AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q3/2020

Dated 30 September 2020

AZRIELIGROUP

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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. The Company operates in the senior housing sector, and with the opening of the senior home in Lehavim in May 2020, manages four active senior homes. In the United States, the Company holds several office buildings, mainly in Houston and Austin, Texas. Furthermore, the Company holds 23.95% in a company operating mainly in the Data Centers industry in North America, and in February 2020 the Company closed its acquisition of the Mount Zion Hotel in Jerusalem.

Azrieli Group has an extraordinary pipeline of hundreds of thousands of square meters of office, retail and senior housing space in projects under development or in planning stages, 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 business, the Group has other activity: The Azrieli.com e-commerce platform. Until May 2020 the Group held GES, a water and wastewater treatment and chemicals company (for details with respect to the closing of the sale of the entire holdings in GES, see Section 1.2.3.4 below). The Company also has a financial holding of Bank Leumi stock (approx. 3.1%).

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 26%. 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 3.6 billion distributed in dividends since the IPO

~ 1.3 million sqm of leasable areas and ~0.7 million sqm under development

Israel's largest real estate company with total assets of NIS 35.2 billion

98% occupancy rate* on average in Israel

* Net of properties under lease-up for the first time

18 MALLS

351 thousand sqm | 98% Occupancy*

15 OFFICE BUILDINGS

576 thousand sqm | 98% Occupancy*

4 SENIOR HOMES

105 thousand sqm | 97% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

246 thousand sqm | 78% Occupancy

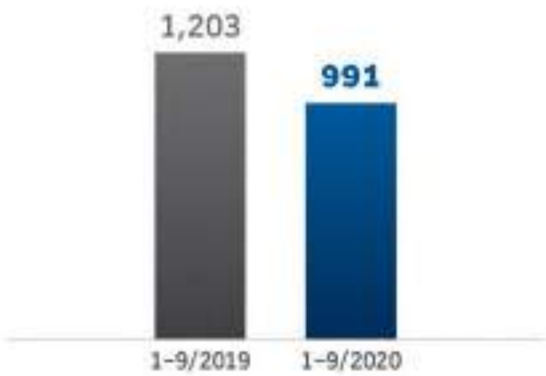
DEVELOPMENT PIPELINE

11 properties | 695 thousand sqm

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

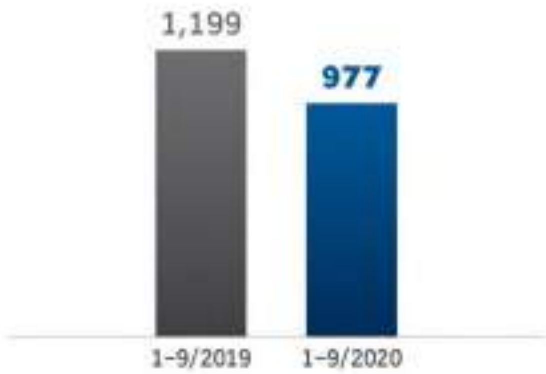
Decrease in NOI to NIS 991 million compared with NIS 1,203 million in the same period last year due to relief to tenants in the COVID-19 period

NOI



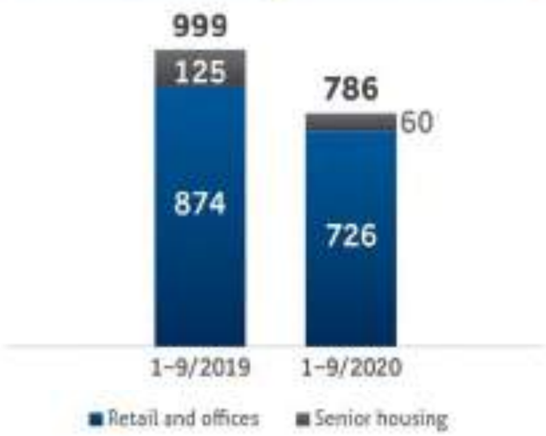
Decrease in Same Property NOI to NIS 977 million compared with NIS 1,199 million in the same period last year due to relief to tenants in the COVID-19 period

Same Property NOI



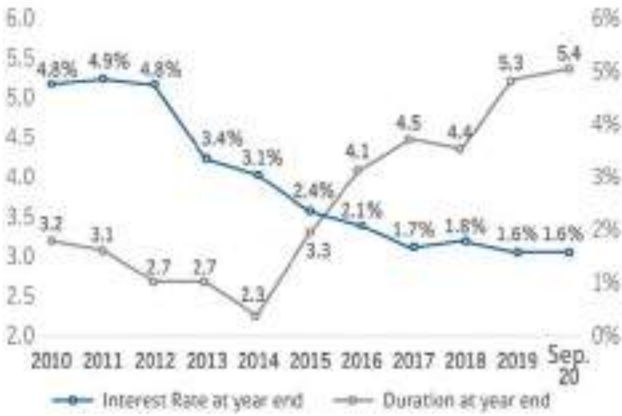
NIS 786 million – the total FFO attributed to the income-producing real estate business

FFO from income-producing real estate business



Average debt duration extended while reducing the interest rate

Average interest vs. average duration



In May 2020, the Company distributed a NIS 300 million dividend

This is a translation of Azrieli Group's Hebrew-language Quarterly Report and Financial Statements as of September 30, 2020. 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, 2020 (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, 2019, 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 2019**"), the update to the Corporation's Business chapter and the financial statements as of September 30, 2020.

Unless otherwise stated herein, the terms defined in Chapter A of the Periodic Report for 2019 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, 2020.[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, 2020 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, 2020 (Ref.: 2020-01-025963), 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, 2020.

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, 2020

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 23.95% in Compass, operating mainly in the data centers industry in North America. Furthermore, in February 2020 the Company closed the purchase of the Mount Zion Hotel in Jerusalem. The Company is also active in the e-commerce business and has holdings of minority interests in Bank Leumi LeIsrael Ltd. ("**Bank Leumi**"). On January 23, 2020, Canit Hashalom engaged in an agreement for the sale of its holdings in GES[3] the business of which is water, wastewater, air, waste and industrial chemicals treatment, and presented in the financial statements as a discontinued operations. On May 7, 2020 such sale was closed.

The Group's primary growth engine is the development of income-producing real estate projects: malls, offices and senior housing. As of the report date, the Company has eleven projects in Israel in various development stages, the planned area of which is approx. 695 thousand sqm, as well as land for development. A brief description of the Group's four reported operating segments, as well as its additional activities ("**Others**") follows:

1. **Retail centers and malls in Israel –** The Group has 18 malls and retail centers in Israel;
2. **Leasable office and other space in Israel** – The Group has 15 income-producing office properties in Israel;
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.

Assets and additional activities – For details on the Company's (indirect) investment in Compass, operating in the data centers industry, see Section 1.2.3.2 below. For details on assets and other activities that are not included in the operating segments described above, including activities in the e-Commerce business, activities in the hospitality segment, holdings of approx. 3.1% of the shares of Bank Leumi[4], see Sections 2.13 and 3 below.

[3] For further details, see the Company's immediate reports as of January 26, 2020, April 30, 2020 and May 10, 2020 (Ref. 2020-01-009789, 2020-01-042639 and 2020-01-0425465, respectively), included herein by way of reference.

[4] 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 2019, which is included herein by way of reference.

1.2.2. Breakdown of Asset Value by Operating Segment

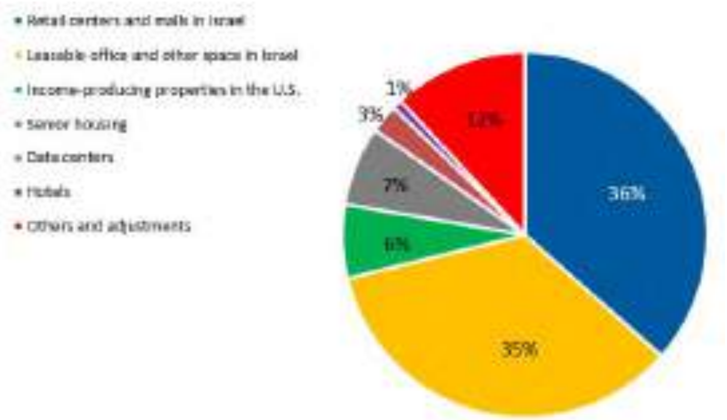
The following chart presents a breakdown of the total balance sheet assets by operating segment:[5]

Breakdown of Total Balance Sheet Assets by Operating Segment

As of	30.9.2020	31.12.2019
Retail centers and malls in Israel	**12,850**	13,018
Leasable office and other space in Israel	**12,189**	11,655
Income-producing properties in the U.S.	**2,288**	2,421
Senior housing	**2,474**	2,410
Data centers	**897**	582
Hospitality	**290**	-
Others and adjustments	**4,187**	5,153
Total	**35,175**	35,239

Percentage of Segment Assets out of Total Assets

30.9.2020



Figures are presented in millions of NIS.

