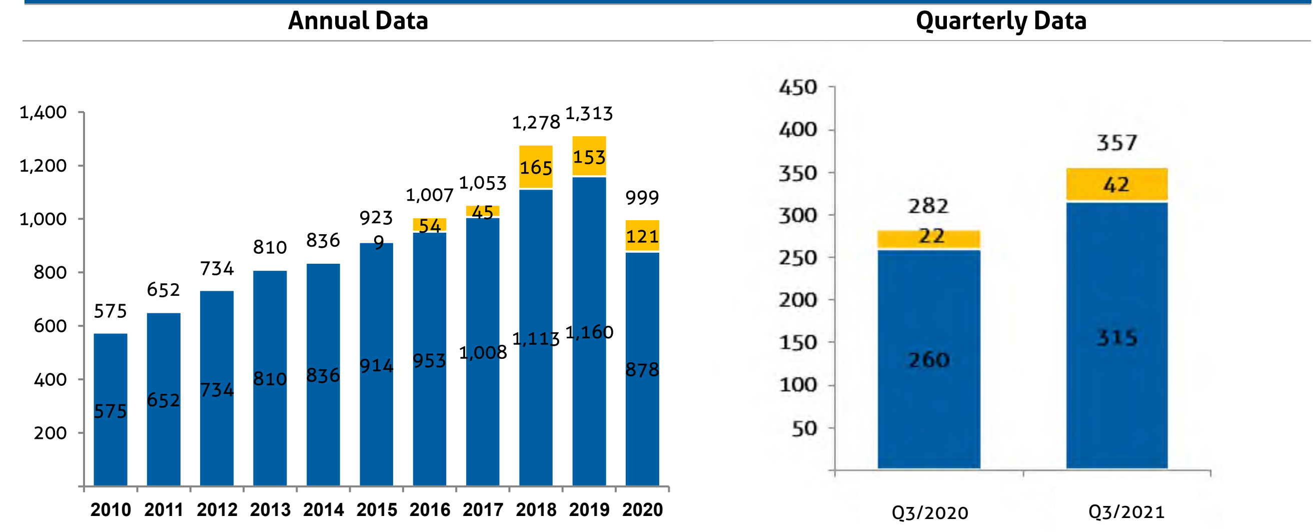
(5) Including FFO from the senior housing segment in the sum of approx. NIS 127 million and approx. NIS 42 million, in the nine and three months ended September 30, 2021, respectively (and approx. NIS 60 million and approx. NIS 22 million in the nine and three months ended September 30, 2020, respectively) and approx. NIS 121 million in 2020.

(6) Calculated based on real credit costs due to development pipeline.

In the Report Period, the figure was adversely affected by the bringing forward of a debt raising that will also be used for ongoing repayments of loans and bonds in the coming year.

The following chart depicts the development of the FFO of the Group's income-producing real estate business in recent years:

Development of FFO from the Income-Producing Real Estate Business in Recent Years



Figures are presented in millions of NIS. Income-producing real estate, excluding senior housing. Senior Housing.

2.8. The EPRA (European Public Real Estate Association) Measures

Azrieli Group is included in the EPRA Indices. EPRA is an organization that brings together the public income-producing real estate companies in Europe and worldwide. Being listed in the EPRA indices provides Azrieli Group greater exposure to international investors, according to its weight in the index.

In view thereof, the Group has decided to adopt the position paper published by EPRA with the purpose of improving the transparency, uniformity and comparability of financial information reported by real estate companies listed in the index. A report regarding three financial measures calculated according to such position paper follows.

It is emphasized that the following measures exclude the component of expected profit from projects under construction not yet recorded in the financial statements.

These figures do not constitute a valuation of the Group, are not audited by the Group's auditors and are not a substitute for the figures contained in the financial statements.

2.8.1. EPRA NRV

The EPRA NRV index is a measure that reflects the net reinstatement value of the Company's net assets on a long-term basis, assuming continuation of future activity and non-disposal of real estate, therefore requiring certain adjustments, such as the exclusion of the deferred taxes resulting from the revaluation of income-producing real estate.

EPRA NRV		
	30.9.2021	**30.9.2020**
Equity attributable to the Company's shareholders in the financial statements	**18,509**	18,088
Goodwill created against a reserve for deferred taxes	**(64)**	(64)
Plus a tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	3,682	3,608
EPRA NRV	**22,127**	**21,632**
EPRA NRV per share (NIS)	**182**	**178**

Figures are presented in millions of NIS.

2.8.2. EPRA NTA

The EPRA NTA index is a measure that reflects the Company's net tangible asset value. The assumption underlying the index is that entities buy and sell assets, leading to adjustment of only part of the deferred taxes resulting from the revaluation of income-producing real estate.

EPRA NTA		
	30.9.2021	**30.9.2020**
Equity attributable to the Company's shareholders in the financial statements	**18,509**	18,088
Goodwill created against a reserve for deferred taxes	**(64)**	(64)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	**(1,628)**	(39)
Other intangible assets	**(16)**	(16)
Plus 50% of the tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	**1,840**	1,804
EPRA NTA	**18,641**	**19,773**
EPRA NTA per share (NIS)	**154**	**163**

Figures are presented in millions of NIS.

2.8.3. EPRA NDV

The EPRA NDV index reflects the net disposal value of the company's assets in case of sale of properties and repayment of liabilities. The index calculation takes into account all of the deferred taxes in respect of appreciation of the value of the properties that will apply upon sale of the properties, and an adjustment to fair value of the financial liabilities is made. It is noted that the index should not be deemed as the value of the company's assets in dissolution, since in many cases the fair value does not represent the value of the properties in dissolution.

EPRA NDV		
	30.9.2021	**30.9.2020**
Equity attributable to the Company's shareholders in the financial statements	**18,509**	18,088
Goodwill created against reserve for deferred tax	**(64)**	(64)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	**(1,628)**	(39)
Adjustment of the value of financial liabilities to fair value	**(1,119)**	(302)
EPRA NDV	**15,698**	**17,683**
EPRA NDV per share (NIS)	**129**	**146**

Figures are in NIS in millions.

AZRIELI GROUP'S INCOME PRODUCING REAL ESTATE*

MALLS & SHOPPING CENTERS

Ayalon Mall
Azrieli Hod Hasharon Mall
Azrieli Herzliya Outlet
Azrieli Givatayim Mall
Azrieli Jerusalem Mall
Azrieli Modi'in Mall
Azrieli Mall
Azrieli Holon Center
Azrieli Holon Mall
Azrieli Ramla Mall
Azrieli Ra'anana
Azrieli Haifa Mall
Azrieli Akko Mall
Azrieli Or Yehuda Outlet
Azrieli Hanegev Mall
Azrieli Rishonim Mall
Azrieli Sarona Mall
Palace Modi'in
Palace Lehavim

OFFICES & OTHERS in Israel

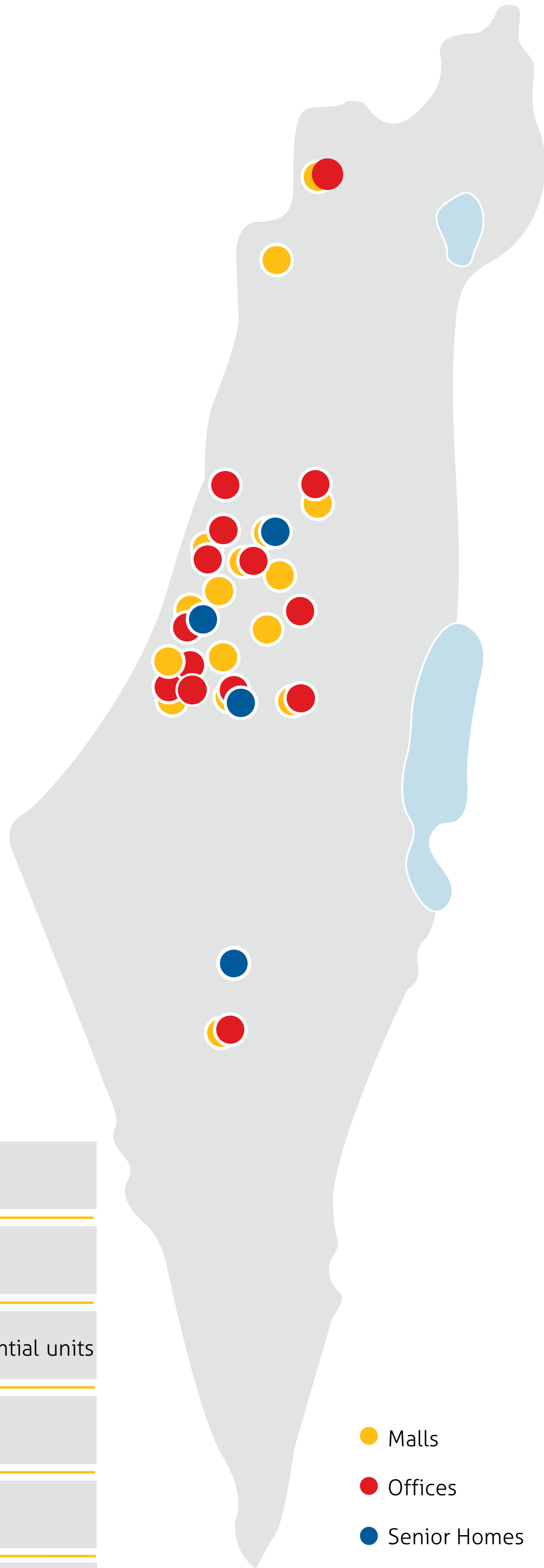
Azrieli Towers
Azrieli Sarona
Azrieli Holon Business Center
Azrieli Caesarea
Azrieli Herzliya Center
Azrieli Modi'in
Azrieli Modi'in Residential
Azrieli Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN Building E
Azrieli TOWN
Azrieli Holon Hamanor
Mikve-Israel Tel Aviv
Azrieli Akko

OVERSEAS

Galleria
1 Riverway
3 Riverway
Plaza
8 West
Aspen Lake II
San Clemente
Leeds

SENIOR HOMES

Palace Tel Aviv
Palace Ra'anana
Palace Modi'in
Palace Lehavim



19 malls	343 thousand sqm	
17 office buildings	645 thousand sqm	
4 senior homes	105 thousand sqm	1,033 residential units
8 office buildings overseas	240 thousand sqm	
16 data centers	22 thousand sqm	
Total	**1,355 thousand sqm**	

As of September 30, 2021.
GLA (gross leasable area) is based on the Company's share.

2.9. Retail Centers and Malls in Israel Segment

Azrieli Group owns and manages a portfolio of high-quality malls and retail centers throughout the country, which are located in city centers, with convenient access to transportation and often in proximity to train stations. The Company takes a long-term view with respect to its properties, from the stage of locating the land, through the stage of development and construction of properties, to the holding, management and betterment of the properties over years.

Starting from the end of December 2020 and until February 21, 2021, the Group's malls were closed (with the exception of essential businesses) due to the Covid-19 pandemic. Since that date, and until the Report Release Date, the Group's malls have been open.

The opening of the malls after said lockdown, similarly to the previous lockdowns, was characterized by a speedy return of the consumer public to the Group's malls and hence, the Company estimates that while noting the return to normalcy and recovery of the Israeli economy, the Group's malls will continue to be a significant part of the Israeli retail market.

For details about the effects of the Covid-19 outbreak on the Company's operating segments, including the retail centers and malls in Israel segment, see Section 2.2 above.

The Company's aforesaid estimations with regard to the malls' future operations are subjective estimations only and constitute forward looking information as the term is defined in the Securities Law. Actual results may materially differ from the above-specified estimations and their implications, for various reasons inter alia further increase in competition, decrease in demand and deterioration of the economic situation in Israel.

The Group's malls are mostly characterized by the following:

- **Diverse and changing mix** – the malls segment has a dynamic retail mix that changes according to market needs and public preferences. For example, malls **were** once characterized by significant presence of supermarkets or electronics stores, whereas today the tenant mix in malls has changed. In fashion it is evident that new brands periodically take the place of those which have become less relevant, with international fashion chains becoming more dominant in the market than local brands. The high-quality property portfolio, and the management thereof, grant the Company an advantage which enables it to get leading international fashion brands and to open their flag stores in the Group's malls.
- **A trend of increased store space** – in recent years, increased retail space is demanded by international brands, followed by domestic ones, which seek to combine complementing brands in one store in order to expand the product mix and create an improved customer experience, while increasing the sales.
- **Malls as entertainment venues** – the Company acts to improve the entertainment and dining experience in the malls, through a selection of restaurants and cafés and renovation of the fast food courts, modern design and added crowd-attracting entertainment options such as the "Zappa" club and cinemas. The Group further acts to create family entertainment and service spaces in its malls, including play areas, diaper changing and nursing rooms.
- **Innovation** – in recent years the Company has been implementing technological improvements into the shopping experience and striving for leadership and innovation in the mall segment, including by way of creating a unique application which grant exclusive discounts to mall attendants and enables direct marketing based on customer preferences. The goal of technological innovation is to enhance customer experience in the mall while combining both digital and physical worlds.

The retail areas in Azrieli Group's malls and retail centers are leased to some 1,790 tenants.

E-Commerce activity – An additional layer of the Group's activity in the digital world is the Azrieli.com website. The website provides an e-commerce platform that integrates into and strengthens the activity of the malls and retail centers through online activity by way of an integrated sale, such as giving the option to order online and collect the product at the Group's malls ("Click & Collect").

Performance of the retail centers and malls in Israel segment and changes in value[15]

Azrieli Group has 19 malls and retail centers in Israel with a total GLA of approx. 343 thousand sqm.

Balance of the properties of the retail centers and malls in Israel segment – The balance totaled approx. NIS 12.6 billion on September 30, 2021, compared with approx. NIS 12.4 billion on December 31, 2020. The change mainly derives from investments in the segment's properties and from revaluation profits net of the write-off of the Azrieli Kiryat Ata mall due to the closing of the transaction for the sale thereof in the Report Period.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – The profit from such adjustment in the Report Period totaled approx. NIS 89 million, compared with a loss of approx. NIS 304 million in the same period last year. The profit in the Report Period mainly derives from reversal of the decrease in the projected income in the short-term as a result of the repercussions of the Covid-19 crisis and a rise in the index. The decrease last year resulted from the relief plan with respect to rent and management fees that was declared by the Company at the time. The properties are presented according to valuations performed by an independent appraiser as of June 30, 2021.

The table below presents a summary of the business results of the retail centers and malls in Israel segment:

Summary of the Business Results of the Retail Centers and Malls in Israel Segment

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2021	30.9.2020	Rate of Change	30.9.2021	30.9.2020	31.12.2020
Revenues	**20%**	**251**	209	**16%**	**615**	531	607
NOI	**25%**	**195**	156	**20%**	**469**	391	425

Figures are presented in millions of NIS.

As noted above, in the Report Period, in view of the Government directives, the Group's malls were closed (other than essential businesses) starting from the end of December 2020 until February 21, 2021, due to the Covid-19 pandemic. In addition, in the same period last year the Company released a relief plan for tenants in view of the closing of the malls. The Company has elected to recognize the rent concessions in the period in which they were given, rather than spread them out over the duration of the lease contracts, in accordance with the provisions of IFRS 9 Financial Instruments and IFRS 16 Leases, and in accordance with alternatives published in an ISA Staff Paper. The growth in revenues and in the NOI mainly reflects the change in the relief given to tenants in Q3/2021 and in the Report Period compared with the same quarter and the same period last year. For further details, see Section 2.2 above.

[15] The details in this section which relate to the profit and loss figures include the Azrieli Kiryat Ata mall, the sale of which was completed during the Report Period. For further details, see Section 1.2.3.2 above.

The table below presents the segment's NOI development:

Development of the NOI of the Retail Centers and Malls in Israel Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
NOI from segment properties owned by the Company	**195**	155	**469**	390
NOI from properties sold in 2020-2021	**-**	1	**-**	1
Total NOI from all properties	**195**	156	**469**	391

Figures are presented in millions of NIS.

The Same-Property NOI in the retail centers and malls in Israel segment was chiefly affected by the closing of malls to visitors according to the Government's decisions and the effects of the relief provided to tenants in the Report Period compared with the relief given last year as noted above.

2.10. Office Segment

The Company's portfolio of properties of leasable office space mostly consists of office towers classified as Class A properties, which are located mostly in CBDs, in proximity to major traffic arteries in the heart of the city. The location, quality and positioning of the office space enable the Company to maintain high occupancy rates, and over time increase the rent. The Company develops and builds office projects in significant scopes, which meet the international standards of employment centers in the world's largest cities, in all aspects pertaining to the management of the property and the quality thereof. Furthermore, the Company has leasable office areas which are part of malls, in which small tenants offer services to the public (e.g. medical institutes, health funds and independent service providers). The combination of offices and retail increases customer traffic in these properties.

For details regarding the impact of the spread of Covid-19 on the Company's operating segments, including the office segment, see Section 2.2 above.

The Company's leasable office space properties are mostly characterized by the following:

- **Positioning** – among the Company's properties are projects which are considered to be leading and very significant in the field of leasable office spaces in Israel, and are an icon in Israeli landscape in general, and in Tel Aviv in particular, such as the Azrieli Tel Aviv Center and the Azrieli Sarona Tower.
- **Location** – the Company engages in the development of leasable office spaces and acts to locate and build its properties in this segment in areas which enjoy a high demand for offices. The Company's projects are mostly located in the heart of Israel's CBDs and in proximity to city centers and are characterized by convenient access by both private and public transportation. For example, the Company has several projects in Tel Aviv's northern CBD with both income-producing projects and projects under development and construction.
- **Large floors** – the Company's property portfolio includes a number of projects that can offer large floor spaces. These projects can meet the growing demand by large companies that are interested in creating one central site for employees, and their spread over a smaller number of floors. The planning of the Azrieli Sarona project and the Azrieli Holon center, for example, enables tenant to unite several sites which were previously spread across the country.
- **Building standard** – the Group persistently applies high building standards to all of its properties, as expressed in the architectural design, the properties' functionality and the meticulous attention to high building qualities as well as to details such as new and fast elevators, advanced lighting and more. This is rooted in the long-term vision of properties that will be owned and managed by the Group for many years to come.

- **Operational efficiency** - the size of the Company's properties leads to operational efficiency which is expressed, *inter alia*, in the ability to implement technological and infrastructural improvements including the installation of complex communication networks and Leed Certificate which enable large multinational which require compliance with strict standardization to lease spaces at the Company's properties.
- **Management** – all of the Group's leasable office spaces are managed by management companies which are subsidiaries of the Company and are committed to high service standard.

Azrieli Group's office areas in Israel are leased to some 750 different tenants. In each one of the Group's properties, there is a mix of tenants coming from various sectors. Some of the Company's office tenants are domestic or international mega-companies.

2.10.1.Performance of the Leasable Office and Other Space in Israel Segment and Changes in Value

Azrieli Group has 17 income-producing properties in this segment in Israel, with a total GLA of approx. 645 thousand sqm.

Balance of the Group's investment properties in the leasable office and other space in Israel Segment – as of September 30, 2021, the balance totaled approx. NIS 13.2 billion, compared with approx. NIS 12.5 billion as of December 31, 2020. The change mainly derives from revaluation profits, from purchase of the land in Tel Aviv during the Report Period and from investments in the segment's properties.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – the profit from such adjustment in the Report Period totaled approx. NIS 148 million and mainly derived from growth in rent in the Report Period, compared with a loss of approx. NIS 12 million in the same period last year.

The table below presents a summary of the business results of the leasable office and other space in Israel segment:

Summary of the Business Results of the Leasable Office and Other Space in Israel Segment							
	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2021	30.9.2020	Rate of Change	30.9.2021	30.9.2020	31.12.2020
Revenues	**20%**	**218**	181	**14%**	**612**	535	708
NOI	**21%**	**182**	151	**13%**	**516**	456	601

Figures are presented in millions of NIS.

The NOI was mainly affected by the opening of the office buildings in Azrieli Town and Holon HaManor offset by an adverse effect due to interim periods of tenant turnover mainly due to the departure of Bezeq from the Azrieli towers (which relocated to Holon HaManor).

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
NOI from segment properties owned by the Company as of the beginning of the period	**160**	151	**455**	456
NOI from properties purchased in 2020-2021	**22**	-	**61**	-
Total NOI from all properties	**182**	151	**516**	456

Figures are presented in millions of NIS.

During the Report Period, the same-property NOI in the leasable office and other space in Israel segment was primarily affected by the lease-up of the former Bezeq space in the Azrieli towers.

2.11. Senior Housing Segment

The acquisition of land in Modi'in in 2014 marked the Group's entry into the senior housing segment, which was followed in 2015 by the purchase of an existing senior home – Palace Tel Aviv, one of the most luxurious homes in Israel. Since the purchase of Palace Tel Aviv, the Group has been operating under the brand "Palace" for the continued successful operation and betterment of the four active senior homes, Palace Tel Aviv, Palace Ra'anana, Palace Modi'in (construction of which was completed in Q3/2018) and Palace Lehavim, the construction of Phase A of which was completed in May 2020, received a Form 4 (occupancy permit) and has started welcoming residents, and Phase B of which is in advanced stages of construction. In addition, the Group began construction of another project in Rishon LeZion.

For details about the effects of the Covid-19 outbreak on the Company's operating segments, including the senior housing segment, see Section 2.2 above.