The retail centers and malls segment constitutes approx. 36% of the total balance sheet assets. The other income-producing real estate segments, in the aggregate, constitute approx. 52% of the total balance sheet assets. In the Company's estimation, the relative share of retail centers and malls is expected to decrease over time, in view of the Group predominantly focusing its development efforts in the coming years on the office and senior housing segments.

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

1.2.3.1. Assets under Development

During the Report Period, the Group continued to invest in the development and construction of new assets 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. Investment in Compass

In July 2019, Azrieli Data Centers LLC, an (indirectly) wholly-owned subsidiary of the Company (in this section: the "**Buyer**") entered into an investment agreement (in this section: the "**Agreement**") with Compass, and in an operating agreement with the unit holders in Compass. The main business of Compass is data centers in North

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

America. Compass owns active sites and additional sites under construction and development. The said transaction, in which the Buyer made an investment in the unit capital of Compass, was closed and the consideration therefor was paid by the Buyer to Compass. The Buyer has invested in Compass' equity in consideration for approx. 20% of the unit capital of Compass (in this section: the "**Initial Investment**"). The Buyer has an option to make additional investments and increase its holdings in Compass up to approx. 33% according to the price per unit in the Initial Investment. At the closing of the transaction, the Buyer paid Compass approx. U.S. $135 million in respect of the Initial Investment. For further details, see the Company's immediate report of July 18, 2019 (Ref.: 2019-01-073885), and the presentation released by the Company regarding the data centers market and regarding Compass and its operation from the same date (Ref.: 2019-01-073897), which are included herein by way of reference. In February and September 2020, additional investment rounds were made in Compass such that as of the Report Release Date the Company (indirectly) holds approx. 23.95% of the unit capital of Compass.

1.2.3.3. The Sale of Granite Hacarmel

Further to the Company's reports in connection with a transaction for the sale of the entire holdings of Canit Hashalom in Granite Hacarmel, which held the entire share capital of Supergas, to Elco Ltd. (in this section: the "**Buyer**"), on September 29, 2020 the Buyer prepaid a sum of NIS 111.5 million against the full balance of the periodic payments.

For further details, see the Company's immediate reports of July 28, 2019, August 6, 2019, October 29, 2019, December 2, 2019 and September 30, 2010 (Ref.: 2019-01-077500, 2019-01-081517, 2019-01-091635, 2019-01-094782, 2019-01-105633 and 2020-01-096943, respectively), which are included herein by way of reference.

1.2.3.4. The Sale of GES

Further to the Company's reports, whereby it intends to focus on the core real estate business, on September 12, 2019, a non-binding MOU was signed with Generation Capital Ltd. (in this section: the "**Buyer**") for the sale of the entire holdings (100%) in GES.

On January 23, 2020, Canit Hashalom Investment Ltd., a subsidiary wholly owned by the Company (in this section: the "**Seller**") together with GES, engaged in an agreement (in this section: the "**Agreement**") with the Buyer for the sale of the Seller's entire holdings (100%) in GES to the Buyer, in consideration for NIS 110 million, subject to adjustments, *inter alia*, for changes in working capital and net financial debt of GES, if any, up to the closing date, (in this section: the "**Transaction**"). On January 30, 2020, an approval of the Competition Commissioner for the Transaction was received.

On April 28, 2020, all of the closing conditions for the Transaction were fulfilled, and on May 7, 2020, the Transaction was closed. In accordance with the addendum to the Agreement, which was signed on the Transaction closing date, the consideration in the Transaction is NIS 105 million, while on the Transaction closing date, the Buyer paid the Seller approx. NIS 52.5 million. The balance of the consideration in the sum of approx. NIS 52.5 million, subject to adjustments, will be paid by the Buyer in two installments – one half 24 months after the Transaction closing date and one half 36 months after the Transaction closing date.

For further details, see the Company's immediate reports of September 12, 2019, January 26, 2020, April 30, 2020 an May 10, 2020 (Ref.: 2019-01-095770, 2020-01-009789, 2020-01-042639 and 2020-01-045465, respectively), which are included herein by way of reference.

1.2.3.5. Financing Transactions

In April 2020, the Company issued Series E and F Bonds of the Company[6], by way of expansion of such series of bonds, with an average duration of approx. 7 years and index-linked weighted interest of approx. 1.3%, such that approx. NIS 811 million par value of Series E Bonds were allocated in consideration for approx. NIS 847 million (approx. NIS 842 million after attribution of the issue expenses) and approx. NIS 762 million par value of Series F Bonds in consideration for approx. NIS 850 million (approx. NIS 841 million net of issue expenses).

1.2.3.6. The Purchase of the Mount Zion Hotel in Jerusalem

Following the Company's reports, whereby it examines from time to time entry to operating segments related to its income-producing property operating segment, on December 8, 2019, the Company engaged in an agreement with a third party, who is not affiliated with the Company and/or its controlling shareholders, for the purchase of the Mount Zion Hotel in Jerusalem (in this section: the "**Transaction**") in consideration for NIS 275 million plus VAT. On February 9, 2020 the Transaction was closed.

For further details, see the Company's immediate reports of December 9, 2019 (Ref. 2019-01-107367, 2019-01-107397), of December 18, 2019 (Ref.: 2019-01-111237) and of February 9, 2020 (Ref.: 2020-01-014439), which are included herein by way of reference, and Section 2.13.2 below.

1.2.3.7. Outbreak of COVID-19

For further details in connection with the impact of the spread of COVID-19 on the Company's business, see Section 2.2 below.

1.2.3.8. Changes in the Service of Officers of the Company

On March 25, 2020, Ms. Irit Sekler-Pilosof was appointed Deputy CEO of the Company, in addition to her office as CFO of the Company[7].

In the Report Period, the Company appointed Mr. Elad Alon as VP Innovation and Business Development instead of Mr. Assaf Aviv, who stepped down from his office at the Company.

In the Report Period, the Company appointed Mr. Uri Kilstein as the Company's Head of Malls and Deputy CEO instead of Mr. Arnon Toren. Mr. Kilstein will commence his office on February 1, 2021.

[6] According to a shelf offering report released on April 20, 2020 (Ref.: 2020-01-035128) released under the 2019 shelf prospectus. Such reports are included herein by way of reference.

[7] See the Company's immediate report of March 25, 2020 (Ref.: 2020-01-029454), which is included herein by way of reference.

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Sum of Dividend
Azrieli Group	March 24, 2020	May 14, 2020	NIS 300 million[8]

1.2.5. Dividends distributed to the Company

	Date of Approval	Date of Payment	Sum of Dividend	Company's Share out of the total Dividend Distributed
Bank Leumi[9]	February 2, 2020	March 23, 2020	Approx. NIS 297 million	Approx. NIS 9 million

[8] As of September 30, 2020, the Company has retained earnings in the sum of approx. NIS 15.5 billion.
Considering previous distributions made by the Company, and the Company's financial results, on March 24, 2020, the Company's Board examined the distribution of a NIS 600 million dividend, and reached the conclusion that such distribution meets all of the distribution tests. However, for the sake of caution and, *inter alia*, in view of the uncertainty surrounding the impact of the spread of COVID-19 affecting the world, the Company's Board decided to approve, at this time, a dividend distribution of NIS 300 million only, and to re-discuss another distribution of up to NIS 300 million more, during the course of 2020.

[9] On April 16, 2020, Bank Leumi reported that in view of the Supervisor of Banks' announcement regarding the reduction of the minimum regulatory capital requirements applicable to banks due to the COVID-19 crisis, and in view of the temporary provisions of March 31, 2020 on the matter, the board of directors of Bank Leumi resolved, *inter alia*, to discontinue dividend distributions at this stage. For further details, see Bank Leumi's immediate report of April 16, 2020 (Ref.: 2020-01-034294), which is included herein by way of 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 2019 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 the spread of COVID-19.*

2.2. Outbreak of COVID-19

The beginning of 2020 saw the outbreak of COVID-19 in China which continues to 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. According to estimations published by the Bank of Israel, until the Report Release Date, in connection with the effects of COVID-19 on the Israeli economy (pursuant to two scenarios of control of the spread of the disease: control and low control), GDP is expected to decrease by a range of 5%-6.5% in 2020 and increase by a range of 1%-6.5% in 2021[10]. Furthermore, according to Bank of Israel estimations, the broad unemployment rate (among people aged 15 year and older) is expected to be within a range of 15.7%-16.6% at the end of 2020 and decrease to a range of 10%-16.7% at the end of 2021. That is to say, even at the end of 2021 the economy is not expected to regain full employment.

2.2.1. The Company's handling of the COVID-19 crisis

Upon the outbreak of COVID-19 in Israel, the Company began taking action to deal with the outbreak of the virus and it constantly continues to examine additional measures for dealing with the pandemic, *inter alia*, as specified below:

- The Group has appointed a COVID-19 officer to coordinate the information, treatment and implementation of the Ministry of Health's guidelines with respect to dealing with the spread of the virus, in each of the Company's business areas.
- A senior medical consultant, the deputy director general of one of the largest hospitals in Israel, has been appointed to provide advice on and solutions to various issues dealing with the spread of the virus.
- Think tanks have been established for each of the Company's segments and activities, for the purpose of forming work plans during the crisis period, exiting the crisis and preparing for additional waves, mid to long-term think tanks have also been established to analyze consumer and business behavior in various areas which relate to and/or overlap with the Company's business, and teams have been established to examine business opportunities on the one hand and manage financial risks on the other hand.

[10] https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/22-10-20c.aspx

- The Company continues to tightly manage its expenses to save on costs and "keep the cash reserves", including operating expenses of security, cleaning, electricity etc., in order to adjust the amount of expenses in the properties to the scope of activity.
- Efficient management of manpower, including having employees take unpaid leave as well as finding telecommuting solutions to maintain business continuity.
- In Q2/2020 the Company raised debt by issuing bonds (Series E and F) by way of expanding such bond series, in order to enhance the Company's liquidity.

2.2.2. Effect of the COVID-19 crisis on the segment of retail centers and malls in Israel

The retail centers and malls in Israel segment constitute approx. 36% of the total assets of the Company.

From March 15, 2020 to May 7, 2020, a directive by the Israeli Government on the shutdown of cultural and recreational venues was in effect (in this section: the "**First Shutdown**"), which directive 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 the morbidity rate, various restrictions were reimposed in order to limit the spread of the virus, and inter alia, commencing from September 18, 2020, a directive on the shutdown of cultural and recreational venues took effect, which directive also applies to the Company's malls (other than the above-specified exceptions) (in this section: the "**Second Shutdown**"). In this context it is noted that the rent revenues from such essential businesses constitute approx. 11% of the total rent revenues in the segment of retail centers and malls in Israel and together with food businesses for deliveries only, the scope of such businesses constitute approx. 13% of the total rent revenues in the segment of retail centers and malls in Israel.

Establishment of a special financial aid fund for the Group's mall tenants

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, dozens of fund loan applications by tenants in the Group's malls have been processed and the Company is providing loans from the fund in order to help the tenants in its malls to return to normalcy, in addition to the relief in rent and management fee payments granted as specified below.

Relief plan for tenants of the Company's malls

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 who 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[11].

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**")[12], the key points of which were as follows: For the period between March 15, 2020 and May 4, 2020, the Company granted the Tenants a full exemption from the payment of rent and management fees; between May 5, 2020 and May 14, 2020 (in this section: the "**Preparation Period**"), the Company granted the Tenants a full exemption from rent[13] and a 75% discount on the management fees; for the period between the end of the Preparation Period and May 31, 2020, the Company granted a 75% discount on rent[14] and a 50%

[11] For further details, see the Company's Immediate Report of March 17, 2020 (Ref. No. 2020-01-025770), which is included herein by way of reference.
[12] See the Company's Immediate Report of May 5, 2020 (Ref. No. 2020-01-044070).
[13] Other than payment according to rent-to-sales ratio for the same period as set forth in the contract.
[14] Or payment according to rent-to-sales ratio for the same period as set forth in the contract, whichever is higher.

discount on management fees; and for June 2020, a 50% discount on rent[12] was granted, with no discount on the management fees. Furthermore, in the event that (all or some) of the Tenants are paid grants under a government aid program, the Plan will be adjusted and the amounts of the aforesaid discounts will be reduced accordingly. The effect of the Relief Plan amounted to approx. NIS 180 million. In the course of Q3, the Company granted relief to tenants that were closed or whose operations were constricted according to the law, such as cinemas, restaurants and cafés and further granted relief to tenants whose revenues was affected. In addition, the Company estimates that the total relief in Q3 from the beginning of the Second Shutdown will amount to approx. NIS 21 million.

It is emphasized that the impact of the COVID-19 crisis and the Relief Plan, including the relief for March 2020 and part of the Second Shutdown Relief, were reflected in the Company's NOI results for both the nine-month period ended September 30, 2020 and for Q3/2020, 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 Q2and Q3/2020, *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). The Company continues to examine the need to grant relief to Tenants according to the developments and the economy's handling of the spread of the virus and in view of the State's aid plans for the Tenants.

Plan for resumption of operations

As part of the strategy for the return to normalcy in the Israeli economy, after a decline in the number of individuals infected by the coronavirus in the "first wave", 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 First Shutdown (until the Second Shutdown that began on September 18, 2020), the resumption of the activity of movie theaters and public events on the malls' premises has not yet been permitted. 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 malls.

Unlike the preliminary estimations, the reopening of the malls to the general public after the First Shutdown has been characterized by the quick return of consumers to the Group's malls. In the Company's estimation, a similar trend will characterize the reopening of the malls after the Second Shutdown.

The store revenues reported by the tenants in the Group's malls in the period from the beginning of 2020 until the end of September 2020 were 1.2% higher than in the same period last year, net of the months of March and April, while the months of May and September 2020 were standardized to a full month of activity, and excluding store revenues of tenants that did not resume normal operations or operated on a partial basis in the period due to regulatory restrictions and government decisions pertaining to the spread of COVID-19, including store revenues of restaurants and coffee shops, movie theatres, food courts, gyms, conference centers, etc., and net of Azrieli Tel Aviv mall, which is significantly affected by restricted use of the public railways.

The rent collection rate in the retail centers and malls in Israel segment, out of the amounts the tenants are required to pay considering the grant of relief in respect of Q3/2020, was approx. 96%.

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

On March 17, 2020, 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.

On April 28, 2020, the Ministry of Health released more lenient directives, which make it possible to return to normalcy in workplaces, inter alia, by adopting the "Purple Badge" rules, and there was an increase in the number of workers coming into the Company's office properties. The Government's directive on the Second Shutdown which included, inter alia, restrictions on travel and leaving home, which were in effect from September 18, 2020 until October 18, 2020, reduced once again the number of workers coming into the Company's office properties.

As of the Report Release Date, further to the removal of some of the restrictions of the Second Shutdown, there has been an upward trend in the traffic of workers and visitors to the office properties owned by the Company, but it is still partial.

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, taking visitors' temperatures, limiting the number of elevator users, 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. Rent collection in Q3/2020 amounts to approx. 99.4%.

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 parks have decreased. Concurrently, the Company took cost-saving measures and in Q2/2020 was also entitled to an exemption from the payment of municipal property taxes for a three-month period. The total adverse effect on the results of operations of the car parks in Q3 amounted to approx. NIS 5 million.

2.2.4. 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. Rent collection in Q3/2020 was in line with the ordinary course.

The Mount Zion Hotel – On March 17, 2020, the Company closed down the activity of the Mount Zion Hotel, in view of the encumbering directives imposed on operations of hotels due to the COVID-19 crisis. As of the date of the report, 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 consist of 350 rooms and an underground car park with approx. 250 parking spaces. Renovation and expansion of the hotel are subject to the receipt of a building permit. The hotel will be reopened after renovation and expansion thereof.