2.11.1. Performance of the Senior Housing Segment and Changes in Value

As of the Report Release Date, Azrieli Group has four operating senior homes with aboveground built-up areas of approx. 105 thousand sqm (excluding areas which are attributed to the LTC unit and to retail areas), which consist of approx. 1,033 senior housing units, and is in advanced construction stages of Phase B in the senior home in Lehavim and another project in Rishon LeZion, in which approx. 275 residential units with a total area of approx. 31 thousand sqm, which is under construction (excluding areas which are attributed to the LTC unit and to retail areas) will be built. The Company is also promoting a zoning plan for additional rights, including for senior housing, in the Azrieli Jerusalem mall. For further details, see Section 4.1.2 of the board of directors' report in the Periodic Report for 2020, which is included herein by way of reference.

Balance of the Group's segment properties in the senior housing segment – This balance totaled approx. NIS 2.6 billion as of September 30, 2021, similarly to the balance as of December 31, 2020.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – There has been no change in the fair value of investment properties and investment properties under construction of the segment in the Report Period compared with a profit of approx. NIS 12 million in the same period last year due to an update of the valuation for Palace Lehavim. The properties are presented according to an update to the valuations prepared by an independent appraiser as of December 31, 2020.

The table below presents a summary of the business results of the senior housing segment:

Summary of the Business Results of the Senior Housing Segment							
	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2021	30.9.2020	Rate of Change	30.9.2021	30.9.2020	31.12.2020
Revenues	**23%**	**49**	40	**18%**	**141**	120	162
NOI	**100%**	**12**	6	**40%**	**35**	25	33

Figures are presented in millions of NIS.

The increase in revenues in the Report Period results from the continued resident move-ins at Palace Modi'in and Palace Lehavim during the Report Period.

The following table presents the senior housing segment's NOI Development:

Development of the NOI of the Senior Housing Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
NOI from segment properties owned by the Company as of the beginning of the period	**12**	6	**37**	30
NOI from properties construction of which was completed in 2020	**-**	-	**(2)**	(5)
Total NOI from all properties	**12**	6	**35**	25

Figures are presented in millions of NIS.

The increase in Same Property NOI in the Report Period mainly derives from the continued resident move-ins at Modi'in senior home.

2.12. Income-Producing Properties in the U.S. Segment

2001 marked the beginning of Azrieli Group's diversification of its investments in income-producing real estate overseas through the acquisition of office buildings in Houston and in Austin, Texas.

As part of the global events surrounding the outbreak of Covid-19, there was considerable fluctuation in energy prices and in the raw materials and commodities market. Accordingly, from the end of 2019, the price of an oil barrel decreased significantly, even to the point of negative figures. Since that low point at the beginning of the Covid-19 crisis, oil prices have recovered and later on sharply increased and they are now higher than pre-Covid levels. In addition, the Covid-19 pandemic has brought on uncertainty with respect to the Houston office market, which, coupled with the transition to telecommuting, has led to an increase in vacant space.

For details on the effect of the spread of Covid-19 on the Company's operating segments, including the tenants in its properties, see Section 2.2 above.

2.12.1. Performance of the Income-Producing Properties in the U.S. Segment and changes in Value

As of the report date, Azrieli Group has 8 income-producing properties in this segment, mostly in the U.S. with a total GLA of approx. 248 thousand sqm (on a consolidated basis) and approx. 240 thousand sqm (the Company's share) leased to some 200 tenants.[16]

Balance of the Group's investment properties in the segment – This balance totaled approx. NIS 2.2 billion as of September 30, 2021, compared with approx. NIS 2.1 billion on December 31, 2020. The change mainly derives from an increase in the dollar exchange rate as of September 30, 2021, compared with December 31, 2020.

Change due to adjustment of the fair value of the segment's investment properties – The profit from such adjustment in the Report Period totaled approx. NIS 3 million, compared with a loss of approx. NIS 152 million recorded in the same period last year. The loss in the same period last year mainly resulted from the prolongation of the expected timeframe for lease-up of the empty space, the increase in vacant space and the expected decrease in the rate of inflation due to the economic crisis in the U.S., the health crisis and the crisis in energy prices, which play a major role in Houston's economy. The properties are presented according to valuations carried out by independent appraisers as of December 31, 2020.

The table below presents a summary of the business results of the income-producing properties in the U.S. segment:

Summary of the Business Results of the Income-Producing Properties in the U.S. Segment

	For the Three Months Ended			For the Mine Months Ended			For the Year Ended
	Rate of Change	**30.9.2021**	**30.9.2020**	**Rate of Change**	**30.9.2021**	**30.9.2020**	**31.12.2020**
Revenues	**(6%)**	**59**	63	**(8%)**	**175**	191	251
NOI	**(3%)**	**32**	33	**(8%)**	**92**	100	129

Figures are presented in millions of NIS.

The following table presents the segment's NOI Development:

Development of the NOI of the Income-Producing Properties in the U.S. Segment

	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	**30.9.2020**	**30.9.2021**	**30.9.2020**
NOI from segment properties owned by the Company as of the beginning of the period	**32**	33	**92**	100
NOI from properties purchased in 2020-2021	**-**	-	**-**	-
Total NOI from all properties	**32**	33	**92**	100

Figures are presented in millions of NIS.

The same-property NOI in the income-producing properties in the U.S. segment was affected by changes in population in some of the properties and by the decrease in the average exchange rate of the U.S. dollar.

[16] The "Company's share" – net of minority interests in certain companies.

2.13. Data centers

In 2019, after studying the market and the key players in the field, the Company adopted a decision to invest in a company engaged in this field, while noting the growth potential that exists in the industry, and with the intention for it to serve as another growth engine for the Company's business.

The first step in the Company's entry into the industry was through an equity investment in Compass, whose main business is the data center industry in North America and is active at EMEA. As of the Report Release Date, the Company holds (indirectly) approx. 24% of Compass. For further details, see the Company's immediate report of July 18, 2019 (Ref.: 2019-01-073885), and Section 1.3.2 of the Periodic Report for 2020, which are included herein by way of reference.

Further to the aforesaid, and as part of the Company's wish to enter the data center industry in Europe, on July 16, 2021 the Company entered into an agreement for acquisition (indirectly) of 100% of the share capital of GM, which is operating in the data center field in Norway. For further details, see the Company's immediate reports of July 13 and 19, 2021 and of August 24, 2021 (Ref.: 2021-01-116121, 2021-01-118377, and 2021-01-136974, respectively), which are included herein by way of reference.

The Company estimates that the data centers operating segment is expected to grow at a significant rate and could constitute a significant growth engine for the Group's business.

The Company's estimations in this section regarding the growth potential of the data center industry are forward-looking information, as this term is defined in the Securities Law, based on subjective estimates of the Company as of the Report Release Date and sources of information external to the Company, and there is no certainty as to their realization, in whole or in part, or they may be realized in a materially different way, inter alia, due to changes in project schedules, their actual scope and marketing and due to factors beyond its control, including changes in the global data centers market.

For further information on the data center industry, see Annex A of Chapter B hereof – updates to the Description of the Corporation's Business chapter as of September 30, 2021.

2.13.1. The performances of the data center sector and changes in value

As of the report date, Azrieli Group has 16 income-producing properties in this segment, of which 13 properties of Compass in U.S. and Canada (as of the report date, the Company holds approx. 24% of Compass) and 3 properties in Norway through the Company's holdings in GM.

Balance of the Group's investment properties in the segment – This balance totaled approx. NIS 4.6 billion as of September 30, 2021, compared with approx. NIS 1.1 billion on December 31, 2020. The change mainly derives from the purchase of GM during the Report Period.

Change due to adjustment of the fair value of the segment's investment properties – The profit from such adjustment in the Report Period totaled approx. NIS 22 million, compared with a loss of approx. NIS 9 million recorded in the same period last year (the sums were included in the financial statements, in the 'share in results of companies accounted for using the equity method, net of tax' item). The properties are presented according to valuations carried out by independent appraisers.

The table below presents a summary of the business results of the data centers (were included in the financial statements, in the 'share in results of companies accounted for using the equity method, net of tax' item):

Summary of the Business Results of the Data Centers Segment							
	For the Three Months Ended			For the Mine Months Ended			For the Year Ended
	Rate of Change	30.9.2021	30.9.2020	Rate of Change	30.9.2021	30.9.2020	31.12.2020
Revenues	**50%**	**12**	8	**42%**	**34**	24	34
NOI	**17%**	**7**	6	**21%**	**23**	19	26

Figures are presented in millions of NIS.

The following table presents the segment's NOI Development:

Development of the NOI of the Data Centers Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
NOI from segment properties owned by the Company as of the beginning of the period	**7**	6	**23**	19
NOI from properties purchased in 2020-2021	**-**	-	**-**	-
Total NOI from all properties	**7**	6	**23**	19

Figures are presented in millions of NIS.

The same-property NOI in the data centers segment was affected by changes in population in some of the properties.

2.14. Income-Producing Real Estate – Additional Operations

2.14.1.Hospitality

As aforesaid, as part of the Company's business strategy, the Company periodically examines entry into operating segments tangent to its income-producing real estate operations. The Company examined the expansion of its operations into the hospitality industry and, in this context, recruited for the Company's headquarters a person with extensive experience in the hospitality industry. After a long and in-depth examination process conducted by the Company, the Company concluded that entering the hospitality industry would be an opportunity to expand the Group's operations mix, using the existing entrepreneurial capabilities of the Company and its real estate properties and the operational experience accumulated in the Company in the senior housing segment. The expansion of such activities is to be carried out, *inter alia*, through the development, planning and purchase of hotels in Israel, as well as the operation of hotels in Israel.

On February 9, 2020, the Company completed the first major step in its entry into the hospitality industry through the acquisition of the Mount Zion Hotel in Jerusalem (in this section: the "**Hotel**"). For further details on the hotel acquisition transaction, see Section 12.2 of Chapter A of the Periodic Report for 2020, which is included herein by reference.

Starting from the date of closing the purchase and until March 17, 2020, the Company operated the Hotel through a wholly-owned management company. The Hotel's operation included ongoing management and operations, including the provision of accommodations, food and beverage, leisure services and other hospitality services.

On March 17, 2020 the Company closed down the Mount Zion Hotel, in view of the encumbering directives imposed on the operation of hotels due to the Covid-19 crisis. As of the Report Release Date, the hotel is closed and the Company is acting for planning the renovation of the Hotel and the exercising the building rights for the expansion thereof, such that it will include 350 rooms and an underground car park that will include approx. 250 parking spaces. The Hotel's renovation and expansion are subject to the receipt of a building permit. After the Hotel's renovation and expansion, the Hotel will be re-opened.

3 | NON-REAL ESTATE BUSINESS

3.1. Granite Segment – Discontinued Operations

On May 7, 2020, the transaction for the sale of the Group's holdings in GES, which engages in water, wastewater, air and waste treatment and industrial chemicals, was closed. For further details about the sale of GES, see Section 1.2.3.4 of Chapter B of the Periodic Report for 2020, which is included herein by reference.

In view of the aforesaid, and according to IFRS 5, the results of GES are presented in the income statement comparison figures as discontinued operations.

3.2. Additional Activities

3.2.1. Investments in Financial Corporations

The Group has holdings in the financial sector by means of an investment in Bank Leumi[17]. A summary of changes in the investments in the Report Period follows:

Changes in Investments in Financial Companies	
	Bank Leumi (1)
Investment value in the financial statements as of December 31, 2020	862
Sale proceeds	(127)
Investment	-
Total investment as of September 30, 2021 (2)	735
Fair value of the investment as presented in the financial statements as of September 30, 2021	1,120
Change in fair value during the Report Period	385
Dividend received in the Report Period	19

Figures are presented in millions of NIS.

(1) The fair value of the investment in Bank Leumi was determined according to the value of the share at the Tel Aviv Stock Exchange (TASE) as of September 30, 2021.

(2) Before adjustment to changes in fair value during the Report Period.

3.2.2. E-Commerce Platform Activity – Azrieli.com

Further to the Company's reports, whereby it is continuing to examine business opportunities related to the expansion of its operations to additional segments that coincide with its business strategy, while creating an additional growth engine, the Company owns and operates the Azrieli.com website. The website provides an e-commerce platform, aiming to integrate into and boost the malls and retail centers business through online activity and by way of combined sales and creation of consumption experience, alongside the development of the core business in traditional retail. In 2020, Azrieli E-Commerce signed an agreement for the establishment of a limited partnership under joint ownership with MGS that launched a website specializing in fashion and sports designated for the Israeli market. On August 1, 2021, Mr. Daniel Korn commenced his position as the CEO of Azrieli E-Commerce. For details about the Group's e-commerce operations, see Section 14 of Chapter A of the Periodic Report for 2020, which is included herein by reference.

For details about the effects of the Covid-19 outbreak on the Company's operations, including the e-commerce operations, see Section 2.2 above.

[17] The Company has also made negligible investments in investment funds, as specified in Section 14.2.3 of Chapter A of the Periodic Report for 2020, which is included herein by way of reference.

4 | BUSINESS DEVELOPMENT – GROWTH ENGINES

4.1. Review of the Business Development Operations

4.1.1. Development of Income-Producing Properties in Israel

The Group's primary growth engine is expertise in development and unique architectural design of income-producing property project: malls, offices and senior housing. As of the report date, the Group has 11 projects at various development stages in Israel.

Summary of Information about Development Pipeline

Name of Property	Use	Marketable Sqm[1]	Estimated Completion	Book Value of Project [2]	Cost Invested [3]	Estimated Construction Cost including Land[3]
			Development Projects under Construction in the Short-Term			
Azrieli Town Tel Aviv [4]	Retail and residence	Retail: 4,000 Residence: 21,000 (210 residential units)	2022	**492**	**470**	**565-595**
Palace Lehavim Senior Housing Phase B	Senior housing	10,000	2022	**107**	**103**	**130-135**
Modi'in land (Lot 21)	Retail, offices, residence and hospitality	31,000[6]	2023	**162**	**157**	**420-450**
Check Post Haifa	Retail	13,000	2023	**17**	**11**	**130-140**
Total		**79,000**		**778**	**741**	**1,245-1,320**
			Development Projects in the Medium-Term			
Senior housing land Rishon LeZion	Senior housing and retail	37,300	2024	**92**	**74**	**450-470**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residence	150,000[5]	2025	**959**	**651**	**2,450-2,650**
Mount Zion Hotel	Hospitality	34,000[10]	2025	**299**	**302**	**850-880**
Total		**221,300**		**1,350**	**1,027**	**3,750-4,000**
Total		**300,300**		**2,128**	**1,768**	**4,995-5,320**
			Development Projects in Planning Stages			
Azrieli Town Building E	Offices	21,000	TBD	**121** [7]	**130**	**TBD**
Holon 3 – Holon Industrial Zone [8]	Retail and offices	250,000	TBD	**568**	**505**	**TBD**
Petach Tikva land	Offices and retail	53,000[9]	TBD	**96**	**100**	**TBD**
Modi'in land (Lot 10)	Offices and retail	37,000	TBD	**89**	**93**	**TBD**
Total		**361,000**		**874**	**828**	
Total		**661,300**				

Cost and value figures are presented in millions of NIS.

Holding rate is 100% for all properties (other than Azrieli Town Building E, which does not include offices in an area of approx. 450 sqm).

1. With respect to uses of the senior housing and/or leasable apartments, the figure represents building rights in sqm.
2. As of September 30, 2021.
3. Without capitalizations and tenant fit-outs, as of September 30, 2021.
4. The data presented relate to the existing zoning plan on the land.
5. In April 2018, a zoning plan was validated which increases the construction rights of the fourth tower and the expansion of the mall, in approx. 80,000 sqm, to a total building rights of approx. 150 thousand sqm.
6. The Group increased the building rights in the project to 31,000 sqm.
7. The building rights were purchased in the context of acquisition of the income-producing property in May 2018.
8. Includes additional land (approx. 27,000 sqm of marketable space) originally purchased in the framework of an ILA tender, which was part of the Holon HaManor land. In the context of a consolidation of plots, the building rights in the lot were increased by approx. 30,000 sqm (such that the building rights in the consolidated lot total approx. 250,000 sqm).
9. The data presented relate to the existing zoning plan on the land. The Group is in the process of increasing the building rights in the project to 280,000 sqm.
10. Includes both the existing area and the additional rights, as the Company intends to renovate the entire hotel and expand it.

During the Report Period, the Group proceeded with the work of development of its aforesaid properties and with its efforts to obtain the approvals required for the purpose of their continued development on schedule and without significant delays. Furthermore, the Group is conducting negotiations and engages in agreements for the lease of areas under construction. For further details, see below.

Description of Properties under Construction and Land Reserves

Azrieli Town, Tel Aviv – The land, the area of which is approx. 10,000 sqm, was purchased in October 2012 and construction commenced in September 2016. In December 2020, a Form 4 was received for the car parks, the office tower in the area of approx. 50,000 sqm (populated almost in its entirety) and the retail space in the area of approx. 4,000 sqm that are expected to be populated upon completion of the residential tower that will consist of approx. 210 apartments for lease, and which is under construction. As of the Report Release Date, the Company signed agreements for the lease-up of approx. 100% of the leasable space of the offices in the project. The project is located in proximity to the train stations in central Tel Aviv and to the light rail station in the future. The Emek Bracha Bridge which is planned to be built in the area, will connect the eastern side of the city with the city center through the project.

The Group is promoting a change of the zoning plan to increase the building rights in the complex. In May 2019, a hearing was held in the Local Committee on objections to the zoning plan for the addition of office and hotel areas at a total scope of approx. 24,000 sqm (gross). The Committee discussed the objections and decided to approve the publication of the plan for validation. An administrative appeal against the plan was submitted in July 2019 and heard in in January 2020, and in August 2020, a decision denying the administrative appeal that was submitted against the plan was issued.

"Palace Lehavim" Senior Home – The land, the area of which is approx. 28,300 sqm, was purchased in December 2014 and construction commenced in August 2016. The project consists of a senior home for the elderly demographic with approx. 350 senior housing units and an LTC unit, as well as related facilities, such as a swimming pool, sports center and retail areas of up to approx. 1,500 sqm. In May 2020, a Form 4 was obtained in respect of the construction of Phase A of the project, which consists of 241 senior housing units and also in respect of the retail areas, and lease-up of the project commenced. In July 2020, a Form 4 was obtained in respect of the LTC unit (approx. 5 thousand sqm) and the Company is in advanced stages of construction of Phase B of the project.

Land in the Check Post Intersection – land in the area of approx. 17,800 sqm which is located in the Haifa industrial zone, in proximity to the Check Post Intersection. A project is expected to be built on the land, in two phases, which will include leasable retail and office space in the total area of approx. 37 thousand sqm and approx. 400 parking spaces.

In Phase A, a 2-floor building in the area of approx. 13 thousand sqm and approx. 340 parking spaces, whose ground floor will be used as a supermarket, is expected to be built on the land. In December 2020, the Company engaged in an agreement for the lease of the space which will be used as a supermarket.

The building plan was approved by the Local Committee. The Company has also filed an application for a shoring and foundation work permit and for a full building permit.

Land in Modi'in (Lot 21) – On January 11, 2018, the Group won a tender held by the ILA, for the purchase of long-term lease rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut (close to the Azrieli Modi'in Mall), in an area of approx. 5,300 sqm, designated for the construction of 80 residential units, 50 hotel rooms, offices and retail space, in consideration for approx. NIS 101.5 million. For further details see the Company's immediate report of January 11, 2018 (Ref.: 2018-01-004960), which is included herein by way of reference. An excavation and shoring permit was received in July 2019 and the Company commenced work at the site. An application for a basement permit was submitted in August 2019 and the Local Committee gave conditional approval therefor. In June 2020, the basement permit was obtained and the Company has commenced the construction of the car park floors.

In September 2019 the Company submitted for deposit with the District Committee the documents of the plan for increase of the aboveground building rights in the lot and connection thereof to the existing project. In March 2021, the plan was approved such that the building rights are approx. 31,000 sqm.

In June 2020, an application was filed requesting an aboveground building permit for two retail floors, two hotel floors (84 rooms) and service and operating space and in November 2021 the permit was obtained. The Company has also filed an application for an aboveground building permit for the rest of the project (the office and residential towers).

Palace Rishon LeZion Senior Home – The land, located at HaRakafot Neighborhood in East Rishon LeZion, in an area of approx. 3,400 sqm, was purchased in March 2016 in a tender held by the ILA for the purchase of the leasehold on the land. A senior home will be built on the land which is planned to consist of up to 275 residential units, an LTC unit and approx. 3,000 sqm of retail space. In April 2018, the recommendation of the Local Committee was received for the deposit of a zoning plan for additional rights and was referred for a discussion at the District Committee. In November 2018 the decision of the District Committee on the conditional deposit of the zoning plan was received. In April 2019, the zoning plan was published for objections, and in September 2019, a hearing was held at the District Committee on the objections that were submitted and it was decided to validate the plan. In February 2020, the plan was published for validation and was approved on the Official Gazette.

In March 2020 the Company submitted an application for an excavation and shoring permit for the project. In June 2020, the permit was obtained and in the beginning of 2021 the work began. In May 2021 the Company filed an application for a basement permit which was conditionally approved during September 2021. The Company is acting to fulfill the conditions.

Expansion of Azrieli Tel Aviv Center (Spiral Tower) – The land, area of which is approx. 8,400 sqm, was purchased in May 2013 and construction commenced in September 2016. The land, which is adjacent to the Azrieli Tel Aviv Center will enable the construction of the fourth tower and the expansion of Azrieli Tel Aviv mall. In April 2018, a zoning plan was validated with an urban-mixed designation, which allows uses of retail, offices, hotels, residence and senior housing with aboveground building rights of approx. 147,260 sqm (gross), and, in addition, approx. 3,000 sqm of underground main retail space.

As part of the zoning plan, the Company was required to approve an architectural design and development plan for the project, as a condition for an above-ground building permit. The Company also undertook to pay and perform various tasks in the project and its surrounding, including in Azrieli Center. The Company intends to construct retail space that will serve to expand the existing mall and a multi-story tower, the Spiral Tower. In January 2020 a basement permit was received for the project. In January 2021 the design plan was signed by the approving functions in the City of Tel Aviv. As of the Report Release Date, the Company is continuing to carry out excavation and shoring work and the construction of the parking basements on the land. In July 2021, the Company filed an application for an aboveground building permit for the entire project.

Azrieli Town E Building – On May 14, 2018, the Company closed a transaction for acquisition of land rights located on Menachem Begin Road in Tel Aviv, on which a four-story building is built above a retail ground floor, on a total area of approx. 5,500 sqm and basement floors, which are leased entirely for office purposes. The property includes unutilized building rights according to the zoning plan that applies to the land at a total scope of approx. 21,000 sqm, above-ground, and additional rights. In July 2021, the Company bought the land of the gas station on the property (which was not included in the foregoing original transaction for the purchase thereof) in consideration for a sum of NIS 30 million (excluding VAT) and a supplement of maximum NIS 15 million plus VAT which is conditional upon terms determined by the parties.

Holon 3 - Holon Industrial Zone – The land, in an area of approx. 57,500 sqm, was purchased in April 2016. Construction in the project commenced in March 2018 and excavation and shoring work in the project commenced in June 2018. In October 2018, a building permit was received for the project's underground parking levels, and in July 2019 a permit for additional underground parking levels was received. In May 2019, works have commenced for the construction of the underground parking levels in the eastern part of the project and a Form 4 (occupancy permit) with respect thereto was received in November 2020. In April 2021 a certificate of completion was received for the car parks. The land is located in proximity to the Azrieli Holon Center, on which it is planned to build a very large employment and commerce project, which will consist of approx. 250,000 sqm of leasable office space and a family-friendly entertainment and shopping complex. The project is in proximity to central traffic arteries.

Land in Petach Tikva – The land, which was purchased in November 2017, of an area of 19,000 sqm, is situated in the eastern part of the Kiryat Aryeh Industrial Zone in Petach Tikva, near an office project owned by the Group. The land includes building rights for around 53,000 sqm as well as parking basements. In July 2019, an application was filed for shoring, excavation and basement permits. In January 2020, the Local Committee decided to grant conditional approval for the shoring, excavation and basement permit application.

In addition, in January 2020, a zoning plan for approval was submitted to the Local Committee under Local Committee jurisdiction, which plan seeks additional height and additional rights of 500 sqm. In August 2020, a Local Committee hearing was held, and conditional deposit of the plan was approved. The Company filed an application to amend the committee's decision and in April and September 2021, the committee deliberated the zoning plan and updated its decision in accordance with the Company's request.

At the same time, In January 2020, a zoning plan was submitted to the District Committee for approval of the building rights to include 280 thousand sqm, which will mainly be used for offices and are planned to be built both on the vacant land and on the land on which the office project is located.

Land in Modi'in (Lot 10) – On October 6, 2019, the Company was informed that it had won a tender held by the ILA for the purchase of a leasehold in a lot situated in the Modi'in-Maccabim-Re'ut CBD, with an area of approx. 17,000 sqm, designated for the construction of a retail and office project, with rights for approx. 37,000 sqm above ground, in consideration for approx. NIS 51 million. According to the conditions of the tender, the Company paid, in addition to the cost of land, approx. NIS 37 million for development costs. For further details, see the Company's immediate report of October 7, 2019 (Ref.: 2019-01-086697), which is included herein by way of reference. The Company is acting to promote a plan for the project that will be built on the land and in October 2020, filed a zoning plan with the Local Committee for the addition of designations to the lot. In April 2021 the plan was discussed, and conditional deposit of the plan was approved. In June 2021, the plan was deposited for objections. In October 2021 the plan was deliberated and conditionally approved.

The Company had also filed a construction plan with the Local Committee, which was conditionally approved, and had further filed an application for an excavation and shoring permit, which was conditionally approved.

Mount Zion Hotel – On February 9, 2020, the Company closed a transaction for the purchase of Mount Zion Hotel in Jerusalem. The Company is working on a hotel renovation plan and acting for the exercise of building rights for expansion of the hotel, such that it will consist of 350 rooms and an underground car park with approx. 250 parking spaces. Renovation and expansion of the hotel are subject to receipt of a building permit. As of the report date, an excavation and shoring permit for the project was received.

The Company's estimations in this Section 4.1.1 above, with regard to, inter alia, the expected costs of and investments in properties under construction, manner of financing of the projects, construction completion dates, receipt of various regulatory approvals required for the promotion of projects under construction or the results of administrative and legal proceedings, are forward-looking information, within the definition of this term in the Securities Law, which is based on the Company's subjective estimations as of the date of the report, and their materialization, in whole or in part, is uncertain, or they may materialize in materially different ways, inter alia for reasons which are beyond the Company's control, including changes in market conditions, changes in the Company's plan, the time required for the approval of construction plans for execution, changes in construction input prices and the effects of the Covid-19 pandemic.

The Company's management is acting to continue leading the income-producing real estate market, *inter alia* through the purchase of land reserves, the expansion of existing properties and the purchase of additional similar properties as aforesaid, in order to bring to a further increase in the Company's future operating cash flow, insofar as the Company's board of directors shall so deem fit, and to further consider the development of related and/or synergistic segments.

DEVELOPMENT PIPELINE*

* For further details, including in connection with the scope of the building rights in the development pipeline, see the footnotes in the development pipeline table above.

EXPANSION OF AZRIELI TEL AVIV CENTER (SPIRAL TOWER)

Use	Retail, offices, hotel and residence	**Estimated completion**	2025
GLA	150,000 sqm	**Status**	Under Construction

AZRIELI HOLON 3

Use	Retail and offices
GLA	250,000 sqm
Estimated completion	TBD
Status	Under Construction

MOUNT ZION HOTEL JERUSALEM

Building rights	34,000 sqm
No. of Rooms	350
Estimated completion	2025
Status	In planning

MODI'IN LAND (LOT 21)

Use	Retail, offices, hotel and residence
GLA	31,000 sqm
Estimated completion	2023
Status	Under construction

PALACE RISHON LEZION SENIOR HOME

Building rights	37,300 sqm
No. of residential units	275
Estimated completion	2024
Status	Under construction

DEVELOPMENT PIPELINE*

* For further details, including in connection with the scope of the building rights in the development pipeline, see the footnotes in the development pipeline table above.

AZRIELI TOWN

Use	Retail and residence	**Estimated completion**	2022
GLA	25,000 sqm	**Status**	Under Construction

MODI'IN LAND (LOT 10)

Use	Retail and offices
GLA	37,000 sqm
Estimated completion	TBD
Status	In planning

PETACH TIKVA LAND

Use	Offices and retail
GLA	53,000 sqm
Estimated completion	TBD
Status	In planning

AZRIELI TOWN BUILDING E

Use	Offices
GLA	21,000 sqm
Estimated completion	TBD
Status	In planning

4.1.2. Betterment of income-producing properties

Another growth engine of the Company is the betterment of its existing properties. The Company also examines, from time to time, options to promote zoning plans for additional building rights in its properties. For details with respect to the Company's activities for the betterment of its existing properties, see Section 4.1.2 of the board of directors' report for the Periodic Report for 2020, which is included herein by way of reference and Section 4 of Chapter B of this report – updates to the Description of the Corporation's Business chapter as of September 30, 2021.

4.1.3. Identification and Acquisition of Properties in the Company's Operating Segments

For details with respect to the Company's activities for the identification of properties in the Company's operating segments, see Section 4.1.3 of the board of directors' report for the Periodic Report for 2020, which is included herein by way of reference.

5 | FUNDING OF THE BUSINESS

5.1. Leverage Ratio of the Group

The following table presents a summary of balance sheet figures out of the consolidated financial statements:

Summary of Balance Sheet Figures out of the Consolidated Statements

	30.9.2021	30.9.2020	31.12.2020
Current assets	**3,151**	3,414	3,273
Non-current assets	**36,346**	31,761	31,851
Current liabilities	**3,230**	2,885	2,900
Non-current liabilities	**17,724**	14,168	14,091
Equity attributable to the Company's shareholders	**18,509**	18,088	18,101
Equity attributable to the Company's shareholders out of total assets (in %)	**47%**	51%	52%
Net debt to assets (in %)	**32%**	26%	26%

Figures are presented in millions of NIS.

The Group funds its business operations primarily out of its equity, cash and cash equivalents and by means of non-bank credit (mainly bonds and loans from institutional bodies), bank credit (short-term and long-term) and commercial paper. In April 2020, the Company issued bonds (Series E and F) by way of expanding such bond series. For further details, see Section 19.5 of Chapter A of the Periodic Report for 2020, which is included herein by reference. During the Report Period, the Company issued two new bond series (Series G and H). For further details, see Section 1.2.3.9 above.

The Group's financial soundness, which is characterized by a low leverage ratio and considerable unencumbered assets, affords the Group available sources for the obtainment of financing on convenient terms.[18] The Group's leverage ratio is low relative to its major competitors. The Group's low leverage ratio, coupled with the Company's extensive initiatives in the real estate sector, provides flexibility also at times of crisis, which is illustrated by the Company's aforesaid April 2020 issue, in the midst of the Covid-19 crisis, and by the issue of two new bond series of the Company, which was completed during the Report Period.

[18] For further details, see Section 19 of Chapter A of the Periodic Report for 2020, which is included herein by way of reference.

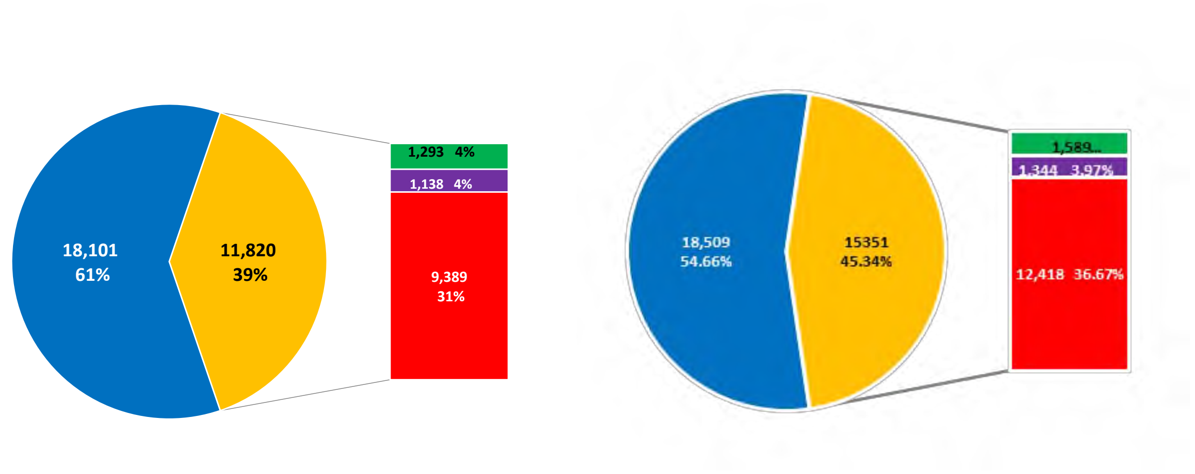
5.2. Composition of Financing Sources

The Group has three principal debt channels: bank debt, private loans from institutional bodies or public bonds. The Group currently enjoys very high accessibility to each of these financing channels.

The following chart presents a breakdown of the rate of borrowed capital in the Company's total capital, as well as a breakdown thereof by type:

Composition of Capital and Breakdown of Debt of the Group

31.12.2020 **30.9.2021**



▪ Equity ▪ Long-Term Bonds ▪ Long-Term Loans from Financial Corporations ▪ Credit and Current Maturities from Financial Corporations and Bonds

Figures are presented in millions of NIS and as a percentage out of total assets/total debt.

The increase of approx. NIS 3,531 million in total debt in the Report Period chiefly results from issue of bonds in Q3/2021, net of ongoing repayments of loans and bonds.

As of the report date, the Group, on a consolidated basis, has a deficit in the working capital of approx. NIS 79 million (in the separate statement there is no working capital deficit).

The Group estimates, in view of indications it recently received, that if it decides to raise debt at any time, it will be able to do so in view of its financial soundness and/or the scope of its unencumbered assets. Therefore, the Company's board of directors determined in its meeting of November 23, 2021, after it examined the financing options available to the Company in view of the aforesaid, that the said working capital deficit is not an indication of a liquidity problem in the Company and does not reflect on its ability to repay its liabilities as they become due.

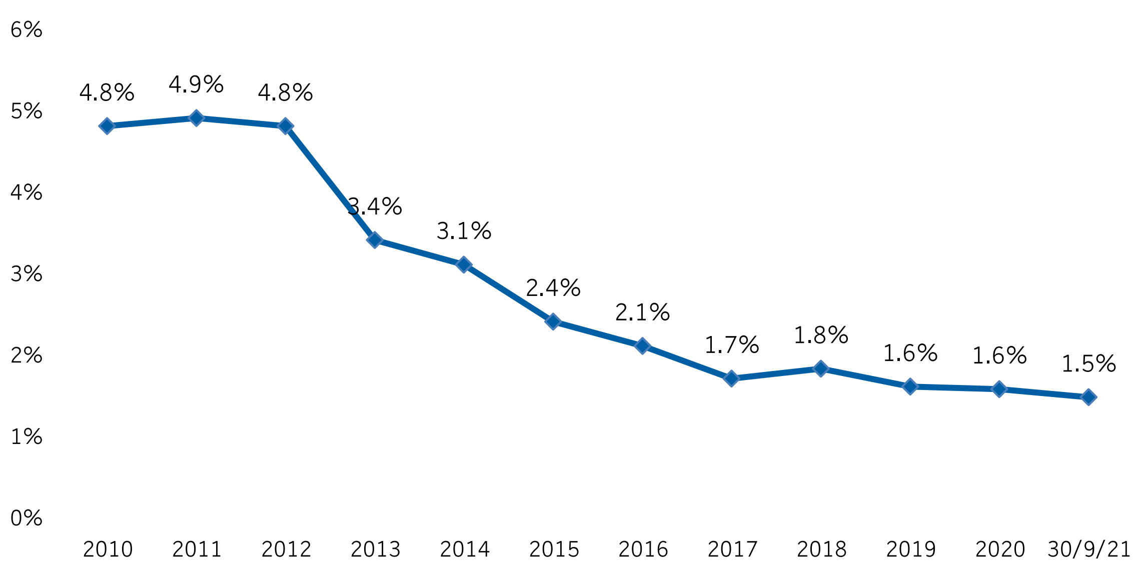
The Group's estimations mentioned in this Section 5.2 above in relation to its liquidity and the availability of its financing sources are forward-looking information as defined in the Securities Law, which is based on the Company's assessments as to market developments, inflation levels and projected cash flows and on the conditions and possibilities of obtaining credit on the date of the Report. Such estimations may not materialize, in whole or in part, or may materialize in a manner that materially differs from the Company's estimations. The primary factors that may affect the above are: changes in the capital market affecting the conditions and possibilities of obtaining credit, changes in the Company's plans, including the use of future available liquid balances in order to seize business opportunities, changes in the advantageousness of the holding of various investment channels or the advantageousness of use of various financing channels, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a manner affecting the Company's cash flow.

5.3. Financing Transactions

In recent years, the Company has been working to reduce the average interest rate on the debt and to extend the debt duration.

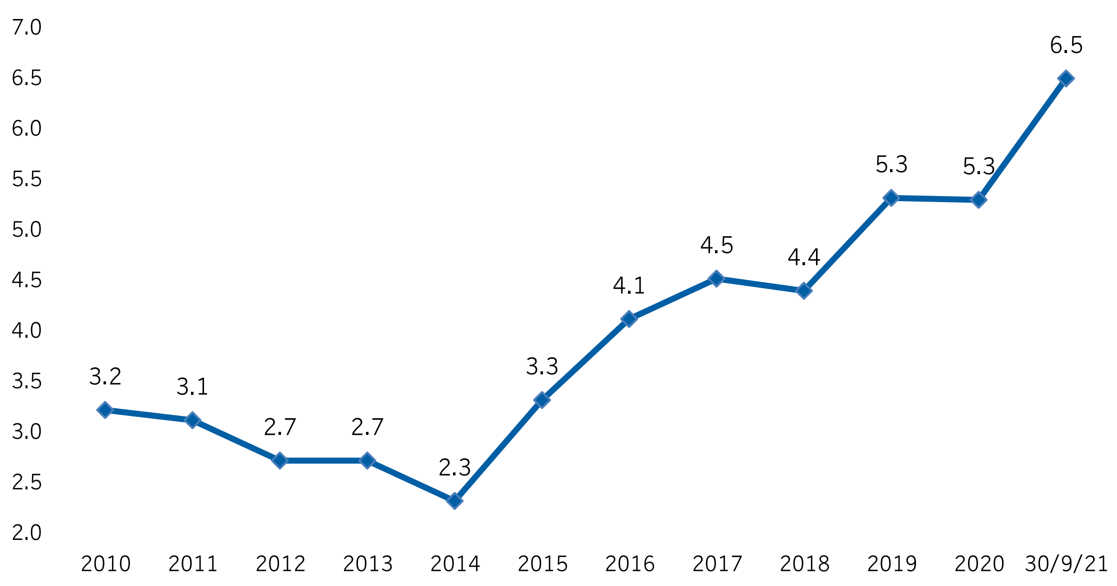
During the Report Period, the Company completed a round of debt raising by issuing two new bond series (Series G and H), in the amount of approx. NIS 3.6 billion, with an average duration of approx. 11.5 years and a weighted index-linked interest rate of approx. 1.28%. For further details, see Section 1.2.3.9 above.

Reduction of Average Interest over the Years



1. Interest rate as of the end of the period

Extension of the Average Duration of Debt



2. Duration as of the end of the period

5.4. Rating

The Company has a high credit rating that reflects its financial strength, the quality of its assets and its low leverage ratio. As of the report date, the Company's credit rating is ilAA+/Stable/ilA-1+ by Ma'alot and Aa1 by Midroog. For details with respect to the rating of bonds, commercial paper and private loans of the Company, see Section 19.12 of Chapter A of the Periodic Report for 2020, which is included herein by way of reference, and Section 7 in Chapter B of this report.

5.5. Liabilities and Financing

Below is a summary of the Group's financial liabilities:

Breakdown of Financial Liabilities

	Fixed Interest			Variable Interest		Total		Total
	Index-linked	Foreign exchange-linked	Unlinked	Foreign exchange-linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	595	58	-	653	653
Long-term loans	13,678	1,012	-	-	8	14,690	8	14,698
Total	13,678	1,012	-	595	66	14,690	661	15,351

Figures are presented in millions of NIS, as of September 30, 2021.

As of September 30, 2021, short-term loans represented approx. 4% of the Group's total financial liabilities. The Company's management estimates that this rate is low and conservative in view of the low leverage ratio and the total unencumbered assets as specified below.

The Company's policy regarding the financing of its business, besides the positive cash flow from current operations and current assets, is implemented primarily by taking long-term index-linked fixed-interest loans, in order to minimize market risks resulting from changes in the market interest rates and to counteract the market risk resulting from changes in the Consumer Price Index (CPI), while taking advantage of the fact that the Company's revenues are, for the most part, index-linked. However, in view of the low interest rates on short-term variable-interest loans, the Company has decided to finance its operations also by means of short-term loans as specified above.

5.6. Designated Disclosure to Bondholders (of Series B, D, E, F, G and H)

For details with respect to designated disclosure to the holders of the Company's Series B, D, E, F, G and H Bonds, see **Annex A** to this chapter.

5.7. Maturities of the Group's Financial Liabilities

The following table presents the maturity dates and amounts of financial liabilities:

Forecast of Maturities of Financial Liabilities			
Year	**Principal**	**Interest**	**Total**
1	**1,589**	**251**	**1,840**
2	**976**	**239**	**1,215**
3	**846**	**225**	**1,071**
4	**993**	**211**	**1,204**
5 forth	**10,947**	**1,031**	**11,978**
Total	**15,351**	**1,957**	**17,308**

Figures are presented in millions of NIS, as of September 30, 2021.

The main sources for the funding of the Group's financial liabilities are as follows:

- Positive cash flow from current operations, which totaled approx. NIS 912 million in the nine months ended September 30, 2021.
- Liquid assets and unencumbered assets.
- The Group has mortgaged income-producing properties, the fair value of which significantly exceeds the loan undertaken therefor.
- Refinancing of debts in the capital market and/or institutional bodies and/or banking institutions.

5.8. Unencumbered Assets Available to Serve as Collateral against the Receipt of Credit

As of September 30, 2021, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 2.7 billion. The Company deems its liquid assets, the considerable cash flow from its current operations and its unencumbered assets (in the total value of approx. NIS 26.8 billion, in addition to the aforesaid amount of approx. NIS 2.7 billion in liquid assets) essential to its financial soundness, its high financial flexibility due to its lack of dependence on the availability of external sources both in terms of debt repayment and in terms of the ability to seize investment opportunities at various times.[19] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the prevailing economic conditions.

Unencumbered Assets Available to Serve as Collateral against the Receipt of Credit	
Assets	**Value of Assets as of September 30, 2021**
Real estate of the retail centers and malls in Israel segment	11,511
Real estate of the leasable office and other space in Israel segment	12,890
Other real estate (mainly hospitality)	442
The Company's holdings in Compass and Azrieli E-Commerce	861
The Company's holdings in Bank Leumi	1,120
Total	**26,824**

Figures are as presented in the financial statements and in millions of NIS.
In addition, the Group holds mortgaged income-producing properties, the fair value of which exceeds the amount of the loan undertaken therefor.