The 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. At the end of February 2020, the Palace Chain Medical manager, who is a certified nurse with vast experience in prevention of infectious diseases, was appointed to manage all of the chain's COVID-19-related operations, *inter alia* vis-à-vis the regulator. The measures taken, *inter alia*, include the preparation of medical departments in each home in case Palace residents are found to have contracted the virus, implementation of social distancing measures to protect the health of the residents, designated and concentrated procurement of the required protective equipment, carrying out of self-initiated COVID-19 testing of the residents and staff at the homes on an ongoing basis, banning entrance of walk-in visitors (such as subscribers to the classes, pool and gym) who are not Palace residents, and cancellation of activities which involve gathering, use of means of communication by the residents following the reduction of visiting possibilities by family members, holding of daily HQ meetings to monitor the developments and directives of the Ministry of Health, and keeping the residents' families informed on a regular basis, and more. In order to protect the health of the residents in the senior homes and convalescence departments, the Company reduced activities which involve personnel turnover and entrance of external short-term visitors, which caused a temporary decrease in revenues from such operations.

With respect to 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 in April-November 2020. During the crisis, according to restrictions on aviation and shipping of goods, online shopping from international websites decreased, including due to the discontinuation of shipping to Israel of some of these websites. At the beginning of May 2020, international websites resumed shipping to Israel, but at a smaller scope. It is noted that benefits of free shipping to Israel were discontinued.

At this stage it is impossible to assess the long-term effect of the COVID-19 crisis on the volume of activity of Azrieli.com and on the volume of online purchases from international websites.

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

The loss from fair value adjustment of investment properties in the Report Period totaled approx. NIS 456 million. The Company used outside appraisers to examine the value of the Company's properties as of June 30, 2020. As of the report date, there are no indications in comparable transactions to estimate the change, if any, in the principal cap rate of the Company's properties in Israel. In the estimation of the appraisers, the short-term uncertainty component until a COVID-19 vaccination is found, has increased, as has the risk related to the receipt of the rent payments in the short-term. In the event that these remain in the short-term, their effect on the cap rate, if any, is usually minor. Given the foregoing, for the purpose of update of the valuations, it was assumed that in the short-term, a decrease is expected in revenues from the lease of retail space, which decrease derives, *inter alia*, from the discounts that will be granted to some of the tenants which are affected, *inter alia*, by the prevalence of the disease. In view of the aforesaid, in the Report Period, the Company recorded an impairment of its properties in the retail centers and malls in Israel segment. In addition, the Company recorded an impairment of some of the income-producing properties in the U.S., mainly due to the continuation of the expected amount of time for lease-up of the vacant areas, an increase in the rate of vacant areas and a reduction of the expected inflation rate due to the economic crisis in the U.S., the health crisis and the crisis in the prices of energy on which a large portion of Houston's economy is based.

2.2.6. Effect of the COVID-19 crisis on property development

During the First Shutdown and Second Shutdown, 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 period, the Group continued investing in the development and construction of new properties, as well as expansion and renovation of existing properties. Accordingly, in September 2020, construction was completed and a Form 4 (occupancy permit) was received for HaManor project, an 28,000 sqm office building in the Holon business zone. As of the Report Release Date, Bezeq The Israel Telecommunication Corp. Limited. occupies approx. 70% of the project's area. In addition, the construction of Azrieli Town, which is expected to end in late 2020, will be completed according to the original time table set before the COVID-19 crisis. In addition, in May 2020 a Form 4 (occupancy permit) was received for Stage A of the Lehavim senior home, and residents have started moving in.

It is emphasized that the Company has significant flexibility in making changes and adjustments to the pace of progress of the development projects whose completion is planned for the medium term, and it regularly evaluates the construction and development plans according to its needs. For further details see Section 4.1 below.

2.2.7. 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. 26%. 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 24 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 Release Date, is approx. NIS 3 billion, in addition to which the Company holds marketable shares of Bank Leumi in a value exceeding NIS 860 million. The loan balance (principal + interest) due from the end of the Report Period until the end of 2020 is approx. NIS 188 million only. 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 5.3 below.

- 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.

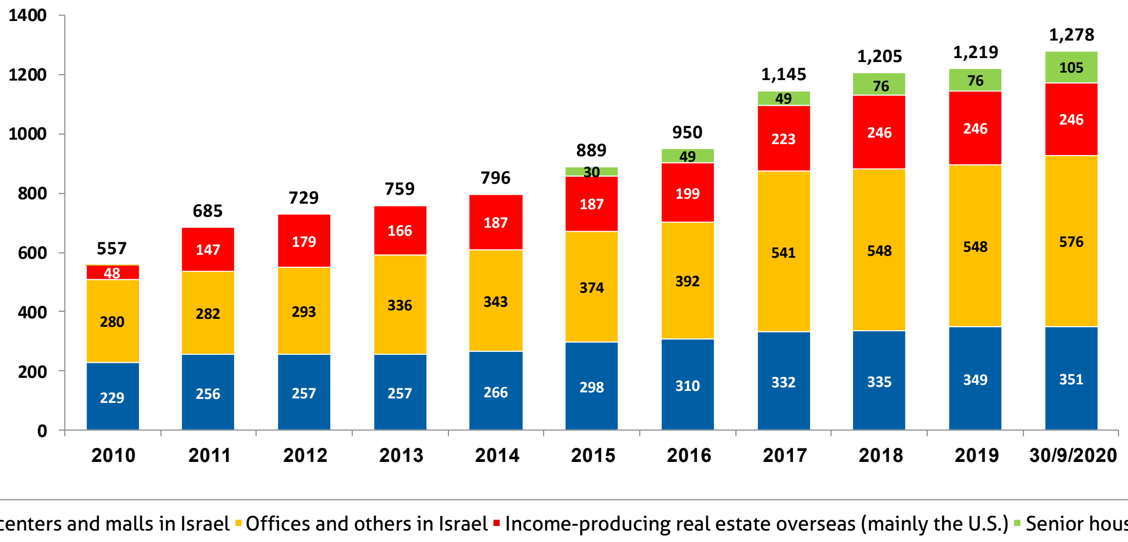
As of the date of release of this report, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with the continued spread of the coronavirus and the measures to be taken by the various countries as well as the amount of time 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, in the event that the spread of coronavirus persists over time, there may be additional material adverse effects on the global economy, including on some of the markets and sectors in which the Company operates, as well as on 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 COVID-19 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, 2020



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, 2020:

- Retail centers and malls in Israel – approx. 98%;[15]
- Leasable office and other space in Israel – approx. 98%;[15]
- Income-producing properties in the U.S. – approx. 78%;
- Senior housing in Israel – approx. 97%.[15]

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[16]. 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.

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

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

[16] 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.

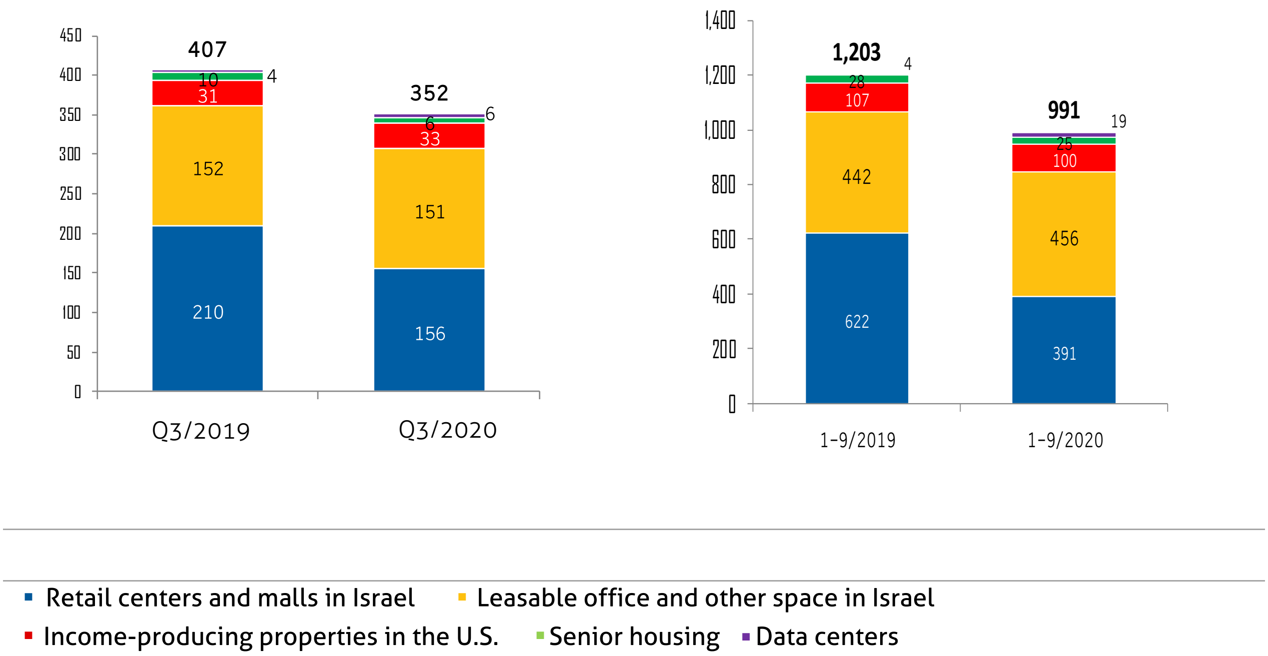
cash flows (including its ability to make distributions), and they are not meant to be deemed as a substitute for net profit in the evaluation of the results of the Group's operations.