[19] For details with respect to additional matters related to the Group's financing activities, see Section 19 of Chapter A of the Periodic Report for 2020, which is included herein by way of reference.

The Group's estimations mentioned in this Section 5.8 above in connection with the Company's ability to obtain financing on convenient terms in the currently prevailing economic conditions, are forward-looking information as defined in the Securities Law, which is based on the Company's estimations as to the economic conditions and the liquidity level as of the Report Release Date. Such estimations may not materialize, in whole or in part, or may materialize in a manner that materially differs from the Company's estimations. The primary factors that may affect the above are: changes in the capital market affecting the conditions and possibilities of obtaining financing, changes in the Company's plans, including use of future available liquid balances in order to seize business opportunities, changes in the advantageousness of the holding of various investment channels or the advantageousness of use of various financing channels, deterioration of the Israeli or U.S. economy and decline into severe recession, as well as the effects the Covid-19 pandemic, in a manner which affects the Company's ability to obtain financing on convenient terms.

5.9. Financial Position

Financial Position, Liquidity and Financing Sources		
Item	**30.9.2021**	**31.12.2020**
Total assets (1)	39,497	35,124
Current assets	3,151	3,273
Investment properties (2)	31,782	29,266
Short-term credit (3)	1,589	1,293
Loans from banking corporations and other credit providers (4)	1,344	1,138
Net bonds (5)	12,418	9,389
Equity (6)	18,543	18,133

Figures are presented in millions of NIS.

(1) The increase derives mainly from an increase in the investment properties and intangible assets as a result of the acquisition of Green Mountain, AS ("**GM**").

(2) The increase mainly results from the purchase of GM, a land in Tel Aviv and in Glilot North site in the Report Period and from the progress of investments in projects under construction and in the income-producing properties in the Report Period and from revaluation profits, offset by write-off of the mall and the office building in Kiryat Ata due to the sale thereof in the Report Period.

(3) The increase mainly derives from a loan in GM's books that was added as a results of the acquisition of the company, net of current maturities of a loan that was repaid.

(4) The increase mainly results from refinancing of a long-term loan previously presented as current maturities.

(5) The increase results from raising Series G and H Bonds, net of ongoing repayments in the Report Period.

(6) The increase mainly results from the comprehensive income in the period, net of a dividend distribution.

6 | BUSINESS RESULTS AT A GLANCE

6.1. Summary of Business Results

The following table presents the consolidated net profit of Azrieli Group:

Analysis of the Consolidated Net Profit	For the Three Months Ended		For the Nine Months Ended		For the Year Ended
	30.9.2021	**30.9.2020**	**30.9.2021**	**30.9.2020**	**31.12.2020**
Net profit for the period attributable to the shareholders	**187**	192	**679**	219	189
Net profit attributable to the shareholders and to non-controlling interests	**187**	193	**680**	213	184
Basic earnings per share (NIS)	**1.54**	1.59	**5.6**	1.81	1.56
Basic earnings (loss) per share from continued operations (NIS)	**1.54**	1.61	**5.6**	1.88	1.66
Comprehensive income to shareholders and to non-controlling interests	**273**	108	**1,007**	(157)	(147)

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 680 million, compared with NIS 213 million in the same period last year. The increase in profit in the Report Period was affected mostly by an increase in profit due to the adjustment of the fair value of the properties in the amount of NIS 696 million, growth in the NOI of NIS 144 million, net of an increase of NIS 307 million in net financing expenses, mainly due to a rise in the index in the Report Period compared to the decrease in the index in the same period last year, and from an increase in the tax expenses of NIS 84 million, mainly due to deferred taxes on the revaluation profits.

6.2. Comprehensive Income

The Group's capital and comprehensive income are also affected by various capital reserves, chiefly by capital reserves in respect of changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income and by reserves for translation differences from foreign operations. The difference between the comprehensive income and the net profit as presented in Section 6.1 above, for the nine-month period ended September 30, 2021, mostly derives from an increase in the fair value of financial assets net of tax in the sum of NIS 299 million and from a profit from translation differences from foreign operations in the sum of NIS 27 million. With respect to the three-month period ended September 30, 2021, it mainly derives from an increase in the fair value of the financial assets net of tax of NIS 90 million.

6.3. Results of Operations

The following table presents the marketing, general and administrative expenses, other revenues, financing expenses and income taxes in the Report Period, compared with the same period last year:

Results of Operations				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2021	30.9.2020	30.9.2021	30.6.2020
Marketing, general and administrative expenses (1)	**51**	41	**127**	119
Net other expenses (2)	**10**	-	**13**	-
Net financing expenses (3)	**143**	44	**365**	58
Income tax expenses (4)	**24**	62	**161**	77

Figures are presented in millions of NIS.

(1) The increase in expenses in the Report Period compared with the same period last year mainly derives from an increase in the marketing expenses.
(2) The increase in other expense derives mainly from expenses in connection with the closing of the acquisition of GM, net of dividend received from Bank Leumi.
(3) The increase in net financing expenses, in the current quarter compared with the same quarter last year, and in the current period compared with the same period last year, mainly derives from an increase in expenses of linkage on loans, bonds and senior housing residents' deposits, due to an 0.8% rise in the known CPI in the current quarter compared with an 0.1% rise in the same quarter last year, and a 2.2% rise in the known CPI in the current period compared with an 0.6% decrease in the same period last year.
(4) The increase in tax expenses in the Report Period compared with the same period last year is mainly attributed to an increase in deferred tax expenses due to the increase in profit from fair value adjustments of properties. The decrease in tax expenses in the quarter compared with the same quarter last year resulted from a hedging transaction during the Report Period and from an increase in the known index.

6.4. Cash Flows

The following table shows the cash flows generated by the Group in Q3/2021, compared with the same quarter in 2020:

Quarterly Cash Flows		
Quarter	Q3/2021	Q3/2020
Net cash flows generated by the Group from current operations (1)	319	294
Net cash flows used by the Group for investment activities (2)	(2,618)	(265)
Net cash flows generated (used) by the Group for financing activities (3)	3,165	(309)

Figures are presented in millions of NIS.

(1) Most of the cash flow in the quarter and in the same quarter last year resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 421 million (without Compass) (approx. NIS 346 million in the corresponding period), plus net senior housing deposits and net of income taxes paid.
(2) Most of the cash flow in Q3/2021 was used for acquisition of GM for NIS 2,380 million, investment in investment properties and investment properties under construction in the sum of approx. NIS 309 million, net of the proceeds received from the sale of Bank Leumi stock in the amount of NIS 64 million. Most of the cash flow in the same period last year was used for the acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 187 million and follow-up investment in Compass, net of proceeds received from the sale of Supergas.
(3) Most of the change relative to the same quarter last year derives from the issue of bonds in the sum of NIS 3,613 million.

The following table shows the cash flows generated by the Group in the nine-month period ended September 30, 2021, compared with the same period last year:

Cash Flows for the period		
6 Months	**For the nine months ended 30.9.2021**	**For the nine months ended 30.9.2020**
Net cash flows generated by the Group from current operations (1)	912	726
Net cash flows used by the Group for investment activities (2)	(2,821)	(979)
Net cash flows used by the Group for financing activities (3)	1,985	153

Figures are presented in millions of NIS.

(1) The cash flow in the period and in the same period last year chiefly resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 1,112 million (excluding Compass) (approx. NIS 972 million in the corresponding period), plus net senior housing deposits and net of the income taxes paid.

(2) Most of the cash flow in the Report Period was used for acquisition of GM for NIS 2,380 million, for acquisition and investment in investment properties and investment properties under construction in the sum of approx. NIS 836 million, net of proceeds received from the sale of Leumi Card and Bank Leumi stock and the proceeds from the sale of the property in Kiryat Ata. Most of the cash flow in the same period last year was used for the acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 680 million, for the purchase of the Mount Zion hotel and for a follow-up investment in Compass, net of proceeds received from the sale of Leumi Card, Supergas and GES.

(3) The main change relative to the same period last year resulted from the bond offering in the period in the sum of NIS 3,613million, compared with NIS 1,672 million in the same period last year.

7 | CORPORATE GOVERNANCE ASPECTS

In the Report Period no material changes have occurred in the Company's corporate governance aspects, as specified in chapters D-E of the Periodic Report for 2020, which is included herein by way of reference.

7.1. Internal Enforcement Plan

On March 21, 2021, the Company's board committee on internal enforcement discussed the 2020 report and enforcement plan for 2021. For further details on the Company's internal enforcement plan, see Section 10 in Chapter E of the Periodic Report for 2020, which is included herein by way of reference.

7.2. Changes in the Service of Company Officers

See Section 1.2.3.4 above.

7.3. Directors and Officers Liability Insurance

During the Report Period, the Company's compensation committee and board of directors approved an engagement for the purchase of a liability insurance policy for directors and officers of the Company and subsidiaries of the Company from July 1, 2021 to June 30, 2022, with a liability cap of U.S. $100 million per occurrence and in the aggregate, and for an annual premium of U.S. $617,000, while determining that the engagement is carried out at arm's length and is not material to the Company. This is in keeping with the position of the ISA, whereby given the Covid-19 crisis and its effects on the insurance market, a company's engagement with an insurer may be carried out on terms and conditions that differ from those specified in such company's compensation policy as concerns the premium component, provided that it is carried out at arm's length, is not material to the company and the company' compensation committee approves the engagement, until the date of the coming general meeting to be convened by the company.

8 | PROVISIONS ON DISCLOSURE IN RELATION TO THE COMPANY'S FINANCIAL REPORTING

8.1. Description of the Company's Operations during the Report Period and Update of the Description of the Corporation's Business for the Report Period, in accordance with Section 39A of the Regulations

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of September 30, 2021 and Note 3 to the financial statements as of September 30, 2021.

8.2. Report on the Group's Liabilities

A report on the Group's liabilities, in accordance with Sections 39E and 9D of the Regulations is attached in a separate report form concurrently with the release of this Report.

8.3. Disclosure of Highly Material Valuations

As of the date of the report, there has been no change in the parameters for disclosure and attachment of valuations, as published in the Periodic Report for 2020. The Company has updated the valuations of its properties as of June 30, 2021.

As specified in Section 9.3 of the board of directors' report included in the Periodic Report for 2020, which is included herein by way of reference, and after an examination of the relevant parameters according to ISA Staff Legal Position 105-23 on the parameters for examination of the materiality of valuations, it transpires that the Company has no highly material valuation that is required to be attached to the report.

8.4. Subsequent Events

See Note 7 to the financial statements as of September 30, 2021.

8.5. Financials attributable to the Company as a Parent Company

In accordance with Sections 9C and 38D of the Regulations, financials out of the consolidated financial statements attributable to the Company as a parent company are attached with the auditor's opinion, in Chapter C.

8.6. Note on Forward-Looking Information

The Company's intentions mentioned in the introduction to the board of directors' report and the highlights to the board of directors' report, inter alia, in relation to the use of business opportunities and expansion of the operations, liquidity, financing sources and net financing expenses, the pace of progress of projects under construction, the projected costs of their construction, the effects of the economic situation on the Company's operating segments and with respect to possible debt raising and the Company's targets and business strategy in relation with the data centers sector, are forward-looking information as defined in the Securities Law, which is based on the Company's plans as of the report date, the Company's estimations with respect to developments in the markets, inflation levels and projected cash flows and on the conditions and possibilities of obtaining credit on the date of the Report.

Such estimations may not materialize, in whole or in part, or materialize in a manner that materially differs from the Company's estimations. The principal factors that may affect the above are: changes in the capital market that will affect the conditions and possibilities of obtaining credit, changes in the Company's plans, including use of future available liquid balances for the purpose of seizing business opportunities, changes in the advantageousness of holding various investment channels or the advantageousness of use of various financing channels, delays in the *obtainment of permits or approvals required for the progress of projects under construction, changes in the regulation related to the Company's business, including planning and building regulation, an increase in the prices of construction materials, changes in the CPI, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a manner affecting the Company's cash flow, and the effects of the Covid-19 pandemic.*

The Company's board of directors and management wish to express their high regard for the Company's officers, the managements of the various companies of the Group and their employees, for their welcome contribution to the Group's achievements in the quarter ended September 30, 2021.

Danna Azrieli, Chairman of the Board	**Eyal Henkin, CEO**

Date: November 23, 2021

Annex A - Designated Disclosure to the Bondholders

Set forth below are details regarding the bonds of the Company that are held by the public

Series	Date of the Issue	Par Value on the Date of the Issue	Par Value on the Report Date	Par Value on the Report Date, including Linkage	Amount of Interest Accrued by the Report Date	Value in the Financial Statements	Market Cap	Type of Interest	Annual Interest Rate	Principal Payment Dates	Interest Payment Dates	Linkage Terms	Details regarding the Trustee
		NIS in Millions											
Series B	Feb. 10, 2015	623.3	**603.9**	**617.1**	**2.0**	**609.8**	**645.8**	Fixed	0.65	April 1 in the years 2016 through 2025	From October 1, 2015 and subsequently April 1st and October 1st in the years 2016 through 2025	Linkage (principal and interest) to the rise in the CPI for December 2014*	Name of the trust company: Hermetic Trust (1975) Ltd.; Address: Champion Tower, 13th floor, 30 Sheshet Ha-Yamim Road, Bnei Brak. Tel: 03-5274867; Fax: 03-5271039; E-mail address: hermetic@hermetic.co.il Contact person at the trustee: Dan Avnon or Meirav Ofer
	June 23, 2015	600.3											
	Mar. 30, 2017	228.8											
Series D	July 7, 2016	2,194.1	**3,272.2**	**3,387.9**	**10.8**	**3,371.1**	**3,743.4**	Fixed	1.34	From July 5, 2018 twice a year on January 5 and July 5 of each of the years 2018 through 2030	From January 2017, twice a year on January 5 and July 5 of each of the years 2017 through 2030	Linkage (principal and interest) to the rise in the CPI for May 2016*	
	March 30, 2017	983.6											
	Feb. 1, 2018	1,367											
Series E	Jan. 22, 2019	1,215.9	**3,243.4**	**3,314.9**	**14.8**	**3,414.0**	**3,749.4**	Fixed	1.77	On June 30 of each of the years 2022 through 2028	From June 30, 2019, twice a year on June 30 of each of the years 2019 through 2028 and December 31 of each of the years 2019 through 2027	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	1,216.7											
	April 20, 2020	810.7											

Series	Date of the Issue	Par Value on the Date of the Issue	Par Value on the Report Date	Par Value on the Report Date, including Linkage	Amount of Interest Accrued by the Report Date	Value in the Financial Statements	Market Cap	Type of Interest	Annual Interest Rate	Principal Payment Dates	Interest Payment Dates	Linkage Terms	Details regarding the Trustee
Series F	Jan. 22, 2019	263.4	**1,958.0**	**2,001.1**	**12.5**	**2,199.3**	**2,403.2**	Fixed	2.48	On December 31 of each of the years 2025 through 2032	From June 30, 2019, twice a year on June 30 and December 31 of each of the years 2019 through 2032	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	932.6											
	April 20, 2020	761.9											
Series G	July 20, 2021	1,903.6	**1,903.6**	**1,916.7**	**3.4**	**1,896.9**	**1,974.8**	Fixed	0.9%	July 2 of each of the years 2024 through 2036	From January 2, 2022, twice a year on January 2 and July 2 of each of the years 2022 through 2036	Linkage (principal and interest) to the rise in the CPI for June 2021	
Series H	July 20, 2021	1,751.5	**1,751.5**	**1,763.6**	**6.0**	**1,741.7**	**1,836.6**	Fixed	1.69%	January 2 of each of the years 2032 through 2041	From January 2, 2022, twice a year on January 2 of each of the years 2022 through 2041 and July 2 of each of the years 2022 through 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
Total		**14,853.4**	**12,732.6**	**13,001.3**	**49.5**	**13,232.8**	**14,353.2**						

* The Series B, Series D, Series E, Series F, Series G, Series H Bonds (jointly, the "**Company's Bond Series**") are protected, such that if the known index on the relevant payment due date is lower than the base index (stated in the table), the payment index will be the base index.

Further details regarding the bonds of the Company held by the public:

1. The Company’s Bond Series are material to the Company and are not secured by any collateral.

2. The Company will be entitled, at its sole discretion, to perform (partial or full) early redemption of the Company’s Bond Series. For details, see Section 9.2 of the terms and conditions overleaf in the indentures of each of the Company’s Bond Series, and as follows:

   2.1. With respect to the Series B Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company’s report dated March 29, 2017 (Ref.: 2017-01-032703).

   2.2. With respect to the Series D Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company’s report dated January 31, 2018 (Ref.: 2018-01-010993).

   2.3. With respect to the Series E Bond indenture and the Series F Bond indenture, both of which were attached to the shelf offering report that was published by the Company, see the Company’s report dated April 20, 2020 (Ref.: 2020-01-035128).

   2.4. With respect to the Series G Bond indenture and the Series H Bond indenture that was published by the Company, see the Company’s report dated July 13, 2021 (Ref.: 2021-01-116340).

3. The reports mentioned in Sections 2.1-2.4 above (the “**Indentures**”) are included herein by way of reference.

4. At the end of and during the report period, the Company has fulfilled all of the terms and conditions and undertakings according to the Indentures, and no conditions establishing grounds for acceleration of the Company’s Bond Series have been fulfilled.

5. For details regarding an undertaking that the Company assumed in the framework of the Company’s Bond Series, see Sections 5.2-5.6 of the Indentures.

<u>Rating of the bonds of the Company held by the public</u>:

Series	Name of Rating Company	Rating Set on the Date of the Issue	Rating Set as of the Report Release Date	Date of Issuance of the Current Rating	Additional Ratings Set between the Date of the Issue and the Report Date	
					Rating	Date of Rating
Series B	Ma'alot	AA+ stable	AA+ stable	February 7, 2021(*)	AA+ stable	June 21, 2015 March 28, 2017 February 2, 2020 February 7, 2021
Series D	Midroog	Aa1/stable outlook	Aa1/stable outlook	December 27, 2020(**)	Aa1/stable outlook	July 20, 2016 March 27, 2017 March 28, 2017 December 31, 2017 January 28, 2018 January 31, 2018 December 31, 2019 April 19, 2020 December 27, 2020
Series E	Midroog	Aa1/stable outlook	Aa1/stable outlook	December 27, 2020(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020
Series F	Midroog	Aa1/stable outlook	Aa1/stable outlook	December 27, 2020(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020
Series G	Ma'alot	ilAA+ stable	ilAA+ stable	July 1, 2021 (***)	-	-
Series H	Ma'alot	ilAA+ stable	ilAA+ stable	July 1, 2021 (***)	-	-

* For Ma'alot's rating report on the Series B Bonds, see the Company's immediate report of February 7, 2021 (Ref.: 2021-01-015094), which is included herein by way of reference.

** For Midroog’s rating report on the Series D-F Bonds, see the Company’s immediate report of December 27, 2020 (Ref.: 2020-01-133192), which is included herein by way of reference.

*** For Ma'alot’s rating report on the Series G-H Bonds, see the Company’s immediate report of July 18, 2021 (Ref.: 2021-01-118089), which is included herein by way of reference.

PART B

Update of the Description of the Corporation's Business

AZRIELI GROUP LTD.

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of December 31, 2020 (the "**Periodic Report**")[1]

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, following is a description of material developments that have occurred in the Company's business during the nine months ended September 30, 2021 and until the Report Release Date, with respect to which disclosure has not yet been made in the Periodic Report, according to the order of the sections in the Description of the Corporation's Business chapter in the Periodic Report. It shall be noted that the terms in this chapter shall have the meaning ascribed thereto in the Periodic Report, unless otherwise expressly provided.

In this chapter: the "**Report Release Date**" – November 24, 2021; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – September 30, 2021; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the nine- and three-months ended September 30, 2021.

1. Developments that occurred in the Group's structure and business until the Report Release Date

Update to Section 1.3 of the Description of the Corporation's Business chapter:

For details with respect to: (1) the development pipeline; (2) the sale of the Azrieli Kiryat Ata mall and office building; (3) the engagement in agreements for the purchase of land in Tel Aviv; (4) the changes in the office of senior officers; (5) the extension of the effect of a shelf prospectus; (6) the engagement in an agreement to purchase lands that are located in the North Glilot complex and an agreement for the construction of a campus and lease thereof to SolarEdge Technologies Ltd.; (7) the engagement in an agreement for the acquisition of ownership in "Mall Hayam", Eilat; (8) completion of the acquisition of Green Mountain, AS that operates in the Data Centers field; (9) financing transactions; and (10) the Covid-19 pandemic, see Section 1.2.3 of Chapter A hereof.

2. Investments in the Company's equity and transactions in its shares

Update to Section 3 of the Description of the Corporation's Business chapter:

For details with respect to the status of holdings of the interested parties in the Company, see the Company's immediate report of October 6, 2021 (Ref.: 2021-01-084559), and the immediate report of October 7, 2021 on changes in interested parties' holdings (Ref.: 2021-01-152505), which are included herein by way of reference.

[1] As reported by the Company on March 25, 2021 (Ref.: 2021-01-044625), which is incorporated herein by reference.

3. Dividends

Update to Section 4 of the Description of the Corporation's Business chapter:

On May 12, 2021, the Company paid a dividend to its shareholders in the total amount of NIS 450 million and on July 6, 2021, the Company paid a dividend to its shareholders, in a sum total of NIS 150 million. For details, see Section 1.2.4 of Chapter A hereof.

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4. Development Pipeline

Update to Section 7.7 of the Description of the Corporation's Business chapter:

During the report period, the Group continued to invest in the development and construction of new properties and in the expansion and renovation of existing properties. For further details, see Section 4 of Chapter A hereof. Set forth below are updates in connection with development pipeline and improvement of existing properties:

Land in the Check Post Intersection – land in the area of approx. 17,800 sqm which is located in the Haifa industrial zone, in proximity to the Check Post Intersection. A project is expected to be built on the land, in two phases, which will include leasable retail and office space in the total scope of approx. 37 thousand sqm and approx. 400 parking spaces.

In Phase A, a 2-floor building in the scope of approx. 13 thousand sqm and approx. 340 parking spaces, whose ground floor will be used as a supermarket, is expected to be built on the land. In December 2020, the Company engaged in an agreement for the lease of the space which will be used as a supermarket.

The building plan was approved by the local committee. In addition, the Company filed an application for a shoring and foundation permit and for a full building permit.

Holon 3 – Holon Industrial Zone - in April 2021, a certificate of completion was received for the car park on the eastern side of the project.

Land in Modi'in (Lot 21) – the Company began construction of the parking lot floors. In November 2021, an aboveground building permit was received for two retail floors, two hotel floors (84 rooms) and service and operation spaces. In addition, the Company filed an application for an aboveground building permit for the entire project (the office and residential towers).

Expansion of Azrieli Center Tel Aviv (Spiral Tower) – in July 2021, the Company filed an application for an aboveground building permit for the entire project.

Azrieli Akko Offices – in June 2021, a Form 4 was received for the addition of two office floors above the mall.

Azrieli Haifa Mall – during the report period, a zoning plan for an additional construction of approx. 3,000 sqm was deposited for objections.

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5. Land Reserves (Additional Details)

Update to Section 7.8 of the Description of the Corporation's Business chapter:

Updates in relation to land designated for construction as of the Report Date in the operating segments of investment properties and in the senior housing segment are provided below (for further details, see Section 4 of Chapter A hereof):

Petach Tikva land – in August 2020, a discussion was held at the local committee in connection with a zoning plan under local committee jurisdiction, at which a request was made for extra height and additional rights for 500 sqm, and a decision was made for conditional deposit of the plan. The Company filed an application to amend the committee's decision and in April and September 2021, the committee deliberated the zoning plan and updated its decision on the conditional validation thereof, in accordance with the Company's request.

Land in Modi'in (Lot 10) – in April 2021 a deliberation was held on the plan that was filed by the Company with the local committee for additional uses of the lot and a decision was made for conditional deposit thereof. In June 2021, the plan was deposited for objections and in October 2021, the plan was deliberated and conditionally approved. In addition, the Company filed a construction plan with the local committee, which was approved under conditions, and filed an application for an excavation and shoring permit which was conditionally approved.

"Palace Rishon LeZion" senior home – in May 2021, the Company filed an application for a basement permit which was conditionally approved during September 2021.

6. Data Centers field

Update to Section 12.1 of the Description of the Corporation's Business Chapter:

For details regarding the Data Centers field, see **Annex A** to this Part B.

7. Financing

Non-Bank Financing for the Company

Update to Section 19.5 of the Description of the Corporation's Business Chapter:

Series B Bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the par value balance of the Company's Series B Bonds in circulation is approx. NIS 604 million.

Series D Bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the par value balance of the Company's Series D Bonds in circulation is approx. NIS 3,272 million.

Series G Bonds

On July 19, 2021, the Company released a shelf offering report for the issuance and listing on the stock exchange of up to approx. NIS 2,056 million par value of the Company's Series G Bonds, under the 2019 shelf prospectus. On July 20, 2021, the Company announced that according to the issuance results, approx. NIS 1,904 million par value of Series G Bonds were issued, in consideration for approx. NIS 1,904 million (approx. NIS 1,883 million net of issue expenses).

As of the Report Release Date, the par value balance of the Company's Series G Bonds in circulation is approx. NIS 1,904 million.

Series H Bonds

On July 19, 2021, the Company released a shelf offering report for the issuance and listing on the stock exchange of up to approx. NIS 1,896 million par value of the Company's Series H Bonds, under the 2019 shelf prospectus. On July 20, 2021, the Company announced that according to the issuance results, approx. NIS 1,751 million par value of Series H Bonds were issued, in consideration for approx. NIS 1,751 million (approx. NIS 1,729 million net of issue expenses).

As of the Report Release Date, the par value balance of the Company's Series H Bonds in circulation is approx. NIS 1,751 million.

8. Credit Rating

On July 18, 2021, Ma'alot approved the rating of the Company's new Series G and H Bonds in the ilAA+ rating. For a review of Ma'alot's report of such date, see the Company's immediate report of July 18, 2021 (Ref.: 2021-01-118089), which is included herein by way of reference.

9. Legal Proceedings

For an update in connection with the legal proceedings to which the Group's companies are party, see Note 3E to the financial statements as of September 30, 2021.

Annex A

The Data Center Industry

1. General information on the operating segment

In 2019, after studying the market and the key players in the field, the Company adopted a decision to invest in a company engaged in this field, while noting the growth potential that exists in the industry, and with the intention for it to serve as another growth engine for its business.

The first step in the Company's entry into the industry was through an equity investment in Compass Holdco, LLC. ("**Compass**"), whose main business is the data center industry in North America and in EMEA. As of the Report Release Date, the Company holds (indirectly) approx. 24% of Compass. For further details, see the Company's immediate report of July 18, 2019 (Ref.: 2019-01-073885), and Section 1.3.2 of the Company's 2020 Periodic Report which was released on March 25, 2021. (Ref.: 2021-01--044625), which are included herein by way of reference.

Further to the aforesaid, and as part of the Company's strategy to expand its operations in the data center industry by penetrating the European market, on August 24, 2021 the Company closed the acquisition (indirectly) of 100% of the share capital of Green Mountain, AS ("**GM**"), which is engaged in the data center field in Norway. For further details, see the Company's immediate reports of July 13 and 19, 2021 and of August 24, 2021 (Ref.: 2021-01-116121, 2021-0-118377, and 2021-01-136974, respectively), which are included herein by way of reference.

The Company estimates that the data center industry is expected to grow at a significant rate and could constitute a growth engine for the Company's business.

The Company's estimates in this Section 1 of Chapter A are forward-looking information, as this term is defined in the Securities Law, 5728-1968 (the "Securities Law") based on subjective estimates of the Company as of the Report Release Date and sources of information external to the Company. There is no certainty as to their realization, in whole or in part, or whether they may be realized in a materially different way, inter alia, due to changes in project schedules, their actual size and marketing, and due to factors beyond the Company's control, including changes in the global data center market.

1.1. The structure of the industry and changes therein

In the 1950s, relatively widespread use of computers started emerging. In the late 1980s and early 1990s, the computing infrastructure model moved to a "server-client" architecture, which was widely adopted by large organizations and home users. In the early 2000s, the use of cloud computing began, which supported the transition from purchasing software, which is accessible through on-premise servers, to purchasing software as a service through the data center infrastructure (off-premise). Accordingly, there was a sharp growth in internet users, and as of 2021, there are over 4.66 billion internet users worldwide[1].

The accelerated pace of digital data production has led to the increasing complexity of processing, management and storage of digital data. In view thereof, companies are increasingly turning to cloud service providers in order to find solutions to manage their digital data, and are concurrently transferring their server infrastructure to external service providers. GM and Compass focus on building data centers for hyperscale customers, such as cloud service providers to enable them to have infrastructures which support the high demand for their services, as well as for organizations which transfer the management of their digital data infrastructures to external sites. The purpose of data centers is to provide the tenants which use them with the optimal space and conditions for the efficient operation of IT equipment. For such efficient operation, data centers must be located in areas where there is broad and fast connectivity to communication networks, using optical fibers, and where there is access to a large and available power supply, in order to support the transfer of information to and from customers, and for the processing and storage of information and cooling of the environment in which the servers are located.

The global data center market is currently one of the highest growing markets in the income-producing property segment. The annual revenues thereof in 2020 were estimated at approx. $42 billion, and are expected to be approx. $56.5 billion in 2024[2].

1.2. Restrictions, legislation, standardization, and special constraints applicable to the operating segment

The data center industry is characterized by high demand in the following areas: security, both physical security and of the computing systems and servers, environmental requirements of the various systems used by the buildings (such as: the cooling systems, generators, storage of the fuel for the generators, etc.), very high redundancy (prevention of general failure in the event of one of the components of the system failing) requirements for the power supply, communications systems, control and safety. Every development project in the industry is subject to regulations and directives which are determined by the relevant authorities, in accordance with the region of the operations.

[1] Digital 2021 Global Report, HootSuite.
[2] 451 Research (Q3-20 Globsl Data Center Knowledgebase), Cowen and Company.

1.3. Changes in the size and profitability of the industry

In recent years, the data center market has been growing rapidly.

This growth is mainly due to an increase in the amount of data and volume of cloud-backed information of government, business and private entities.

While the average monthly information traffic in 2016 was 96 ExaBytes[3], the projection was that by 2021, it would reach 278 ExaBytes, i.e. a compound annual growth rate (CAGR) of 23.7% within five years of online content consumption[4].

Demand in the data center market is influenced, *inter alia*, by the following developing factors: cloud services companies, Internet of Things (IOT), artificial intelligence (AI), 5G networks, smart transport, augmented reality and cryptocurrencies.

Furthermore, given the expectation that the "digitization" of the economy will continue to generate a huge amount of data, the International Data Corporation (IDC) estimates that the volume of data generated will increase from 33 zettabytes (ZB) in 2018, to 175 zettabytes in 2025[5]. The rise in demand for data center storage services also stems from the global trend of transitioning to outsourcing information management. While in 2016, only 12% of the data center services were provided by outsourcing and the rest were managed by the companies themselves, in 2019, the share of outsourcing increased to 45% of said services[6]. The main causes for the transition to outsourcing are, *inter alia*, the companies' desire to focus on their core business, increasing economic merit (given the increase in costs and complexity of management of information systems internally), and the transition to IT services, from companies which provide cloud services – companies which specialize in providing services that include all of the IT infrastructure building and maintenance as well as the storage of data and information on the servers of such "cloud service providers".

The increase in demand has in recent years resulted in an increase in the volume of consumption and use of data centers[7]. While in 2016 the output was 5,353 Utilized MW, in 2018 the output was 6,439 Utilized MW, and it is expected that in 2023 the output will be 14,100 Utilized MW[8].

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[3] A unit of digital data storage which is used to indicate the size of data.
[4] Clipperton Finance, Cisco.
[5] The Digitization of the World From Edge to Core
[6] IDC, Worldwide Datacenter Installation Census and Construction Forecast, 2019–2023, Doc #US43797219, Apr 2019. The analysis includes datacenters only (without server closet and server rooms).
[7] According to the overall forecast of Retail Colocation deployment (<44300KW) in addition to Hyperscale and Scale.
[8] CMA Strategy Consulting.

The profitability of data centers, like other real estate and infrastructure assets, is measured by a cost recovery model. This market is also characterized by significantly higher returns, compared to other income-producing property segments in the international markets.

1.4. Developments in the industry markets or changes in its customer characteristics

The development of the cloud sector and the transition of companies to information management through outsourcing has led, as aforesaid, to rapid growth of the data center market.

Furthermore, the US market is a high maturity market and is positioned as a global leader in the field.

To the best of the Company's knowledge, as of 2020, approx. 39% of the world's data center capacity (in terms of output, i.e. MW) was in North America, approx. 41% in Asia-Pacific, approx. 19% in Europe and the remainder in the rest of the world[9].

To the best of the Company’s knowledge, the Norwegian data center market has very low power costs, compared with such costs in other markets in Europe, and is generated (100%) by using renewable energy from environmentally-friendly sources. The demand for data center properties which use such sources is on the rise. It is also noted that most of the data center properties in the European market are in the Tier I market, the FLAP-D cities (Frankfurt, London, Amsterdam, Paris and Dublin). Recently, the Tier II markets in Europe (such as Norway) are experiencing increasing interest due to the shortage in energy sources in the Tier I markets, and due to the high cost of land therein.

1.5. Critical success factors in the industry and the changes applicable thereto

In the Company's estimation, there are a number of critical factors for success in the data center field, including:

- **Segment entry strategy** - The Company's strategy for entering the field is investment in the capital of or acquisition of existing companies operating in the industry, which have significant growth potential;
- **Site location** - The location of data centers is a significant factor for the customer. Consequently, the location of the sites is of critical importance when, *inter alia*, significant parameters include: the ability to supply large amounts of power from environmentally-friendly sources, preference for cold areas with low-cost power, and proximity to communication networks. In addition, the physical site location relative to customer location is relevant in view of the importance of the data

[9] Structure Research, Global Data Center Report (Dec. 2020).

transfer speed (latency), as well as the requirement by cloud companies for data center redundancy, and the required distance between centers. There is also an advantage to data center properties that are located near airports, universities and related services.

- **High level of professionalism** - A high level of professionalism and understanding is required in the relevant engineering fields of electrical engineering, mechanical systems and communication and computer systems.
- **Relationships with significant customers** - In this industry, there are a limited number of HyperScale customers, which are large, sophisticated consumers such as big cloud service providers and telecommunications companies, which have complex and specific requirements. Therefore, the ability to communicate with these customers is an important component for success in the industry.
- **Regulation** - The continued growth of data consumption encourages regulators to prescribe directives concerning protection of end-user IT infrastructure, which strengthens the vitality of the data center market.
- **Digitization** - Digitization processes and technological developments impact demand levels in the industry. According to an assessment of the International Data Corporation (IDC), by 2025 every person will perform over 4,900 operations involving digital data per day (once every 18 seconds)[10]. This is expected to increase the demand for data centers.

1.6. Changes in suppliers and raw materials for the industry

Similarly to other industries in the global economy, recently, we can see a slowdown in the supply chain of several components that are usually included in projects in the segment (such as: components for the cooling systems, generators, building materials, etc.). Therefore, a lengthening of the supply times of certain items may be seen. In addition, the prices of some of the components used in the industry have increased due to the rise in the prices of some of the commodities around the world (such as: a rise in metal prices). As of the Report Release Date, it is not possible to estimate whether the said changes will impact the size of the industry, since with recovery from the Covid-19 pandemic we can see a certain return to normalcy in these contexts.

1.7. The main barriers to entry and exit from the industry and changes which apply thereto

The Company estimates that the main barriers to entry in the data center industry are as follows:

[10] The Digitization of the World From Edge to Core.

Barriers to entry - (1) Very high capital requirements; (2) Relevant knowledge for creating value in the real estate field; (3) Deep technical understanding of data centers' design and the ability to build such centers quickly; (4) High availability of a power supply in high volume, particularly renewable power sources; (5) The need for the creation or maintenance of infrastructures, and a high-connectivity fiber optic communication system near the data centers' locations; (6) Efficient capital utilization.

Barriers to exit - (1) Realization of the holdings in companies in the industry which have significant value and restrictions on selling under rental agreements; (2) Termination of existing rental agreements, which are mostly long-term.

1.8. Substitutes for the industry's products and changes applicable therein

While data center design and deployment may change, the need for such centers is increasing.

According to studies, there are approx. 27 billion devices connected to the internet. This number is set to grow to more than 75 billion devices in the next four years[11], i.e., a massive increase in the number of internet devices is expected and, as a result, an even larger increase in the volume of data which will require storage.

Should these projections be realized, additional infrastructure will be required to provide the services currently offered by data centers, and alternative solutions may develop.

As of the Report Release Date, to the best of the Company's knowledge, no substitute exists for the services provided by data centers. However, as technology advances and demand increases, substitutes may develop. In the event that new server technology evolves to meet customer needs at lower costs, the infrastructure of data centers may be less attractive.

1.9. The competition structure in the industry and changes applicable therein

The data center industry is characterized by high competitiveness. The competitiveness in the industry exists in a variety of aspects, including: (1) Competitiveness between developers with similar sites; (2) Competitiveness with respect to the rent prices offered in data centers; (3) Competitiveness with respect to the rent spaces offered (considering other factors such as: location, connectivity, security, etc.); (4) Competitiveness with respect to the ability to provide services swiftly; (5) Competitiveness with respect to the quality and flexibility of the operating services provided to the tenants of the data centers; (6) Competitiveness with respect to the ability to provide data center services which are based on use of renewable

[11] www.idc.com.

energies; (7) Competitiveness vis-à-vis hyperscale customers which are developing, in some of their operating regions, independent abilities to build data centers without dependency on third parties.

2. Products and services

- Compass's products and services include the leasing of data center sites to companies for self-use as well as to wholesale companies and companies providing cloud services in North America and EMEA[12]. As of the Report Release Date, Compass has 13 active sites and 8 facilities under construction and development. Compass places an emphasis on locating the data centers in central areas and near major communications networks and major power sources. Compass also makes sure to tailor its services to its clientele.
- The products and services which GM provides are, mainly, design, construction and operation of data centers with high information security, providing advanced data center services to organizations and wholesale customers, and operating highly-efficient data centers using 100% renewable energies. As of the Report Release Date, GM operates three data centers in Norway.

3. Customers

In the data center industry, leasing to customers is based on power units (kW) instead of units of space.

The actual average monthly rent per sqm in the Data Centers industry as of September 30, 2021 is approx. NIS 807, while the actual maximum and minimum average monthly rent per sqm as of September 30, 2021 is approx. NIS 2,539[13] and NIS 187[13] respectively.

Customers are classified according to the amount of kW (the units of measurement) requested, as follows: Hyperscale (>5 MW), Wholesale (300 kW – 5 MW) and Retail (<300 kW).

The average occupancy rate[14] of the Data Centers industry as of September 30, 2021 is approx. 93%.

Due to the sensitivity and significance of the services provided in data centers, as well as the high costs and significant length of time required to switch between data centers, customers in the industry tend not to make frequent

[12] Under construction.
[13] The maximum represents the average rent per sqm in a property where the average rent is the highest, while the minimum represents the average rent per sqm in a property where the average rent is the lowest. The average was calculated according to the usable areas only.
[14] The average occupancy rate was calculated based on the data of the lease agreements as of September 30, 2021, in a weighted average of GM and Compass, with Compass presented according to the rate of the Company’s holding in Compass (approx. 24%). The occupancy rate does not include areas under construction.

changes to their server farms and information bases, and consequently engagements in the field are long-term and characterized by stability and very low tenant turnover. Thus, for example, the duration of leases that characterize engagements with Hyperscale and wholesale customers (large cloud service providers, telecommunications companies, etc.) ranges from 5-10 years, and the duration of typical leases with retail customers (medium business – banks, airlines, etc.) is for 1-3 years.

Below is information about expected revenues in respect of signed lease contracts (in NIS in millions) from the Data Centers industry:

Revenue recognition period	Fixed-component revenue*	Number of contracts ending	Area under contracts ending (sqm in thousands)**
Y2021 Q4	36	3	-
Y2022	141	10	-
Y2023	140	6	-
Y2024	133	9	2
Y2025 forth	614	45	20
Total	1,064	73	22

* The revenue amounts in the above table include the expected revenues from rent of GM and Compass. Compass is presented according to the Company's share in Compass (approx. 24%).

** The area under the contracts ending includes the area of GM and Compass. Compass is presented according to the Company's share in Compass (approx. 24%).

Other customers in the data center industry are entities from various fields, including: healthcare services, financial institutions, and government institutions. Communication with these entities takes place directly, due to the sensitivity of the information, the importance of information security and the protection of the privacy of the end customers.

GM and Compass each have a number of core customers, including material customers in the field of cloud computing, significant high performance computing customers, and more, which are responsible for a high percentage of the revenues of GM and Compass, and the loss of which may materially impact the operating segment.

4. Marketing and distribution

Compass's marketing strategy is a direct appeal to the management of its prospective customers. This marketing strategy is consistent with the direct sales approach that is prevalent in the data center industry (unlike other types of real estate, where the brokerage-based sales approach is used).

As of the Report Release Date, Compass has no dependency on any of its marketing methods, the loss of which would have a material adverse effect on the operating segment or which would cause Compass a material cost increase as a result of the need to replace it.

GM's marketing strategy is aimed, to a large extent, at several core components in order to support the direct and proactive sales approach required to create awareness of the Norwegian data centers market as a Tier II market, and of value that the Norwegian market is able to create for potential customers. This is done both via digital channels and through active participation in conferences, all in order to attract potential customers in various ways (video, articles and other content) and in order that GM will gain recognition as a leading body in the industry.

As of the Report Release Date, GM is not dependent on any one of its marketing methods, loss of which would have a material adverse effect on the operating segment or would cause GM material additional cost as a result of the need to replace the same.

5. Competition

As of the Report Release Date, there are approx. 300 certified data centers worldwide, ranging from large public companies to smaller private companies.

To the best of Compass's knowledge, its key competitors are - Digital Realty, CyrusOne, QTS, NTT, Vantage, Aligned, Stack and other similar companies. Compass is handling competition in the industry, *inter alia*, through modular programs based on a number of models of dedicated facilities, standardization which accelerates the ability to provide services swiftly, and strict adherence to fair pricing and asset development in high-demand locations. In Compass's estimation, the number of data center providers which focus on hyperscale customers, on which it focuses, is relatively small, and is at most around 10-15 providers.

As aforesaid, GM's data centers are in Norway, however, around 68% of its revenue base derives from international customers.