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).[17]

The NOI figures for the income-producing real estate portfolio are as follows:[18]

NOI



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.

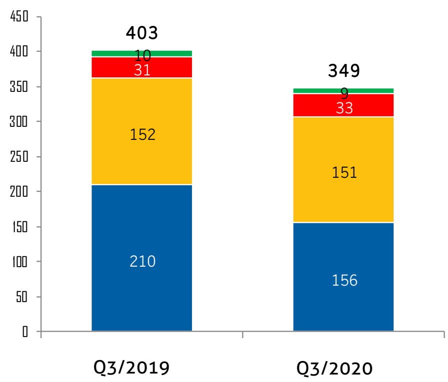
[17] The Group prepares its financial statements based on international standardization, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment properties, depreciation was not taken into account. Furthermore, for the purpose of calculating the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

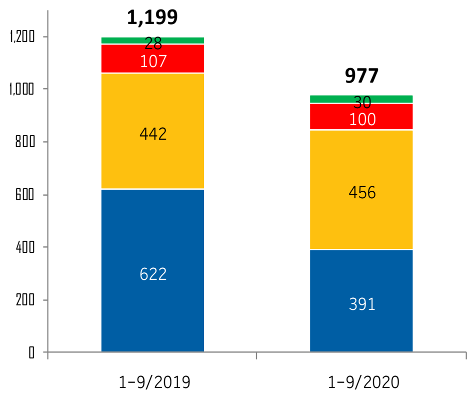
[18] Including properties from the segments: retail centers and malls in Israel; leasable office and other space in Israel; income-producing properties in the U.S.; senior housing and data centers.

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

Figures are presented in millions of NIS.

The decrease in Same-Property NOI was mainly affected by the decrease in the segment of retail centers and malls in Israel due to the closure of malls to visitors according to the Government's decisions in the second half of March 2020 until May 2020 and during the high holidays – from the second half of September and until the end of the Report Period, and in view of the effect of the Relief Plan for the tenants of the Company's malls as specified in Section 2.2 above. Such decrease was partially offset in the Report Period by an increase in the office segment resulting from the continued lease-up of the Sarona office building.

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[19], excluding the data centers[20] and excluding the Mount Zion Hotel[21] of the Group as of September 30, 2020:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment properties in the statement	**29,579**
Net of value attributed to investment properties under construction	**(3,237)**
Net of value attributed to land reserves	**(478)**
Net of value attributed to income-producing senior housing	**(2,073)**
Total value of income-producing investment properties (including the fair value of vacant space)	**23,791**
Actual NOI in the quarter ended September 30, 2020 (excluding senior housing, data centers and Mount Zion Hotel)	**340**
Adjustments due to COVID-19 concessions*	**48**
Additional future quarterly NOI (1)	**34**
Total standardized NOI	**422**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers and Mount Zion Hotel)	**1,688**
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 occupied, space occupied and to be occupied during 2020 under a whole-year lease in respect of which value was recorded in the update of the valuations as of June 30, 2020.
(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 2020 and its entire purpose is to reflect the NOI assuming full occupancy for a whole year of all income-producing properties.
*Temporary concessions granted in the Report Period due to the COVID-19 crisis were discounted.

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, 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 the ramifications of COVID-19.

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[19] 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 8.5%.
[20] Which is included in investments in companies accounted for by the equity method and therefore excluded from income-producing real estate.
[21] Presented as fixed assets and is not measured at fair value since it is not included in the definition of investment property.

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, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Net profit for the period attributable to shareholders	**192**	289	**219**	990
Discounting the net loss (profit) from GES (in comparison figures Granite Hacarmel) and Azrieli E-Commerce attributable to the shareholders (including a deduction of excess cost)	**16**	(2)	**49**	(11)
Profit adjustments:(1)				
Decrease (increase) in the value of investment properties and fixed assets, net	**(2)**	3	**456**	(175)
Depreciation and amortizations	**3**	3	**10**	710
Net non-cash flow financing and other expenses (revenues)	**(3)**	(53)	**(79)**	31
Tax expenses	**38**	53	**29**	124
Net of a dividend received from financial assets available for sale	**-**	(12)	**(9)**	(114)
Effect of profits of an associate	**1**	3	**26**	3
The Company's share in the FFO of an associate	**-**	-	**(3)**	-
Cash flow from the receipt of residents' deposits net of deposits returned to residents(2)	**30**	33	**76**	136
Net of revenues from the forfeiture of residents' deposits	**(7)**	(7)	**(23)**	(21)
Total profit adjustments	**60**	23	**483**	(6)
Plus interest paid for real investments(3)	**1**	1	**2**	4
Total FFO attributed to the income-producing real estate business(4)(5)	**269**	311	**753**	977
Total cash flow of financing of development pipeline(6)	**13**	10	**33**	22
Total FFO attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline	**282**	**321**	**786**	999

Financials are presented in millions of NIS.

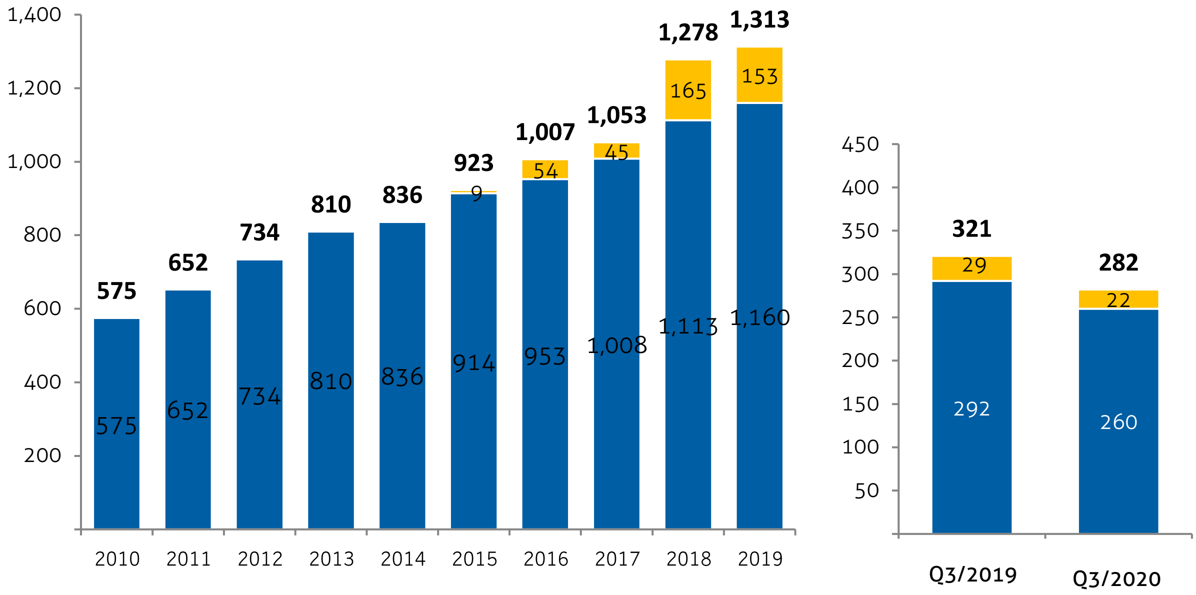
(1) The below profit adjustments do not include adjustments in respect of GES (in comparison figures Granite Hacarmel) and Azrieli E-Commerce, as their results have been fully discounted.
(2) Senior housing residents' deposits are deemed received or returned on the date on which the agreement is signed or terminated, as applicable.
(3) Calculated according to the Group's weighted interest for the real investments, which include: Granite Hacarmel (until the sale thereof), Azrieli E-Commerce, Bank Leumi (net of dividends and proceeds from sales) and the remaining consideration for 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 60 million and approx. NIS 22 million in the nine and three months ended September 30, 2020, respectively (approx. NIS 125 million and approx. NIS 29 million in the nine and three months ended September 30, 2019, respectively) and in the sum of approx. NIS 153 million in 2019.
(6) Calculated based on real credit costs due to development pipeline (comparison figures were amended accordingly).

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

Annual Data | **Quarterly Data**



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

The 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 the 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 (Net Reinstatement Value) 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 investment property.

EPRA NRV		
	30.9.2020	**30.9.2019**
Equity attributable to the Company's shareholders in the financial statements	**18,088**	17,402
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)	**3,608**	3,368
EPRA NRV	**21,632**	**20,706**
EPRA NRV per share (NIS)	**178**	**171**

Figures are presented in millions of NIS.

2.8.2. EPRA NTA

The EPRA NTA (Net Tangible Assets) 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 investment property.

EPRA NTA		
	30.9.2020	**30.9.2019**
Equity attributable to the Company's shareholders in the financial statements	**18,808**	17,402
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	**(39)**	(102)
Other intangible assets	**(16)**	(115)
Plus 50% of the tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	**1,804**	1,684
EPRA NTA	**19,773**	**18,805**
EPRA NTA per share (NIS)	**163**	**155**

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		
	30.9.2020	**30.9.2019**
Equity attributable to the Company's shareholders in the financial statements	**18,808**	17,402
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	**(39)**	(102)
Adjustment of the value of financial liabilities to fair value	**(302)**	(804)
EPRA NDV	**17,683**	**16,432**
EPRA NDV per share (NIS)	**146**	**136**

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 Kiryat Ata Mall
Azrieli Or Yehuda Outlet
Azrieli Hanegev Mall
Azrieli Rishonim Mall
Azrieli Sarona Mall

OFFICES & OTHERS in Israel

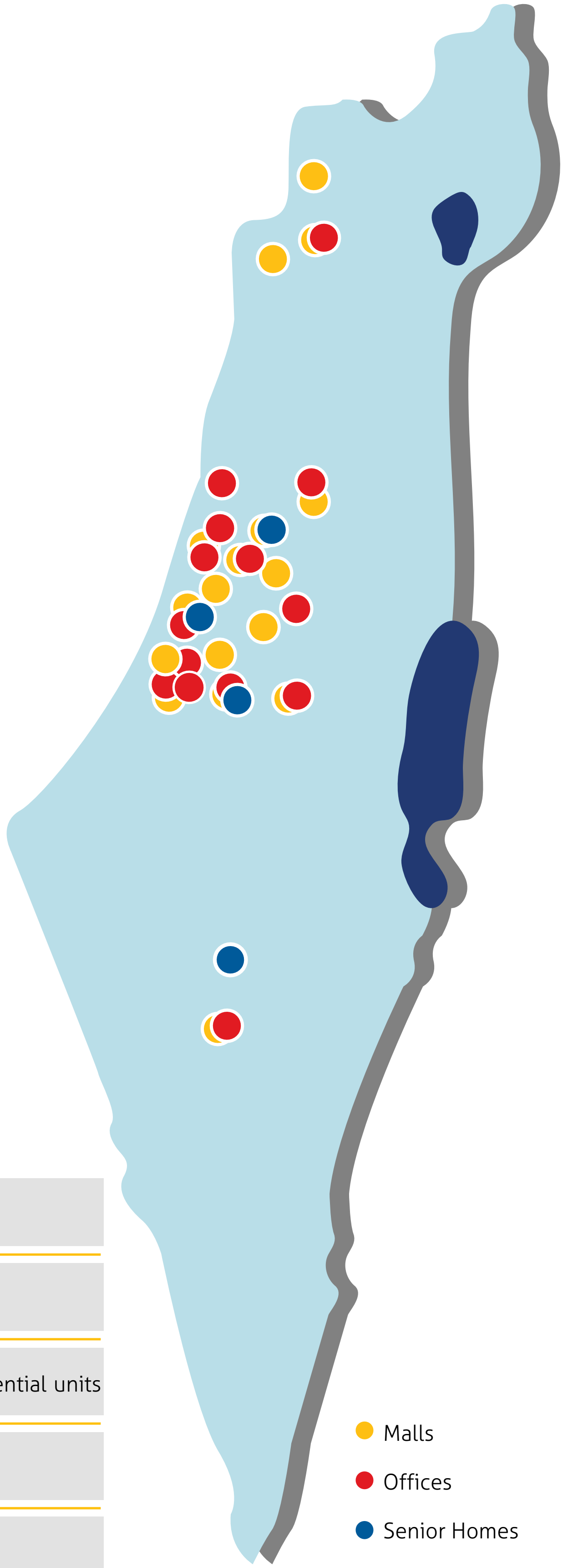
Azrieli Towers
Azrieli Sarona
Azrieli Holon Business Center
Azrieli Caesarea
Azrieli Herzliya Center
Azrieli Modi'in
Azrieli Modi'in Residential
Azrieli Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Kiryat Ata
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN Building E
Azrieli Holon Hamanor

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



18 malls	351 thousand sqm
15 office buildings	576 thousand sqm
4 senior homes	105 thousand sqm 1,034 residential units
8 office buildings overseas	246 thousand sqm
Total	1,278 thousand sqm

* As of September 30, 2020

2.9. Retail Centers and Malls in Israel Segment

The 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.

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 Group's malls are mostly characterized by the following:

- **Diverse and changing mix** – the malls segment has a dynamic retail mix that is renewed according to the 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** – increased retail space is recently 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 1,900 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

The Azrieli Group has 18 malls and retail centers in Israel with a total GLA of approx. 351 thousand sqm.

Balance of the properties of the retail centers and malls in Israel segment – The balance totaled approx. NIS 12.9 billion as of September 30, 2020, compared with approx. NIS 13 billion on December 31, 2019. The change mainly derives from revaluation losses due to the COVID-19 crisis offset by 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 loss from such adjustment in the Report Period totaled approx. NIS 304 million, compared with a profit of approx. NIS 14 million in the same period last year. The Company examined the value of the segment properties as of June 30, 2020 using an independent appraiser and has updated the value of its properties accordingly. As of the report date, there are no indications in comparable transactions to assess the change, if any, in the principal cap rate of the segment's properties. In the estimation of the appraisers, the short-term uncertainty component until a COVID-19 vaccination is found has increased, as has the risk related to the receipt of rent payments in the short term. In the event that these remain in the short term, their effect on the cap rate, if any, is usually minor. Given the foregoing, for the purpose of update of the valuations, it was assumed that in the upcoming period a decrease is expected in revenues from the lease of retail space, which decrease derives, *inter alia*, from the discounts that will be granted to some of the tenants which are affected, *inter alia*, by the prevalence of the disease, and such amount was deducted from the value of the segment's properties.

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	**30.9.2020**	**30.9.2019**	**Rate of Change**	**30.9.2020**	**30.9.2019**	**31.12.2019**
Revenues	**(22%)**	**209**	269	**(32%)**	**531**	786	1,050
NOI	**(26%)**	**156**	210	**(37%)**	**391**	831	831

Figures are presented in millions of NIS.

As noted above, prior to the resumption of operations of the Company's malls after the First Shutdown, the Company announced a tenant relief plan toward the resumption of normal operations (the "**Plan**")[22]. The effect of the relief plan on the NOI of the retail centers and malls in Israel segment totaled approx. NIS 180 million in Q2/2020. In Q3/2020 the Company granted relief to businesses that were closed or whose operations were constricted according to the law, such as cinemas, restaurants and cafés and further granted relief to businesses whose revenues was affected. In addition, the Company estimates that the total relief in Q3 from the beginning of the Second Shutdown will amount to approx. NIS 21 million. 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. For further details, see Section 2.2 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	
	30.9.2020	**30.9.2019**	**30.9.2020**	**30.9.2019**
NOI from segment properties owned by the Company as of the beginning of the period	**156**	210	**391**	622
NOI from properties purchased or construction of which was finished in 2019-2020	-	-	-	-
Total NOI from all properties	**156**	210	**391**	622

Figures are presented in millions of NIS.