In addition, in Norway there is an abundance of renewable energy at a low energy cost compared with the rest of Europe, a cold climate, a stable political environment, as well as a government that supports the industry, and very low seismic activity. All of these factors render Norway a very attractive and competitive location for data centers. The main players in the industry in Norway are Lefdal Mine Datacenter, GM, Digiplex and Bulk Infrastructure, while Digiplex is the largest company in the sector. According to GM's estimates, it holds a market share of around 35% of the industry in Norway.

GM also competes with other international data center players in Europe, while GM operates vis-à-vis international customers with the aim that they will establish their data center activity in Norway instead of the traditional markets in the industry in Europe. In this context, it is noted that for the most part, the traditional markets in Europe have lower performance in terms of sustainability (with respect to renewable energy and PUE[15]).

6. Production capacity

GM operates three server farms in Norway and is signed, as of the Report Release Date, on approx. 24 MW for customers which are engaged in agreements therewith for an average term of approx. 7.5 years. In addition, GM has future construction and development potential in such sites and others, at a volume of approx. 520 MW.

As of the Report Release Date, Compass has approx. 200 MW available for supply, and approx. 70% are rented or reserved. In addition, Compass has potential access to another over 500 MW under its current asset portfolio.

7. Fixed assets, real estate, facilities

Data center facilities are designed to house and support the services provided therein. Generally, data centers are comprised of hard-shell buildings, systems for the distribution of power and supplementary power sub-systems, electrical switching, backup generators, ventilation and cooling systems, and more.

The total area of the income-producing real estate in the Data Centers segment, as of September 30, 2021, is approx. 22,012 sqm[16], and its fair value as of September 30, 2021 is approx. NIS 2,186 million[17].

As of September 30, 2021, the Data Centers industry includes approx. 16 income-producing buildings.

As aforesaid, GM currently operates three data centers which are located in Norway. One of them, which is located in a mountain which served previously as a NATO ammunition storage facility, and is leased under a long lease agreement until 2079, while the other two data centers are located on an area owned by GM. GM is also in the process of purchasing additional land and has also entered into agreements which confer thereon rights to purchase additional land across Norway. As aforesaid, Compass's properties are located in North America and in EMEA and are owned thereby.

The amount at which the land is presented in the Group's financial statements in the Data Centers segment as of September 30, 2021, is approx. NIS 316 million[18].

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[15] PUE – the ratio between the total amount of energy used by the data center and the energy used for the IT equipment therein.
[16] The figure includes the areas ready for lease ("white areas") of GM and Compass. The area of Compass is presented according to the Company's share in Compass (approx. 24%).
[17] The figure includes the fair value of GM and Compass. The fair value of Compass is presented according to the Company's share in Compass (approx. 24%) in the item 'investment in a company accounted for using the equity method'.
[18] The figure includes the value of the land of GM and Compass. The value of the land of Compass is presented according to the Company's share in Compass (approx. 24%) in the item 'investment in a company accounted for using the equity method'.

The total area of the land as of the report date in the Data Centers segment is approx. 466 thousand sqm[19].

Below is information about properties under construction from the Data Centers industry:

Parameters	
	30.09.2021
Number of properties under construction at the end of the period(1)	**10**
Total areas under construction (planned) at the end of the period (sqm in thousands)(2)	**28**
The amount at which the properties are presented in the statements at the end of the period (consolidated) (NIS in millions)(3)	**477**
Construction budget in the subsequent period (estimate) (consolidated) (NIS in millions)	**828**
Total estimated construction budget balance for completion of the construction work (consolidated) (estimate as of the end of the period) (NIS in millions)(4)	**1,132**
Percentage of the area under construction for which lease contracts have been signed(%)(5)	**22%**
Expected annual revenue from projects which will be completed in the subsequent period and in which contracts were signed for 50% or more of the area (consolidated) (estimate) (NIS in millions)(6)	**-**

(1) There are properties under construction, part of which are income-producing, and therefore they are included both in the number of income-producing properties and in the number of properties under construction.

(2) The figure includes the area of GM and Compass. The area of Compass is presented according to the Company's share in Compass (approx. 24%).

(3) The figure includes the total properties under construction of GM and Compass. Compass is presented according to the Company's share in Compass (approx. 24%). The total properties under construction in respect of Compass is presented in the Group's financial statements in the item 'investment in a company accounted for using the equity method'.

(4) The construction budget balance from the end of the subsequent period.

(5) The percentage was calculated in a weighted average of GM and Compass, with Compass presented according to the Company's share in Compass (approx. 24%).

(6) No projects are expected to be completed in the subsequent period in which contracts were signed for 50% or more of the area.

8. Raw materials and suppliers

Operating data centers is energy-intensive activity, and is hence dependent on the supply of power and the capability to transmit the power to the data centers. While the power may be purchased from a large number of alternative suppliers, transmission of the power to each data center is dependent on the local power

[19] The figure includes the area of GM and Compass. The area of Compass is presented according to the Company's share in Compass (approx. 24%).

transmission provider in the area of the data center. Therefore, future growth is dependent, to a certain extent, on every such provider having sufficient capability to transmit power to the relevant data center.

9. Environmental risks and ways of managing them

Activity in the sector is subject to laws and regulations that pertain to environmental protection, storage, management and disposal of hazardous substances, emissions into the air and bodies of water, cleaning polluted sites, noise restrictions, etc. These laws and regulations were declared by various regulatory bodies in the context of federal, state and local legislation, and pertain to various aspects, including use of generators, batteries and fuel storage. To the best of the Company's knowledge, the activity in the industry complies with the said laws and regulations, but is potentially exposed to environmental risks which may cause significant costs due to penalties and other sanctions, cleaning costs and lawsuits of third parties due to damage as a result of violations or liability under environmental laws and regulations.

In addition, activity in the industry requires the obtainment of permits and/or other government approvals, and the development of plans of action in connection with the use of generators or in relation to other actions. These requirements may limit the activity or delay the development of data centers in the future. In addition, from time to time, regulatory changes occur which pertain to protection of the environment and which may create significant costs for purposes of compliance with the legal provisions.

As aforesaid, the data centers industry is characterized by use of very large quantities of power, and the industry's growth presents challenges since the availability of power that is generated from renewable energy is limited. A directive of the European Union instructs that heat generated by data centers should be deemed as a resource, and hence measures should be taken for its reuse. GM has two projects in which it is adopting solutions for reusing heat. To the best knowledge of the Company, Compass and GM are not exposed to legal or administrative proceedings relating to the environment.

10. Business strategy and objectives

The Company aims to become a significant player in the global data center market.

The acquisition of companies in the industry is done as a part of the Company's growth strategy, under which the Company entered the data center industry, and for the expansion of its operations therein.

The Company intends to use the presence of GM in the data center market in Europe, with its experienced management, professional knowledge, and business connections, to gain a foothold and grow in this market, which is characterized by high rates of growth and high yields. Furthermore, in the future the Company intends to work to expand GM's current operations in the European market.

Compass operates a global data centers platform which focuses on the hyperscale market. Compass collaborates closely with leading cloud service providers and SaaS companies in order to support their growth needs worldwide by choosing strategic sites, competitive pricing and some of the leading time-to-market capabilities in the industry.

The Company's plans with respect to GM, Compass, and the data center industry in general, as specified above, constitute forward-looking information, within the meaning thereof in the Securities Law, which is based, inter alia, on the Company's estimates in accordance with information about the businesses of GM, Compass and the data center industry. The aforesaid estimates may not materialize, in whole in in part, or materialize in a materially different manner from what the Company has estimated. The main factors which may have an impact on this are: changes related to the operations of any of the companies in the industry and/or their customers and/or in the industry as a whole and/or the realization of the risk factors specified below.

11. Risk factors

To the best of the Company's knowledge, the following are special risk factors in the data center industry:

Regulation

The data center business is subject to restrictions, legislation, standards and special constraints which are applicable to the industry, such as supervision, and the receipt of business permits and licenses on behalf of various regulatory bodies.

Dependence on human capital

GM employs a few key employees who have an impact on its operations.

Technological changes

In the event that there will be future technological developments in the data center market which can replace those which currently exist (such as the quantum computing technology which is in early development stages and of which commercial use is not yet being made), the attractiveness of the existing Compass and GM data centers may decrease.

AZRIELIGROUP

PART C

Consolidated Financial Statements

Dated 31 March 2021

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of September 30, 2021

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements

As of September 30, 2021

C o n t e n t s

Auditors' review report to the shareholders of

Azrieli Group Ltd.

Introduction

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of September 30, 2021 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the nine-month and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

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, nothing has come to our attention that causes us to believe that the accompanying financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention which causes us to believe that the accompanying financial information does not meet, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

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

Tel Aviv, November 23, 2021

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of Dec. 31
	2 0 2 1	2 0 2 0	2 0 2 0
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current Assets			
Cash and cash equivalents	2,721	2,738	2,646
Short-term investments and deposits	16	69	19
Trade accounts receivable	89	89	78
Other receivables	170	408	380
Inventory	14	9	10
Current tax assets	141	101	140
Total Current Assets	3,151	3,414	3,273
Non-current Assets			
Investment in company accounted for on the equity method	821	702	805
Loans and receivables	377	289	281
Financial assets	1,124	693	866
Investment property and investment property under construction	31,782	29,444	29,266
Fixed assets	534	513	514
Intangible assets and other	1,708	120	119
Total Non-current Assets	36,346	31,761	31,851
Total Assets	39,497	35,175	35,124

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position
(Continued)

	As of September 30		As of Dec. 31
	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Liabilities and Equity			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,589	1,329	1,293
Trade payables	332	361	406
Payables and other current liabilities	215	183	187
Deposits from customers	1,091	1,009	1,011
Current tax liabilities	3	3	3
Total Current liabilities	3,230	2,885	2,900
Non-current liabilities			
Loans from financial corporations	1,344	1,217	1,138
Bonds	12,418	9,396	9,389
Other liabilities	87	65	61
Deferred tax liabilities	3,875	3,490	3,503
Total Non-current liabilities	17,724	14,168	14,091
Equity			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	366	52	95
Retained earnings	15,607	15,500	15,470
Total equity attributable to the shareholders of the Company	18,509	18,088	18,101
Non-controlling interests	34	34	32
Total Equity	18,543	18,122	18,133
Total Liabilities and Equity	39,497	35,175	35,124

November 23, 2021			
Date of approval of the financial statements	**Danna Azrieli** **Chairman of the Board**	**Eyal Henkin** **CEO**	**Irit Sekler-Pilosof** **CFO and Deputy CEO**

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues:					
From rent, management fees, maintenance fees and sales, net	1,583	(*)1,427	591	511	(*) 1,798
Net profit (loss) from fair value adjustment of investment property and investment property under construction	240	(456)	(14)	2	(764)
Share in results of companies accounted for using the equity method, net of tax	3	(26)	9	(1)	98
Financing	20	15	12	(3)	18
Other	25	9	21	-	9
Total revenues	1,871	969	619	509	1,159
Costs and Expenses:					
Cost of revenues from rent, management fees, maintenance fees and sales	480	469	171	169	628
Sales and marketing	58	54	26	21	74
G&A	69	65	25	20	91
Financing	385	73	155	41	121
Other	38	9	31	-	9
Total Costs and Expenses	1,030	670	408	251	923
Income before income taxes	841	299	211	258	236
Taxes on income	(161)	(77)	(24)	(62)	(40)
Income from continuing operations for the period	680	222	187	196	196
Loss from discontinued operations (after tax)	-	(9)	-	(3)	(12)
Net profit for the period	680	213	187	193	184

(*) In 2020 and in the nine-month period ended September 30, 2020, revenues from rent, management fees, maintenance fees and sales amounted to NIS 1,861 million, and NIS 1,490 million, respectively. For the period from April 1, 2020 to May 4, 2020, the Company granted rent relief to tenants in the retail centers and malls in Israel in the sum of NIS 63 million, which were treated as write-off of an operating lease receivables asset due to Covid-19 related concessions. In view of the aforesaid, net revenues from rent, management fees, maintenance fees and sales amounted to NIS 1,798 million and NIS 1,427 million, respectively. For further details on the impact of the Covid-19 crisis, see Note 3B.

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Continued)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Other Comprehensive Income (Loss):					
Amounts that will not be carried in the future to the income statement, net of tax:					
Change in the fair value of financial assets, net of tax	299	(354)	90	(78)	(220)
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Share in other comprehensive income (loss) of an investment accounted for using the equity method	1	(12)	(7)	4	18
Translation differences from foreign operations	27	(4)	3	(11)	(129)
Cash flow hedge for a projected business combination transaction	(69)	-	(69)	-	-
Cash flow hedge for a projected business combination transaction	69	-	69	-	-
Total	28	(16)	(4)	(7)	(111)
Total other comprehensive income (loss) for the period, net of tax	327	(370)	86	(85)	(331)
Total comprehensive income (loss) for the period	1,007	(157)	273	108	(147)

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Continued)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Net profit (loss) for the period attributable to:					
Shareholders of the Company	679	219	187	192	189
Non-controlling interests	1	(6)	-	1	(5)
	680	213	187	193	184
Total comprehensive income (loss) for the period attributable to:					
Shareholders of the Company	1,005	(151)	273	107	(139)
Non-controlling interests	2	(6)	-	1	(8)
	1,007	(157)	273	108	(147)
	NIS	NIS	NIS	NIS	NIS
Basic and diluted earnings (loss) (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:					
Continuing operations	5.6	1.88	1.54	1.61	1.66
Discontinued operations	-	(0.07)	-	(0.02)	(0.10)
	5.6	1.81	1.54	1.59	1.56
Weighted average of the number of shares used for calculating the basic and diluted earnings per share	121,272,760	121,272,760	121,272,760	121,272,760	121,272,760

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.
Condensed Consolidated Statements of Changes in Capital

	For the nine-month period ended September 30, 2021 (Unaudited)								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2021	18	2,518	304	(209)	-	15,470	18,101	32	18,133
Net profit for the period	-	-	-	-	-	679	679	1	680
Change in the fair value of financial assets, net of tax	-	-	299	-	-	-	299	-	299
Share in comprehensive income of an investment accounted for using the equity method	-	-	-	1	-	-	1	-	1
Translation differences from foreign operations	-	-	-	26	-	-	26	1	27
Total comprehensive income for the period	-	-	299	27	-	679	1,005	2	1,007
Declared dividend to shareholders of the Company	-	-	-	-	-	(600)	(600)	-	(600)
Funds from investee companies	-	-	-	-	3	-	3	-	3
Total transactions with shareholders of the Company	-	-	-	-	3	(600)	(597)	-	(597)
Carried to retained earnings as a result of disposition of financial assets	-	-	(58)	-	-	58	-	-	-
Balance as of September 30, 2021	18	2,518	545	(182)	3	15,607	18,509	34	18,543

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the nine-month period ended September 30, 2020 (Unaudited)								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2020	18	2,518	531	(99)	(8)	15,574	18,534	40	18,574
Net profit (loss) for the period	-	-	-	-	-	219	219	(6)	213
Change in the fair value of financial assets, net of tax	-	-	(354)	-	-	-	(354)	-	(354)
Share in comprehensive loss of an investment accounted for using the equity method	-	-	-	(8)	(4)	-	(12)	-	(12)
Translation differences from foreign operations	-	-	-	(4)	-	-	(4)	-	(4)
Total comprehensive income (loss) for the period	-	-	(354)	(12)	(4)	219	(151)	(6)	(157)
Dividend to shareholders of the Company	-	-	-	-	-	(300)	(300)	-	(300)
Funds from investee companies	-	-	-	-	5	-	5	-	5
Total transactions with shareholders of the Company	-	-	-	-	5	(300)	(295)	-	(295)
Carried to retained earnings as a result of disposition of financial assets	-	-	(7)	-	-	7	-	-	-
Balance as of September 30, 2020	18	2,518	170	(111)	(7)	15,500	18,088	34	18,122

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the three-month period ended September 30, 2021 (Unaudited)								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of July 1, 2021	18	2,518	486	(178)	2	15,389	18,235	34	18,269
Net profit for the period	-	-	-	-	-	187	187	-	187
Change in the fair value of financial assets, net of tax	-	-	90	-	-	-	90	-	90
Share in comprehensive loss of an investment accounted for using the equity method	-	-	-	(7)	-	-	(7)	-	(7)
Translation differences from foreign operations	-	-	-	3	-	-	3	-	3
Total comprehensive income (loss) for the period	-	-	90	(4)	-	187	273	-	273
Funds from investee companies	-	-	-	-	1	-	1	-	1
Total transactions with shareholders of the Company	-	-	-	-	1	-	1	-	1
Carried to retained earnings as a result of disposition of financial assets	-	-	(31)	-	-	31	-	-	-
Balance as of September 30, 2021	18	2,518	545	(182)	3	15,607	18,509	34	18,543

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the three-month period ended September 30, 2020 (Unaudited)								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of July 1, 2020	18	2,518	248	(104)	(9)	15,308	17,979	33	18,012
Net profit for the period	-	-	-	-	-	192	192	1	193
Change in the fair value of financial assets, net of tax	-	-	(78)	-	-	-	(78)	-	(78)
Share in comprehensive income of an investment accounted for using the equity method	-	-	-	4	-	-	4	-	4
Translation differences from foreign operations	-	-	-	(11)	-	-	(11)	-	(11)
Total comprehensive income (loss) for the period	-	-	(78)	(7)	-	192	107	1	108
Funds from investee companies	-	-	-	-	2	-	2	-	2
Total transactions with shareholders of the Company	-	-	-	-	2	-	2	-	2
Balance as of September 30, 2020	18	2,518	170	(111)	(7)	15,500	18,088	34	18,122

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital
(Continued)

	For the year ended December 31, 2020								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2020	18	2,518	531	(99)	(8)	15,574	18,534	40	18,574
Net profit (loss) for the year	-	-	-	-	-	189	189	(5)	184
Change in the fair value of financial assets, net of tax	-	-	(220)	-	-	-	(220)	-	(220)
Share in other comprehensive income of an investment accounted for using the equity method	-	-	-	16	2	-	18	-	18
Translation differences from foreign operations	-	-	-	(126)	-	-	(126)	(3)	(129)
Total comprehensive income (loss) for the year	-	-	(220)	(110)	2	189	(139)	(8)	(147)
Dividend to shareholders of the Company	-	-	-	-	-	(300)	(300)	-	(300)
Funds from investee companies	-	-	-	-	6	-	6	-	6
Total transactions with shareholders of the Company	-	-	-	-	6	(300)	(294)	-	(294)
Carried to retained earnings as a result of disposition of financial assets	-	-	(7)	-	-	7	-	-	-
Balance as of December 31, 2020	18	2,518	304	(209)	-	15,470	18,101	32	18,133

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash Flows – Operating Activities					
Net profit for the period	680	213	187	193	184
Depreciation and amortization	16	22	4	7	28
Impairment of fixed assets	-	7	-	-	6
Forfeiture of senior housing residents' deposits	(29)	(23)	(10)	(7)	(31)
Net loss (profit) from fair value adjustment of investment property and investment property under construction	(240)	456	14	(2)	764
Net financing and other expenses	353	52	127	48	102
Share in losses (profits) of associates accounted for using the equity method	(3)	26	(9)	1	(99)
Taxes recognized in the income statement	161	76	24	61	37
Income taxes paid, net	(52)	(93)	(40)	(33)	(121)
Erosion of financial assets designated at fair value through profit and loss	-	-	-	-	1
Change in inventory	-	1	1	(1)	-
Change in trade and other receivables	(42)	(45)	(35)	(26)	(36)
Change in trade and other payables	(24)	(54)	13	21	5
Receipt of deposits from senior housing residents	137	133	54	51	158
Return of deposits from senior housing residents	(46)	(45)	(11)	(19)	(57)
Change in employee provisions and benefits	1	-	-	-	-
Net cash – Operating Activities	912	726	319	294	941
Cash flows - Investment Activities					
Proceeds from disposition of fixed assets	1	1	1	-	1
Proceeds from disposition of investment properties	59	-	-	-	-
Purchase of and investment in investment properties and investment properties under construction	(705)	(689)	(178)	(225)	(942)
Purchase of and investment in fixed and intangible assets	(24)	(284)	(9)	(7)	(292)
Downpayments paid on account of investment property	(131)	-	(131)	-	-
Investment in and granting of loans to companies accounted for using the equity method	(2)	(231)	-	(129)	(231)
Change in short-term deposits	2	(50)	2	(50)	-
Receipt of indemnification from insurance	-	13	-	-	13
Collection of long-term loans	1	-	1	-	-
Provision of long-term loans	(45)	(9)	-	(4)	(10)
Interest and dividend received	25	17	19	2	20
Net proceeds from disposition of financial assets	349	84	64	-	84
Proceeds from disposition of investments in investee companies, net (Annex A)	36	162	-	112	178
Acquisition of a company consolidated for the first time (Annex B)	(2,380)	-	(2,380)	-	-
Taxes paid in respect of financial assets	(7)	(2)	(7)	(2)	(2)
Proceeds to institutions for purchase of real estate, net	-	9	-	38	9
Net cash – investment activities	(2,821)	(979)	(2,618)	(265)	(1,172)

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.
Condensed Consolidated Statements of Cash Flows
(Continued)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – Financing activities					
Dividend distribution to shareholders	(600)	(300)	(150)	-	(300)
Repayment of bonds	(522)	(520)	(187)	(184)	(520)
Issuance of bonds net of issue expenses	3,613	1,672	3,613	-	1,672
Receipt of long-term loans from financial corporations	290	-	-	-	-
Repayment of long-term loans from financial corporations	(646)	(190)	(72)	(78)	(220)
Short-term credit from financial corporations, net	-	(350)	-	1	(350)
Repayment of other long-term liabilities	(2)	(4)	-	(1)	(5)
Repayment of deposits from customers	(4)	(4)	(1)	(1)	(7)
Received deposits from customers	5	4	1	-	5
Interest paid	(149)	(155)	(39)	(46)	(227)
Net cash – financing activities	1,985	153	3,165	(309)	48
Increase (decrease) in cash and cash equivalents	76	(100)	866	(280)	(183)
Cash and cash equivalents at beginning of period	2,646	2,842	1,858	3,020	2,842
Change in net cash classified for a disposal group held for sale	-	(2)	-	-	(2)
Effect of exchange rate changes on cash balances held in foreign currency	(1)	(2)	(3)	(2)	(11)
Cash and cash equivalents at end of period	2,721	2,738	2,721	2,738	2,646

(*) None-cash transactions for 2020 and in the nine-month and three-month periods ended September 30, 2020, included an increase in other payables in respect of acquisitions on credit of non-current assets in the sum of NIS 60 million, in the sum of NIS 48 million and in the sum of NIS 64 million, respectively.

In the nine-month period ended September 30, 2021, non-cash transactions included a change in receivables in respect of the sale of investment properties in the sum of NIS 32 million.

(**) With respect to cash flows from discontinued operations, see Note 4.

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Annex A –					
Proceeds from disposition of an investment in investee company:					
Working capital (excluding cash and cash equivalents)	-	103	-	-	103
Receivables in respect of sale of the investment	36	59	-	112	75
	36	162	-	112	178
Annex B –					
Acquisition of company consolidated for the first time (See Note 3J):					
Working capital (excluding cash and cash equivalents)	582	-	582	-	-
Fixed and intangible assets	(1,580)	-	(1,580)	-	-
Investment property	(1,576)	-	(1,576)	-	-
Long-term liabilities including current maturities	194	-	194	-	-
	(2,380)	-	(2,380)	-	-

The notes attached to the Condensed Consolidated Financial Statements form an integral part hereof.

Note 1 – General

A. Azrieli Group Ltd. (the "**Company**") is a company domiciled and incorporated in Israel and whose registered address is 1 Azrieli Center, Tel Aviv. The Company is listed on TASE and is included, *inter alia*, in the "Tel Aviv 35" Index and in the "Tel Aviv Real Estate" Index. The Company has series of bonds that have been issued to the public (Series B, D-F, and during the report period, Series G and H were issued. For further details, see Note 3I). The Group's Consolidated Financial Statements as of September 30, 2021 include those of the Company and of its subsidiaries (jointly, the "**Group**"), as well as the Group's rights in associates and in jointly-controlled entities.

As of the report release date, Azrieli Holdings Inc., the controlling shareholder of the Company ("**Azrieli Holdings**"), directly and/or indirectly holds (through its holding of the entire share capital of Nadav Investments Inc. ("**Nadav Investments**") (both private companies registered in Canada), approx. 55.62% of the Company's share capital and approx. 61.31% of the Company's voting rights.

As the Company has been informed, on April 13, 2015, shares of Mr. David Azrieli OBM in Azrieli Holdings and in a Canadian holding corporation controlled by him ("**David Holding Corporation**") were distributed from his estate. Following such distribution, each one of Sharon Azrieli, Naomi Azrieli and Danna Azrieli, holds, directly and through David Holding Corporation, approx. 27.24% of the capital rights in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and they jointly hold approx. 81.73% of the capital rights in Azrieli Holdings and approx. 99.39% of the voting rights therein. The remainder of Azrieli Holdings' shares are mainly held by the Azrieli Foundation of Canada (an interested party of the Company), which following the distribution of the estate holds (indirectly, through a holding of shares of David Holding Corporation) approx. 15.93% of Azrieli Holdings' shares, with no voting rights (which constitutes, indirectly, a holding of approx. 8.86% of the capital rights of the Company), in addition to and separately from its direct holding of approx. 8.55% of the capital and voting rights in the Company.

As of the report date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the Company's controlling shareholders.

B. These Condensed Consolidated Statements should be reviewed in the context of the Group's annual financial statements as of December 31, 2020, and for the year then ended, and the notes attached thereto.

Note 2 – Significant Accounting Policies

A. The basis for the preparation of the Financial Statements:

The Group's condensed consolidated financial statements ("**Interim Financial Statements**") were prepared in accordance with IAS 34 – Interim Financial Reporting ("**IAS 34**").

In the preparation of these Interim Financial Statements the Group has applied the accounting policy, rules of presentation and methods of calculation identical to those used in the preparation of its financial statements as of December 31, 2020 and for the year then ended.

The condensed consolidated financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

B. Use of estimates and discretion:

(1) In the preparation of the condensed financial statements in accordance with IFRS, the Group's managements are required to use discretion, evaluations, estimates and assumptions which affect the application of the policy and the amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results may differ from such estimates.

The evaluations and discretion used by management to apply the accounting policy and prepare the Consolidated Interim Financial Statements were identical to those used in the preparation of the Financial Statements as of December 31, 2020.

(2) Further to Note 3B to the annual financial statements, as of June 30, 2021, the Group has updated the valuations for some of its investment properties in Israel (which are attributed to the retail centers and malls segment and to the leasable office and other space segment).

The valuations were conducted by an independent outside appraiser with the appropriate professional qualifications.

The valuations for the investment properties and for properties under construction were mainly prepared using the method of discounting the cash flows expected to be generated by the properties. For details with respect to the cap rates and the sensitivity to changes in the interest rates of the investment property cap rates, see Section 5D.

With respect to the other properties, in the Company's estimation, no significant changes have occurred in the value of the real estate as compared with the last date on which a valuation was prepared.

Note 2 – Significant Accounting Policies (Cont.)

C. Rates of exchange and linkage basis:

(1) Balances that are stated in foreign currency or linked thereto are recorded in the Financial Statements according to the representative exchange rates published by the Bank of Israel and which were effective as of the end of the report period.

(2) Balances that are linked to the Consumer Price Index (CPI) are presented according to the last known CPI at the end of the report period (the CPI for the month preceding the month of the date of the financial statement) or according to the CPI for the last month of the report period (the CPI of the month of the financial statement), according to the terms and conditions of the transaction.

(3) The following is data on the significant exchange rates and the CPI:

	Representative Exchange Rate of the $	**CPI in Israel**	
		"For"	**"Known"**
	(NIS to $1)	**Base 1993**	**Base 1993**
As of the date of the financial statements:			
September 30, 2021	3.229	228.70	228.26
September 30, 2020	3.441	223.11	223.34
December 31, 2020	3.215	223.11	223.34
	%	%	%
Rates of change:			
For the nine-month period ended:			
September 30, 2021	0.44	2.50	2.20
September 30, 2020	(0.43)	(0.70)	(0.60)
For the three-month period ended:			
September 30, 2021	(0.95)	0.90	0.80
September 30, 2020	(0.72)	0.10	0.10
For the year ended:			
December 31, 2020	(6.97)	(0.70)	(0.60)

Note 3 – Material Events during the Report Period

A. On March 24, 2021, the Company's board of directors decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 450 million (reflecting an amount of NIS 3.71 per share), which was paid on May 12, 2021.

On May 25, 2021, the Company's board of directors decided to approve an additional dividend distribution in the amount of NIS 150 million (reflecting an amount of NIS 1.24 per share), which was paid on July 6, 2021.

B. The beginning of 2020 saw the outbreak of the coronavirus (Covid-19) in China, which spread throughout the world. On March 11, 2020, the WHO declared a global pandemic and measures were taken to slow the spread of the virus. The pandemic has affected various business sectors in many countries.

For details about the effects of the Covid-19 crisis, see Note 1B to the annual financial statements.

From March 2021 and during Q2/2021, in view of the extensive campaign for vaccination against Covid-19, resumption of normal operations was evident in the Israeli economy. However, in the period between commencement of Q3/2021 and the end of Q3/2021, there has been a renewed rise in morbidity in Israel and worldwide due to the spread of the Delta variant, and due to the attenuation of the effect of the vaccine over time. As a result, a decision was made to offer a third Covid vaccine to people aged 12 and over, such that as of the report date, morbidity is low. However, it is difficult to assess the risk reflected by the continuing and spread of the pandemic.

In view of the low and stable morbidity figures in the period following the third lockdown, the Green Pass requirement and the Purple Badge restrictions were revoked from June 1, 2021. However, on June 25, 2021, and in view of the renewed increase in morbidity, the Ministry of Health announced a requirement for mask-wearing at any indoor venue and, in view of a further increase in morbidity, as of July 29, 2021, the Green Pass regulations were reinstated, additional restrictions imposed to confront the pandemic and it was decided to vaccinate the general population with a third vaccine dose. From August 18, 2021, the "Green Pass" regulations and the "Purple Badge" regulations have been updated, and various gathering restrictions have been updated, in an effort to stop the spread of the pandemic while maintaining a routine life. Further to the aforesaid, and in view of the decrease in morbidity, a series of relaxations took effect on November 12, 2021, regarding, *inter alia*, the possibility of unlimited outdoor gatherings and relaxation of the duty to present a Green Pass in some indoor venues. Furthermore, the requirement for mask-wearing outdoors with over 100 people, has been cancelled.

Note 3 – Material Events during the Report Period (Cont.)

C. On February 23, 2021, an indirectly wholly-owned subsidiary of the Company (in this section: the “**Seller**”) entered into two sale agreements with an unaffiliated third party (in this section: the “**Buyer**”) for the sale of all of the Seller’s rights and undertakings in the mall and office building known as “Azrieli Kiryat Ata” to the Buyer, for total consideration of NIS 90 million, plus lawful VAT. On June 30, 2021, after the Buyer paid the Seller the full consideration according to the agreements, the transactions were closed and possession of the properties was handed over to the Buyer. Part of the consideration being paid through provision of a loan secured by a first-ranking mortgage on the mall from the Seller to the Buyer for 36 months.

D. On February 25, 2021, the Company entered into agreements with Bezeq The Israel Telecommunication Corp., Ltd. (in this section: the “**Seller**”) for the purchase of all of the rights in land located at the intersection of Mikveh Israel St., Levontin St. and HaRakevet St. in Tel Aviv (in this section: the “**Transaction**”).

In the Transaction, the Company is purchasing all of the Seller’s rights in the land, with a total area of around 2,400 sqm, on which a 5-story building is built, with a total built-up area of approx. 9,500 sqm. The building is mostly leased to a hotel which, according to the current lease conditions, upon the fulfillment of certain conditions, may be terminated in 2030. Part of the building is currently used and will continue to be leased to other companies for terms ending before the said date.

In consideration for the property, the Company has paid the Seller the sum total of NIS 180 million, plus VAT. On the date of signing of the agreements, the Company paid the consideration from its own resources and at the beginning of March 2021, possession of the property was handed over. In addition, the Company has paid purchase tax in the sum of approx. NIS 10.8 million.

E. Further to Note 29A3 to the annual financial statements in connection with a claim in tort in the sum of approx. NIS 256 million filed against Canit Hashalom, Ms. Danna Azrieli and former employees, on April 7, 2021 the claim was closed without costs.

F. On May 10, 2021 the Company engaged in an agreement for the acquisition of control (directly and indirectly) of a company which is not affiliated with the Company (the “**Acquired Company**” and the “**Acquisition Agreement**”), which is entitled to receive from the Israel Land Authority (“**ILA**”) leasehold rights in two lots, the total area of which is approx. 26,000 sqm, which are situated in the North Glilot complex, including all building rights related to the lots (in this section, the “**Lands**”). The Company further engaged in a lease agreement for the construction and lease of a campus for SolarEdge Technologies Ltd. on part of the Lands (the “**Lease Agreement**”, the “**Lessee**” and the “**Transactions**”, respectively).

The Acquisition Agreement is contingent on the allocation of the Lands to the Acquired Company by the ILA and the receipt of further approvals.

Note 3 – Material Events during the Report Period (Cont.)

F. (Cont.)

As of the report date, the Company intends to pay for the acquisition using its own sources and/or banking or institutional financing.

The Acquisition Agreement includes representations and indemnities the responsibility and liability in respect of which is limited to the amount of the consideration, which shall be paid to each one of the sellers of the holdings in the Acquired Company.

Subject to the allocation of the rights in the Lands to the Acquired Company within the period of time set forth in the Lease Agreement, the Company shall design and build, in cooperation with the Lessee, a campus for the Lessee, to be built on one of the Lots on an area of approx. 16.5 dunam (16,500 sqm), which will include 38,000 sqm above ground and 950 parking spaces.

Insofar as the allocation of rights as aforesaid does not take place within the period set forth in the agreement, each party shall have the right to give notice of termination of the Lease Agreement.

An area of approx. 9 dunam (9,000 sqm) will remain in the Lands, which in the Company's assessment may be used to build additional retail and commercial space of similar sizes, subject to promotion and approval of a zoning plan for the addition of rights in part of the said area.

G. On April 7, 2021, a subsidiary received a Transaction-VAT assessment of approx. NIS 37 million, for capital notes granted by the Company to the subsidiary between the years 2016 and 2020. The VAT authorities are claiming that the capital notes constitute income and are therefore liable for Transaction-VAT by the subsidiary. The subsidiary contests the assessment and is in the process of an administrative objection vis-à-vis VAT for the cancellation thereof.

As of the report date, no provision has been recorded on the books of the subsidiary for the said assessment.

Note 3 – Material Events during the Report Period (Cont.)

H. Further to Note 33D(3) to the annual financial statements, during the report period, the Company's compensation committee and board of directors approved an engagement for the purchase of a liability insurance policy for directors and officers of the Company and subsidiaries of the Company from July 1, 2021 to June 30, 2022, with a liability cap of U.S. $100 million per occurrence and in the aggregate, and for an annual premium of U.S. $617,000, while determining that the engagement is carried out at arm's length and is not material to the company. This is in keeping with the position of the ISA, whereby given the Covid-19 crisis and its effects on the insurance market, a company's engagement with an insurer may be carried out on terms and conditions that differ from those specified in such company's compensation policy as concerns the premium component, provided that it is carried out at arm's length, is not material to the company, and may not materially affect the Company's profitability, assets or liabilities. The Company's compensation committee and board approved the engagement, until the date of the coming general meeting to be convened by the Company.

I. Issue of bonds:

In July 2021, the Company made a public issue of registered Series G Bonds of approx. NIS 1,904 million par value, based on the Company's shelf prospectus. The bonds are linked (principal and interest) to the CPI and bear fixed interest at the rate of 0.90% per year.

Series G Bonds will be payable (principal) in 13 annual payments, which payments shall be consecutive but not equal and paid on July 2 of each of the years 2024 through 2036 as follows:

Payments 1-5 shall be paid on July 2 of each of the years 2024 through 2028 and shall each amount to 2% of the nominal value of the principal. Payments 6-10 shall be paid on July 2 of each of the years 2029 through 2033 and shall each amount to 13% of the nominal value of the principal. Payments 11 and 12 shall be paid on July 2 in each of the years 2034 and 2035 and shall each amount to 10% of the nominal value of the principal. Payment 13 (the final payment) shall be paid on July 2, 2036 and amount to 5% of the nominal value of the principal.

Interest is payable in semiannual installments on January 2 and July 2 of each of the years 2022 through 2036, beginning on January 2, 2022 and ending with the last payment on July 2, 2036. The bonds were issued without discount.

The proceeds of the issue of Series G Bonds totaled approx. NIS 1,904 million, and after deduction of the issue expenses, net proceeds totaled approx. NIS 1,883 million. The effective interest rate for Series G Bonds is 1.01% per year.

Note 3 – Material Events during the Report Period (Cont.)

I. (Cont.)

In July 2021, the Company made a public issue of registered Series H Bonds of approx. NIS 1,751 million par value, based on the Company's shelf prospectus. The bonds are linked (principal and interest) to the CPI and bear fixed interest at the rate of 1.69% per year.

Series H Bonds will be payable (principal) in 10 consecutive and equal annual payments on January 2 of each of the years 2032 through 2041 (each payment shall amount to 10% of the nominal value of the principal beginning on January 2, 2032).

Interest is payable in semiannual installments on January 2 and July 2 of each of the years 2022 through 2041, beginning on January 2, 2022 and ending with the last payment on January 2, 2041. The bonds were issued without discount.

The proceeds of the issue of Series H Bonds totaled approx. NIS 1,751 million, and after deduction of the issue expenses, net proceeds totaled approx. NIS 1,730 million. The effective interest rate for Series H Bonds is 1.79% per year.

On July 18, 2021, S&P Ma'alot approved a rating (ilAA+) for the issue of the new Series G Bonds and Series H Bonds (jointly: the "**Bonds**").

The Bonds are not secured by any collateral and shall be of equal rank in relation to the amounts due in respect thereof, *pari passu*, *inter se*, having no preference or priority over one another.

When issuing the Series G Bonds and Series H Bonds, the Company undertook financial covenants similar to the financial covenants undertaken thereby with respect to the Series E Bonds and Series F Bonds (for a description of the terms and conditions, see Note 17B(4) to the annual financial statements).

It is further provided that if the rating of the Company's Series G Bonds and Series H Bonds falls below S&P Ma'alot's (AA) rating or a corresponding rating determined by another agency that shall rank the Bonds, the annual interest rate borne by the balance of the outstanding principal of the Bonds shall increase. In such a case, the interest rate to be added to the annual interest on the Bonds shall be 0.5% up to 1% according to the rating of the Bonds.

Furthermore, the Series G Bonds and Series H Bonds shall be accelerated upon the fulfillment of certain conditions which are materially similar to the conditions specified in relation to Series B Bonds and Series D-F Bonds (for a description of the conditions, see Note 17 to the annual financial statements).

Note 3 – Material Events during the Report Period (Cont.)

J. On July 16, 2021, the Company, through a special-purpose wholly-owned subsidiary incorporated under Norwegian law (in this section: the "**Subsidiary**" and the "**Buyer**"), entered into an agreement for acquisition of 100% of the issued and paid-up share capital of Green Mountain AS, a private company incorporated under Norwegian law (in this section: "**GM**", the "**Agreement**" and the "**Transaction**", as applicable), which is engaged in the data center industry (in this section: "**DC**") and, as of the report release date, operates three server farms in Norway, in consideration for 6,500 million Norwegian Krone (NOK) (in this section: the "**Consideration**") and in Israeli currency, approx. NIS 2,427 million.

The parties to the Agreement are the Company, the Subsidiary and all of GM's shareholders (in this section, all of them collectively: the "**Parties**"; all of GM's shareholders: the "**Sellers**").

On August 24, 2021, upon the closing of the Transaction, the DC field turned into a business segment and the financial outcome of GM was consolidated for the first time in the Company's financial statements as of September 30, 2021.

On the acquisition date, the Company performed a purchase price allocation (PPA), and the excess acquisition cost over and above the identified assets in the sum of NIS 1,590 million, was recognized in the financial statements as goodwill, which is attributed to GM's future growth potential.

After the signing of the acquisition agreement, the Company engaged with a financial corporation in a forward contract in respect of foreign currency, for the purpose of hedging the projected cash flow in the transaction. Such contract is included as part of the acquisition cost.

The costs related to the acquisition for legal advice and professional services were included in the statement of profit or loss for the period ended September 30, 2021 in the 'other expenses' item in the sum of approx. NIS 30 million. GM's results, had they been consolidated from the beginning of the year, would not have been material to the Company's results.

The Consideration was self-funded by the Company, including by means of some of the proceeds from the debt offering the Company has made (for details, see Note 3I). In accordance with the conditions of the existing loan in the acquired company, the loan was classified for short-term. the Company intends to act to obtain a specific loan, through the Subsidiary or GM, from a financial entity, in connection with the Transaction, the terms and conditions of which loan, at this time, have yet to be concluded.

Note 4 – Discontinued Operations

A. Set forth below are the results attributed to the disposition of discontinued operations of Granite and discontinued operations of GES:

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended December 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Results of discontinued operations:					
Revenues	-	38	-	-	38
Expenses	-	43	-	-	43
Loss before income taxes	-	(5)	-	-	(5)
Income taxes	-	-	-	-	-
Loss after income taxes	-	(5)	-	-	(5)
Other costs	-	(4)	-	(3)	(2)
Loss from the sale of discontinued operations, net of tax	-	-	-	-	(5)
Loss for the period	-	(9)	-	(3)	(12)
Cash flows from discontinued operations:					
Net cash derived from operating activities	-	4	-	-	4
Net cash derived from investment activities	36	162	-	112	178
Net cash used for financing activities	-	(2)	-	-	(2)
Net cash flows from discontinued operations:	36	164	-	112	180

Note 4 – Discontinued Operations (Cont.)

B. On December 29, 2020, Granite Hacarmel Investments Ltd. (a wholly-owned subsidiary until its sale in 2019, "**Granite**"), was issued with tax assessments to the best of judgment in respect of the 2016, 2017 and 2018 tax years. The amount of the tax according to the assessment is approx. NIS 17 million (an amount for which the Group had given indemnification in the context of the sale). The amount of the tax according to the assessment predominantly arises from the reclassification and/or a different classification by the Tax Assessor of the transaction for the sale of the shares of Sonol by Granite in 2016. Granite rejected the tax authorities' demand and filed an administrative objection to these tax assessments on January 27, 2021.

In the estimation of Granite's consultants, it is more likely than not that Granite's position in the administrative objection will be accepted by the tax authorities and/or by a judicial instance, in the event that the case is heard thereby.

Note 5 – Fair Value of financial instruments

A. Fair value vs. book value:

Other than as specified in the following table, the Group believes that the book value of the financial assets and liabilities that are presented in depreciated cost in the financial statements is almost identical to their fair value.