[22] See the Company's immediate report of May 5, 2020 (Ref.: 2020-01-044070), which is included herein by way of reference.

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 decision in the second half of March 2020 and until May 7, 2020 and in the Second Shutdown which began on September 18, 2020 and the effects of the Relief Plan and the relief provided in Q3 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's office areas in Israel are leased to some 670 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

The Azrieli Group has 15 income-producing properties in this segment in Israel, with a total GLA of approx. 576 thousand sqm. In September 2020, a Form 4 (occupancy permit) was received for the 28,000 sqm office project in the Holon business zone. As of the Report Release Date, Bezeq The Israel Telecommunication Corp. Limited. occupies approx. 70% of the project's area.

Balance of the Group's investment properties in the leasable office and other space in Israel Segment – The balance totaled approx. NIS 12.2 billion as of September 30, 2020, compared with approx. NIS 11.7 billion as of December 31, 2019. The change derives 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 loss from such adjustment in the Report Period totaled approx. NIS 12 million, compared with a profit of approx. NIS 164 million in the same period last year. The Company examined the value of the segment's properties as of June 30, 2020 using an independent appraiser and has updated the value of its properties accordingly. As of the report date, there are no indications in comparable transactions to assess the change, if any, in the principal cap rate of the Company's properties in Israel. There is agreement that the short-term uncertainty component has increased, as has the risk related to the receipt of rent payment in the short-term. In the event that these remain in the short term, their effect on the cap rate, if any, is usually minor. In view of the increase in the short-term risk component and the additional amount of time required until the vacant areas are leased, the cap rate for these areas has increased compared with the valuations as of December 31, 2019. In view of the aforesaid and also due to the decrease in the index in the Report Period, the Company recorded an impairment of some of its properties in the leasable office and other space in Israel segment.

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	30.9.2020	30.9.2019	Rate of Change	30.9.2020	3096.2019	31.12.2019
Revenues	**(2%)**	**181**	185	**-**	**535**	535	716
NOI	**(1%)**	**151**	152	**3%**	**456**	442	594

Figures are presented in millions of NIS.

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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
NOI from segment properties owned by the Company as of the beginning of the period	**151**	152	**456**	442
NOI from properties purchased in 2019-2020	-	-	-	-
Total NOI from all properties	**151**	152	**456**	442

Figures are presented in millions of NIS.

During the Report Period, same-property NOI in the leasable office and other space in Israel segment was primarily positively affected by the continued lease-up of the offices at Sarona and Azrieli Holon center and by a real increase in rent when renewing contracts for the various properties (due to the exercise of options by tenants and/or the execution of new contracts), and was adversely affected by interim periods of tenant replacement and from a decrease in car park revenues due to the COVID-19 restrictions.

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, a Form 4 (occupancy permit) was received and residents started moving in to the home. The Group is also working to develop another project in Rishon LeZion, which is in the planning stages.

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. 1,034 senior housing units, and is planning the construction 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 (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 2019, 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 2.5 billion as of September 30, 2020, compared with approx. NIS 2.4 billion as of December 31, 2019. The change primarily derives 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 adjustment of the fair value of the segment's investment properties and investment properties under construction in the Report Period totaled approx. NIS 12 million, compared with a profit of approx. NIS 6 million in the same period last year. The properties are presented according to an update to the valuations prepared by an independent appraiser as of December 31, 2019, with the exception of the valuation of Palace Lehavim which has been updated as of June 30, 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	30.9.2020	30.9.2019	Rate of Change	30.9.2020	30.9.2019	31.12.2019
Revenues	-	**40**	40	**4%**	**120**	115	156
NOI	**(40%)**	**6**	10	**(11%)**	**25**	28	37

Figures are presented in millions of NIS.

The increase in revenues chiefly results from the continued process of occupying the senior home in Modi'in and the opening of the senior home in Lehavim during the Report Period. The decrease in NOI in the quarter mainly derives from the opening of Palace Lehavim during the Report Period; due to the gradual resident move-ins, there is an operating loss that will be counterbalanced with the continued occupying process.

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	
	30.9.2020	**30.9.2019**	**30.9.2020**	**30.92019**
NOI from segment properties owned by the Company as of the beginning of the period	**9**	10	**30**	28
NOI from properties construction of which was finished in 2020	**(3)**	-	**(5)**	-
Total NOI from all properties	**6**	10	**25**	28

Figures are presented in millions of NIS.

The increase in the NOI in the Report Period derives from the continued lease-up of the Modi'in senior home, net of the effects of interim periods of resident turnover and the reduction of activities which involve personnel turnover and entrance of external short-term visitors in view of the need to protect the health of the residents of the senior homes and convalescence departments.

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

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

As part of the global events surrounding the outbreak of COVID-19, the commodities, raw materials and energy prices market experienced significant volatility. Accordingly, since the end of 2019 the price of an oil barrel has significantly declined, even to the point of negative figures. Despite the recovery in oil prices, they have yet to regain the price levels prior to the COVID-19 crisis, adversely affecting companies from the energy industry, which is one of the major drivers of the Houston economy, and whose effect on the office market was felt during the Report Period.

For details about the effects of the COVID-19 outbreak 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. 246 thousand sqm (on a consolidated basis) and approx. 237 thousand sqm (the Company's share) leased to some 220 tenants.[23]

Balance of the Group's investment properties in the segment – This balance totaled approx. NIS 2.3 billion as of September 30, 2020, compared with approx. NIS 2.4 billion on December 31, 2019. The change mainly derives from a decrease in the value of the segment's properties according to an update of the valuations prepared as of June 30, 2020.

Change due to adjustment of the fair value of the segment's investment properties – The loss from such adjustment in the Report Period totaled approx. NIS 152 million, compared with a loss of approx. NIS 9 million

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

recorded in the same period last year. The loss in the Report Period mainly resulted from the continuation of the expected amount of time for lease-up of the vacant areas, an increase in the rate of vacant areas and a reduction of the expected inflation rate due to the economic crisis in the U.S., the health crisis and the crisis in the prices of energy on which a large portion of Houston's economy is based. The properties are presented according to an update to the valuations carried out by appraisers for some of the segment's properties as of June 30, 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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2020	30.9.2019	Rate of Change	30.9.2020	30.9.2019	31.12.2019
Revenues	**(6%)**	**63**	67	**(8%)**	**191**	208	268
NOI	**6%**	**33**	31	**(7%)**	**100**	107	139

Figures are presented in millions of NIS.

The main change in the NOI in the Report Period derives from the effect of occupancy changes in some of the properties and from changes in the average exchange rate of the U.S. dollar.

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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
NOI from segment properties owned by the Company as of the beginning of the period	**33**	31	**100**	107
NOI from properties purchased in 2019-2020	**-**	-	**-**	-
Total NOI from all properties	**33**	31	**100**	107

Figures are presented in millions of NIS.

Same-property NOI in the income-producing properties in the U.S. segment was affected by changes in occupancy in some of the properties and by changes in the average exchange rate of the U.S. dollar.

2.13. Income-Producing Real Estate – Additional Operations

2.13.1. Data centers

Further to the Company's reports, whereby it periodically examines entry into operating segments tangent to its income-producing real estate operations, the Company examined the data centers market. After studying the market and the key players in the sector, the Company made the decision to invest in a company engaged in this sector, while noting the growth potential that exists in the sector and with the intention that it would serve as another growth engine for the Group's business.

The Company decided that its entry into the data centers market would be made through equity investment in a company operating in North America, with an option to increase the holding rate in this company, which has significant development and entrepreneurial potential in the sector. For further details, see Section 1.2.3.2 above.

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 estimates in this section 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.

2.13.2. 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 1.2.3.6 above.

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 in the process of planning the renovation of the hotel and the expansion thereof in accordance with the zoning plan which applies to the lot on which the hotel is built.

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

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 1.2.3.3 above, as well as Note 4 to the financial statements.