	As of September 30, 2021		As of September 30, 2020		As of Dec. 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS in millions (unaudited)		NIS in millions (unaudited)		NIS in millions	
Non-current liabilities:						
Loans from financial corporations (1)	2,047	2,096	1,928	2,019	1,812	1,912
Bonds (1)(2)	13,282	14,353	9,985	10,197	9,962	10,540
	15,329	16,449	11,913	12,216	11,774	12,452

(1) Book value includes current maturities and accrued interest.
(2) The calculation of the fair value of the bonds is according to fair value level 1.

Note 5 – Fair Value of financial instruments (Cont.)

B. Interest rates used in the determination of the fair value:

The interest rates used in the discounting of the expected cash flows, where relevant, are based on the government yield curve for each individual type of loan, as of the report date, plus an appropriate fixed credit margin, and were as follows:

	As of September 30		As of December 31
	2021	2020	2020
	%	%	%
Non-current liabilities:			
Loans from financial corporations	(0.93)-4.34	1.09-3.12	0.44-2.91

C. Fair value hierarchy:

Set forth below is an analysis of the financial instruments measured at fair value using valuation techniques.

Level 1 – Quoted (unadjusted) prices in active markets for identical instruments.

	As of September 30		As of Dec. 31
	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Financial assets at fair value through other comprehensive income:			
Marketable shares – Level 1	1,120	688	862

Note 5 – Fair Value of financial instruments (Cont.)

D. Sensitivity to changes in the interest rates of the investment properties cap rates:

	Loss from changes in the market factor			Fair value of property	Profit from changes in the market factor			Valuation method
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	
Rate of change	**Absolute increase of 2%**	**Increase of 10%**	**Increase of 5%**		**Decrease of 5%**	**Decrease of 10%**	**Absolute decrease of 2%**	
Weighted cap rate:								
6.0% - 6.25%	(132)	(48)	(25)	527	28	59	262	DCF method
6.26% - 6.99%	(4,220)	(1,661)	(874)	17,783	948	2,010	7,832	DCF method
7.0% - 7.59%	(1,160)	(474)	(248)	5,132	274	579	2,080	DCF method
7.6% - 8.24%	(275)	(125)	(65)	1,110	72	152	460	DCF method
8.25% - 9.00%	(222)	(104)	(54)	2,514	59	125	352	DCF method
Investment properties and investment properties under construction	(6,009)	(2,412)	(1,266)	27,066	1,381	2,925	10,986	

Note 6 – Segment Reporting

A. General:

For a description of the Company's operating segments, see Note 34 to the annual financial statements. Further to the aforesaid, during the report period, the Company acquired GM (for further details – see Note 3J), as a result, the field of data centers has begun to be quantitatively substantial and is therefore presented as a separate segment.

B. Operating segments:

	For the nine-month period ended September 30, 2021 (unaudited)							
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing properties in the U.S.	Senior housing	Data Centers	Other	Adjustments	Consolidated
	NIS in millions							
Revenues:								
Total external income	615	612	175	141	34	40	(34)	1,583
Total segment expenses	146	96	83	106	11	72	(11)	503
Segment profit (loss) (NOI)	469	516	92	35	23	(32)	(23)	1,080
Net profit (loss) from fair value adjustment of investment property and investment property under construction	89	148	3	-	22	-	(22)	240
Unallocated costs								(104)
Financing expenses, net								(365)
Other expenses, net								(13)
The Company's share in the results of companies accounted for using the equity method, net of tax								3
Income before income taxes								841
Additional information:								
Segment assets	12,559	13,243	2,153	2,619	4,570	299	(568)	34,875
Unallocated assets (*)								4,622
Total consolidated assets								39,497

(*) Mainly financial assets in the sum of approx. NIS 1.1 billion and cash and short-term deposits in the sum of approx. NIS 2.7 billion.

Note 6 – Segment Reporting (Cont.)
B. Operating segments: (Cont.)

	For the nine-month period ended September 30, 2020 (unaudited)							
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing properties in the U.S.**	**Senior housing**	**Data Centers**	**Other**	**Adjustments**	**Consolidated**
					NIS in millions			
Revenues:								
Total external income	531	535	191	120	24	50	(24)	1,427
Total segment expenses	140	79	91	95	5	89	(5)	494
Segment profit (loss) (NOI)	391	456	100	25	19	(39)	(19)	933
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(304)	(12)	(152)	12	(9)	-	9	(456)
Unallocated costs								(94)
Financing expenses, net								(58)
The Company's share in the results of companies accounted for using the equity method, net of tax								(26)
Income before income taxes								299
Additional information:								
Segment assets	12,850	12,189	2,288	2,474	897	290	(196)	30,792
Unallocated assets (*)								4,383
Total consolidated assets								35,175

(*) Mainly financial assets in the sum of approx. NIS 0.7 billion and cash and short-term deposits in the sum of approx. NIS 2.8 billion.

Note 6 – Segment Reporting (Cont.)
B. Operating segments: (Cont.)

	For the three-month period ended September 30, 2021 (unaudited)							
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing properties in the U.S.	Senior housing	Data Centers	Other	Adjustments	Consolidated
	NIS in millions							
Revenues:								
Total external income	251	218	59	49	12	14	(12)	591
Total segment expenses	56	36	27	37	5	24	(5)	180
Segment profit (loss) (NOI)	195	182	32	12	7	(10)	(7)	411
Net profit (loss) from fair value adjustment of investment property and investment property under construction	1	(15)	-	-	22	-	(22)	(14)
Unallocated costs								(42)
Financing expenses, net								(143)
Other expenses, net								(10)
The Company's share in the results of companies accounted for using the equity method, net of tax								9
Income before income taxes								211

Note 6 – Segment Reporting (Cont.)
B. Operating segments: (Cont.)

	For the three-month period ended September 30, 2020 (unaudited)							
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing properties in the U.S.	Senior housing	Data Centers	Other	Adjustments	Consolidated
	NIS in millions							
Revenues:								
Total external income	209	181	63	40	8	18	(8)	511
Total segment expenses	53	30	30	34	2	32	(2)	179
Segment profit (loss) (NOI)	156	151	33	6	6	(14)	(6)	332
Net profit (loss) from fair value adjustment of investment property and investment property under construction	1	(3)	4	-	(1)	-	1	2
Unallocated costs								(31)
Financing expenses, net								(44)
The Company's share in the results of companies accounted for using the equity method, net of tax								(1)
Income before income taxes								258

Note 6 – Segment Reporting (Cont.)
B. Operating segments: (Cont.)

	For the year ended December 31, 2020							
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing properties in the U.S.**	**Senior housing**	**Data Centers**	**Other**	**Adjustments**	**Consolidated**
	NIS in millions							
Revenues:								
Total external income	607	708	251	162	34	70	(34)	1,798
Total segment expenses	182	107	122	129	8	121	(8)	661
Segment profit (loss) (NOI)	425	601	129	33	26	(51)	(26)	1,137
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(789)	71	(176)	130	131	-	(131)	(764)
Unallocated costs								(132)
Financing expenses, net								(103)
The Company's share in the results of companies accounted for using the equity method, net of tax								98
Income before income taxes								236
Additional information as of December 31, 2020:								
Segment assets	12,431	12,463	2,126	2,597	1,101	292	(296)	30,714
Unallocated assets (*)								4,410
Total consolidated assets								35,124
Capital investments	178	744	42	77				

(*) Mainly financial assets in the sum of approx. NIS 0.9 billion and cash and short-term deposits in the sum of NIS 2.7 billion.

Note 7 – Material Subsequent Events

After the date of the Statement of Financial Position, on October 3, 2021, the Company engaged in an agreement with two third parties unrelated to the Company (in this section jointly – the "**Sellers**") and with Mul Hayam Eilat (1978) Ltd. (in this section – the "**Acquired Company**") for the acquisition of the full rights (100%) in a land on an area of approx. 6,000 sqm in Eilat, registered with the Israel Land Authority, on which "Mall Hayam" in Eilat is built, on a built-up area of approx. 19,000 sqm (in this section – the "**Land**", the "**Mall**" and the "**Agreement**", as the case may be).

On the transaction closing date, the Company shall acquire from the Sellers 100% of the Acquired Company's issued and paid-up share capital, and 100%, directly and indirectly, of the rights to the Land and the Mall. The Company shall further receive, by way of assignment, all of the Sellers' rights and undertakings under loan agreements in which they have engaged vis-à-vis the lenders for taking of loans, such that from the closing date the Company will supersede the borrowers.

The total consideration for the transaction is approx. NIS 1.31 billion, plus differentials for linkage to the May 2021 Index, net of the outstanding financing loans as of the closing date.

The closing of the transaction is conditional, *inter alia*, on obtaining approval from the Competition Commissioner, obtaining approval from the Israel Land Authority, obtaining approval from the lenders for the assignment of the financing agreements and additional terms and conditions defined in the Agreement, by and no later than 9 months from the date of signing (divided into periods that may be extended), or 30 days after fulfillment of the closing conditions.

The Sellers, each one severally, undertook to indemnify the Company and/or anyone on its behalf up to the consideration amount, net of the outstanding financing loans, for grounds and on terms as specified in the Agreement.

The Agreement may be terminated, so long as the transaction is not closed, upon the fulfillment of the terms defined in the Agreement.

As of the report date, the Company intends to finance the acquisition from its own resources and/or through bank or institutional financing.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of September 30, 2021

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement
as of September 30, 2021

(Unaudited)

Prepared according to the provisions of Regulation 38D
of the Securities Regulations
(Periodic and Immediate Reports), 5730-1970

Azrieli Group Ltd.

Separate Interim Financial Statement
as of September 30, 2021

(Unaudited)

Contents

To
The Shareholders of
Azrieli Group Ltd.
1 Azrieli Center
Tel Aviv

Dear Sir/Madam,

Re: Special report for review of the separate interim financial statement pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

We have reviewed the separate interim financial statement, which is presented according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of **Azrieli Group Ltd.** (the "**Company**") as of September 30, 2021 and for the nine- and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of this separate interim financial statement according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on the separate interim financial statement for these interim periods, based on our review.

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 separate interim financial statement 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, nothing had come to our attention that causes us to believe that the accompanying separate interim financial statement has not been prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

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

Tel Aviv, November 23, 2021

Azrieli Group Ltd.
Statement of Financial Position

	As of September 30,		As of Dec. 31,
	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	2,447	2,451	2,472
Short-term investments and deposits	-	50	-
Trade accounts receivable	13	23	19
Other receivables	191	405	395
Current tax assets	84	68	91
Total current assets	2,735	2,997	2,977
Non-current assets			
Financial assets	1,124	693	866
Investment property and investment property under construction	13,590	12,787	12,856
Investments in Investee Companies	14,270	11,323	11,297
Loans to Investee Companies	2,102	2,419	2,257
Fixed assets	314	302	304
Other receivables	64	33	35
Total non-current assets	31,464	27,557	27,615
Total assets	34,199	30,554	30,592

Azrieli Group Ltd.
Statement of Financial Position
(Cont.)

	As of September 30,		As of Dec. 31,
	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	982	803	803
Trade payables	158	201	239
Payables and other current liabilities	115	112	101
Total current liabilities	1,255	1,116	1,143
Non-current liabilities			
Loans from financial corporations	354	436	413
Bonds	12,418	9,396	9,389
Other liabilities	27	27	26
Deferred tax liabilities	1,636	1,491	1,520
Total non-current liabilities	14,435	11,350	11,348
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	406	92	135
Retained earnings	15,607	15,500	15,470
Total capital attributable to shareholders of the Company	18,509	18,088	18,101
Total liabilities and capital	34,199	30,554	30,592

November 23, 2021			
Date of Approval of Separate Financial Statement	**Danna Azrieli Chairman of the Board**	**Eyal Henkin CEO**	**Irit Sekler-Pilosof Chief Financial Officer and Deputy CEO**

The additional figures hereby attached which supplement the financial information constitute an integral part of the separate condensed financial statements.

Azrieli Group Ltd.
Statement of Profit or Loss and Other Comprehensive Income

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues					
From rent and management and maintenance fees, net	517	(*) 400	197	146	(*) 485
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	131	(134)	(10)	2	(277)
Financing	115	74	51	22	100
Other	27	9	21	-	9
Total Revenues	790	349	259	170	317
Costs and Expenses					
Cost of revenues from rent and management and maintenance fees	29	26	9	9	42
Sales and marketing	29	22	16	11	31
G&A	59	50	21	15	71
Financing	330	28	135	27	60
Other	32	3	30	1	3
Total Costs and Expenses	479	129	211	63	207
Income before the Company's share in the profits of Investee Companies	311	220	48	107	110
Share in profits of Investee Companies, net of tax	403	45	129	111	111
Income before income taxes	714	265	177	218	221
Taxes on income	(35)	(37)	10	(23)	(20)
Income for the period from continued operations	679	228	187	195	201
Loss from discontinued operations (after tax)	-	(9)	-	(3)	(12)
Net profit for the period	679	219	187	192	189
Other comprehensive income (loss):					
Amounts that will not be carried in the future to the profit or loss, net of tax:					
Change in the fair value of financial assets, net of tax	299	(354)	90	(78)	(220)
Amounts that were carried or will be carried in the future to the profit or loss, net of tax:					
Translation differences from foreign operations	27	(5)	6	(10)	(110)
Share in the other comprehensive income (loss) of Investee Companies, net of tax	-	(11)	(10)	3	2
Total	27	(16)	(4)	(7)	(108)
Other comprehensive income (loss) for the period, net of tax	326	(370)	86	(85)	(328)
Total comprehensive income (loss) for the period	1,005	(151)	273	107	(139)

(*) For Y2020 and for the nine-month period ended September 30, 2020, revenues from rent and management and maintenance fees amounted to NIS 520 million and NIS 435 million, respectively. For the period from April 1, 2020 to May 4, 2020, the Company granted rent relief to tenants in the retail centers and malls in Israel in the sum of NIS 35 million, which were treated as write-off of an operating lease receivables asset due to Covid-19-related concessions. In view of the aforesaid, net revenues from rent and management and maintenance fees amounted to NIS 485 million and NIS 400 million, respectively. For further details on the impact of the Covid-19 crisis, see Note 3B to the condensed consolidated financial statements.

The additional figures hereby attached which supplement the financial information constitute an integral part of the separate condensed financial statements.

Azrieli Group Ltd.
Statement of Cash Flows

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – current operations					
Net profit for the period	679	219	187	192	189
Depreciation and amortization	2	2	1	1	2
Net loss (profit) from adjustment to fair value of investment property and investment property under construction	(131)	134	10	(2)	277
Financing and other expenses (revenues), net	207	(57)	77	5	(50)
Share in revenues of Investee Companies, net of tax	(403)	(40)	(129)	(112)	(103)
Tax expenses (revenues) recognized in the income statement	35	37	(10)	23	19
Income tax received (paid), net	11	(39)	(15)	(15)	(52)
Change in trade and other receivables	(18)	(134)	(25)	(8)	(134)
Change in trade and other payables	(19)	(15)	(3)	19	9
Other changes	1	1	-	-	1
Net cash – current operations	364	108	93	103	158
Cash flows – investment activities					
Acquisition of and investment in investment property and investment property under construction	(530)	(417)	(120)	(156)	(603)
Proceeds from liquidation of fixed assets	1	-	1	-	-
Purchase of fixed assets	(13)	(266)	(5)	(2)	(269)
Down payments paid on account of investment property	(131)	-	(131)	-	-
Investments in Investee Companies	(96)	(231)	-	(129)	(231)
Change in short-term deposits	-	(50)	-	(50)	-
Repayment of long-term loans from Investee Companies, net	204	391	94	120	550
Interest and dividend received	33	13	19	1	31
Recovery of investment in Investee Company	-	-	-	-	14
Proceeds from the disposition of financial assets, net	349	84	64	-	84
Acquisition of Investee Companies	(2,427)	-	(2,427)	-	-
Taxes paid for financial assets	(7)	(2)	(7)	(2)	(2)
Revenues from institutions for the acquisition of real estate, net	-	9	-	38	9
Net cash – investment activities	(2,617)	(469)	(2,512)	(180)	(417)

The additional figures hereby attached which supplement the financial information constitute an integral part of the separate condensed financial statements.

Azrieli Group Ltd.
Statement of Cash Flows
(Cont.)

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2021	2020	2021	2020	2020
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – financing activities					
Bond offering net of offering expenses	3,613	1,672	3,613	-	1,672
Dividend distribution to shareholders	(600)	(300)	(150)	-	(300)
Repayment of bonds	(522)	(520)	(187)	(184)	(520)
Repayment of long-term loans from financial corporations	(157)	(163)	(68)	(69)	(185)
Short-term credit from financial corporations, net	-	(351)	-	1	(351)
Interest paid	(111)	(107)	(26)	(30)	(164)
Net cash – financing activities	2,223	231	3,182	(282)	152
Increase (decrease) in cash and cash equivalents	(30)	(130)	763	(359)	(107)
Cash and cash equivalents at beginning of period	2,472	2,582	1,681	2,811	2,582
Effect of exchange rate changes on cash balances held in foreign currency	5	(1)	3	(1)	(3)
Cash and cash equivalents at end of period	2,447	2,451	2,447	2,451	2,472

(*) For the nine- and three-month periods ended September 30, 2020 and for Y2020, non-cash transactions included an increase in other payables due to acquisitions on credit in the amount of NIS 119 million, NIS 89 million and NIS 136 million, respectively.

The additional figures hereby attached which supplement the financial information constitute an integral part of the separate condensed financial statements.

A. General:

The Company's separate financial statement is prepared in accordance with the provisions of Regulation 38D of the Securities Regulations (Immediate and Periodic Reports), 5730-1970.

This separate financial statement is to be inspected with respect to the Company's separate financial statement as of December 31, 2020, and for the year then ended, and the additional figures that were attached thereto.

B. Definitions:

The Company	-	Azrieli Group Ltd.
Investee Company	-	Consolidated company, consolidated company under proportionate consolidation and an associate.

C. Accounting Policy:

The separate financial statement is prepared in accordance with the accounting policy specified in Note B to the Company's separate financial statement as of December 31, 2020 and the year then ended.

D. Material Events during the Reporting Period:

See Note 3 to the condensed consolidated financial statements published with this separate financial statement.

E. Subsequent Events:

See Note 7 to the condensed consolidated financial statements published with this separate financial statement.

Date: November 23, 2021

To:

The Board of Directors of Azrieli Group Ltd.

Azrieli 1,

Tel Aviv

Dear Sir/Madam,

Re: Consent given in connection with the shelf prospectus of Azrieli Group Ltd. of May 2019

We hereby notify you that we agree to the inclusion (including by way of reference) of our reports which are specified below in connection with the shelf prospectus of May 2019:

(1) Review report of November 23, 2021 on condensed consolidated financial statement of the Company as of September 30, 2021 and for the nine- and three-month periods then ended.

(2) Special auditors' report of November 23, 2021 on condensed separate financial statement of the Company as of September 30, 2021 and for the nine- and three-month periods then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

ATTACHED HERETO IS A QUARTERLY REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE PURSUANT TO REGULATION 38C(A):

The management, under the supervision of the Board of Directors of Azrieli Group Ltd. (the "**Corporation**"), is responsible for setting and maintaining proper internal control over financial reporting and disclosure at the Corporation.

For this purpose, the members of management are:

1 | **Eyal Henkin**, CEO

2 | **Irit Sekler-Pilosof**, Deputy CEO of Azrieli Group and CFO

3 | **Nirit Zeevi**, VP, General Counsel and Corporate Secretary

4 | **Yair Horesh**, Chief Comptroller for Accounting and Financial Statements

Internal control over financial reporting and disclosure consists of controls and procedures existing at the Corporation, designed by, or under the supervision of, the CEO and the most senior financial officer, or by anyone actually performing such functions, under supervision of the Board of Directors of the Corporation, and which are designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the reports according to the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports released thereby according to the law is gathered, processed, summarized and reported within the time frames and in the format set forth by the law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information which the Corporation is thus required to disclose, is gathered and transferred to the management of the Corporation, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable the timely decision making in reference to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misrepresentation or omission of information in the reports is avoided or discovered.

In the quarterly report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended June 30, 2021 (the "**Most Recent Quarterly Report on Internal Control**"), the internal control was found to be effective.

Until the report date, no occurrence or issue were brought to the knowledge of the Board of Directors and the management, which may change the evaluation of the effectiveness of the internal control as found in the Most Recent Quarterly Report on Internal Control.

As of the report date, based on the Most Recent Quarterly Report on Internal Control, and based on information which was brought to the knowledge of the management and the Board of Directors as aforesaid: the internal control is effective.

STATEMENT OF MANAGERS:

STATEMENT OF CEO PURSUANT TO REGULATION 38C(D)(1):

I, Eyal Henkin, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q3/2021 (the "**Reports**").
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
   a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and –
   b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP.
   c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, which may change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: November 23, 2021

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Eyal Henkin | CEO

STATEMENT OF MANAGERS:

STATEMENT OF THE MOST SENIOR FINANCIAL OFFICER PURSUANT TO REGULATION 38C(D)(2):

I, Irit Sekler-Pilosof, represent that:

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the "**Corporation**") for Q3/2021 (the "**Reports**" or the "**Interim Reports**");
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports;
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
    a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the Interim Financial Statements and the other information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and -
    b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation-
    a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and -
    b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP;
    c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, pertaining to the Interim Financial Statements and any other information included in the Interim Reports, which could, in my opinion, change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

Date: November 23, 2021

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Irit Sekler-Pilosof | Deputy CEO and CFO