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[24]. 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, 2019	**1,162**
Sale proceeds	**(16)**
Investment	**-**
Total investment as of September 30, 2020 (2)	**1,146**
Fair value of the investment as presented in the financial statements as of September 30, 2020	**688**
Change in fair value during the Report Period	**(458)**
Dividend received in the Report Period	**9**

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, 2020.
(2) Before adjustment to changes in fair value during the Report Period.

3.2.2. E-Commerce Platform Activity – Azrieli.com

For details about the Group's e-commerce activity, see Section 4.1.3 below.

[24] 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 2019, which is included herein by way of reference.

4.1. Review of the Business Development Operations

4.1.1. Development of Income-Producing Properties

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, offices and residence	Offices 50,000 Retail 4,000 Residence 21,000 (210 residential units)	Offices: Q4/2020 Retail and Residence: 2022	**1,180**	**838**	**1,100-1,150**
Akko	Offices	8,000	Q1/2021	**24**	**43**	**70-75**
Total		**83,000**		**1,204**	**881**	**1,170-1,225**
Development Projects in the Medium-Term						
Palace Lehavim Senior Housing Phase B	Senior housing	10,000	2022	**105**	**101**	**110-115**
Modi'in land (Lot 21)	Retail, offices, residence and hotel	20,000[6]	2023	**143**	**145**	**340-370**
Senior housing land Rishon LeZion	Senior housing and retail	37,300	2024	**71**	**68**	**450-470**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hotel and residence	150,000[5]	2025	**905**	**574**	**2,300-2,500**
Total		**217,300**		**1,224**	**888**	**3,200-3,455**
Total		**300,300**		**2,428**	**1,769**	**4,370-4,680**
Development Projects in Planning Stages						
Azrieli Town Building E	Offices	21,000	TBD	**107** [7]	**116** [7]	**TBD**
Holon 3 – Holon Industrial Zone [8]	Retail and offices	250,000	TBD	**552**	**491**	**TBD**
Petach Tikva land	Offices and retail	53,000[9]	TBD	**95**	**100**	**TBD**
Modi'in land (Lot 10)	Offices and retail	37,000	TBD	**88**	**93**	**TBD**
Mount Zion Hotel	Hospitality	34,000[10]	TBD	**292**	**294**	**TBD**
Total		**395,000**		**1,134**	**1,094**	
Total		**695,300**				

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 and does not include a gas station and a convenience store next to it).

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, 2020.
3. Without capitalizations and tenant fit-outs, as of September 30, 2020.
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 is in the process of increasing the building rights in the project to 28,000 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 150,000 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.

<u>Description of Properties under Construction and Land Reserves</u>

Azrieli Town, Tel Aviv – The land, area of which is approx. 10,000 sqm, was purchased in October 2012 and construction commenced in September 2016. The project is expected to consist of retail areas of approx. 4,000 sqm and two towers: an office tower with a GLA of approx. 50,000 sqm and a residential tower consisting of approx. 210 apartments for lease. The project is located in proximity to the train stations in central Tel Aviv and to the light rail station in the future, and 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. In May 2018, an aboveground permit was received for 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. A hearing was held on the administrative appeal in January 2020, and as of August 2020, a decision that denies the administrative appeal submitted against the plan has been issued.. As of the Report Release Date, the Group has signed lease contracts for nearly 100% of the project's office space.

Azrieli Akko Offices – In June 2019, a permit was received to add two office floors above the mall and add parking spaces and work is in progress.

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 allocate from the said rights in the project a public floor for the Tel Aviv-Jaffa Municipality, as well as undertook to pay and perform various tasks in the vicinity of the project, 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. The design plan in connection with the project was discussed by the Local Committee in November 2019. Another hearing was held by the Local Committee in January 2020 and it was decided to approve the design plan conditionally; the Company is acting to obtain final approval of the design plan. In January 2020 a basement permit was received for the project. As of the report date, the Company is carrying out excavation and shoring work on the land.

Land in Modi'in (Lot 21) – On January 11, 2018, the Group won a tender held by the Israel Land Authority 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 approved by the Local Committee subject to conditions. In June 2020, the basement permit was obtained. 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.

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 to 28,000 sqm and connection thereof to the existing project, after the Local Committee stated that it sees the promotion of such plan favorably. In November 2019 the District Committee discussed the plan and decided that it would be conditionally deposited. In June 2020, the Company deposited the plan for objections and in November 2020 a hearing of the objections was held by the District Committee which approved the plan and the Company is acting to publish the plan for validation.

Palace Rishon LeZion Senior Home – The land, area of which is approx. 3,400 sqm, located at HaRakafot Neighborhood in East Rishon LeZion, was purchased in March 2016 in a tender held by the ILA for the purchase of the leasehold on the land. The Company intends to build on the land a senior home 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 was received, on the deposit of the zoning plan on conditions. In April 2019, the zoning plan was published for objections, and in September 2019, a hearing was held in the District Committee on the objections that were submitted and it was decided to validate the plan. As of February 2020 the plan is valid.

In March 2020 the Company submitted an application for an excavation and shoring permit for the project and the Local Committee issued a decision that granted the permit subject to conditions. In June 2020, the permit was obtained.

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.

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 in November 2020, a Form 4 (occupancy permit) was received for such underground parking levels. 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 existing office project owned by the Group. The land includes building rights for around 53,000 sqm as well as parking basements. For further details, see the Company's immediate reports of September 18, 2017 and November 9, 2017 (Ref.: 2017-01-093630 and 2017-01-098386, respectively) which are included herein by way of reference. In July 2019 an application was filed for shoring, excavation and basement permits. In January 2020 the Local Committee decided to conditionally approve the shoring, excavation and basement permit application. In August 2020 a hearing was held by the Local Committee with respect to a zoning plan under Local Committee jurisdiction, which plan seeks additional height and additional rights of 500 sqm, and it was decided to conditionally deposit the plan. 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 Israel Land Authority ("**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.

Mount Zion Hotel – For details about the purchase of Mount Zion Hotel, see Section 1.2.3.6 above. 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 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.

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 COVID-19.

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	TBD
Status	In planning

AZRIELI TOWN BUILDING E

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

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, offices and residence
GLA	75,000 sqm
Estimated completion	Offices : Q4/2020
	Residence and retail: 2022
Status	Under Construction

MODI'IN LAND (LOT 21)

Use	Retail, offices, hotel and residence
GLA	20,000 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	In planning

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

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 2019, which is included herein by way of reference and Section 3 of Chapter B of this report – updates to the Description of the Corporation's Business chapter as of September 30, 2020.

4.1.2. 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 2019, which is included herein by way of reference.

4.1.3. E-Commerce Business

Further to the Company's reports, whereby it continues 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 its core business in traditional retail. In the Report Period, Azrieli E-Commerce signed an agreement for the establishment of a limited partnership under joint ownership with MGS Group for the purpose of launching a website specializing in fashion and sports designated for the Israeli market. This website will offer for sale clothing, footwear and accessories of brands whose distribution rights are held by MGS Group as well as many other brands. 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.

4.1.4. Investment in Compass

Azrieli Group made a decision to enter the global Data Centers industry, which is at the core of the Group's income-producing real estate business, seeing this industry as a growth engine with significant potential. For further details, see Sections 1.2.3.2 and 2.13.1 above.

4.1.5. Acquisition of the Mount Zion Hotel in Jerusalem

In December 2019 the Company announced its entry into the hospitality industry and in February 2020 it closed the acquisition of the Mount Zion Hotel in Jerusalem. For further details, see Sections 1.2.3.6 and 2.13.2 above.

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

	30.9.2020	30.9.2019	31.12.2019
Current assets	**3,414**	2,543	3,427
Non-current assets	**31,761**	30,466	31,812
Current liabilities	**2,885**	3,486	2,788
Non-current liabilities	**14,168**	11,985	13,877
Equity attributable to the Company's shareholders	**18,088**	17,402	18,534
Equity attributable to the Company's shareholders out of total assets (in %)	**51%**	53%	53%
Net debt to assets (in %)	**26%**	28%	24%

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 the Report Period, in April 2020, the Company issued bonds (Series E and F) by way of expanding such bond series. For further details, see Section 1.2.3.5 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[25]. The Group's leverage ratio is low, compared to many of 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 last issue in April 2020, in the midst of the COVID-19 crisis.

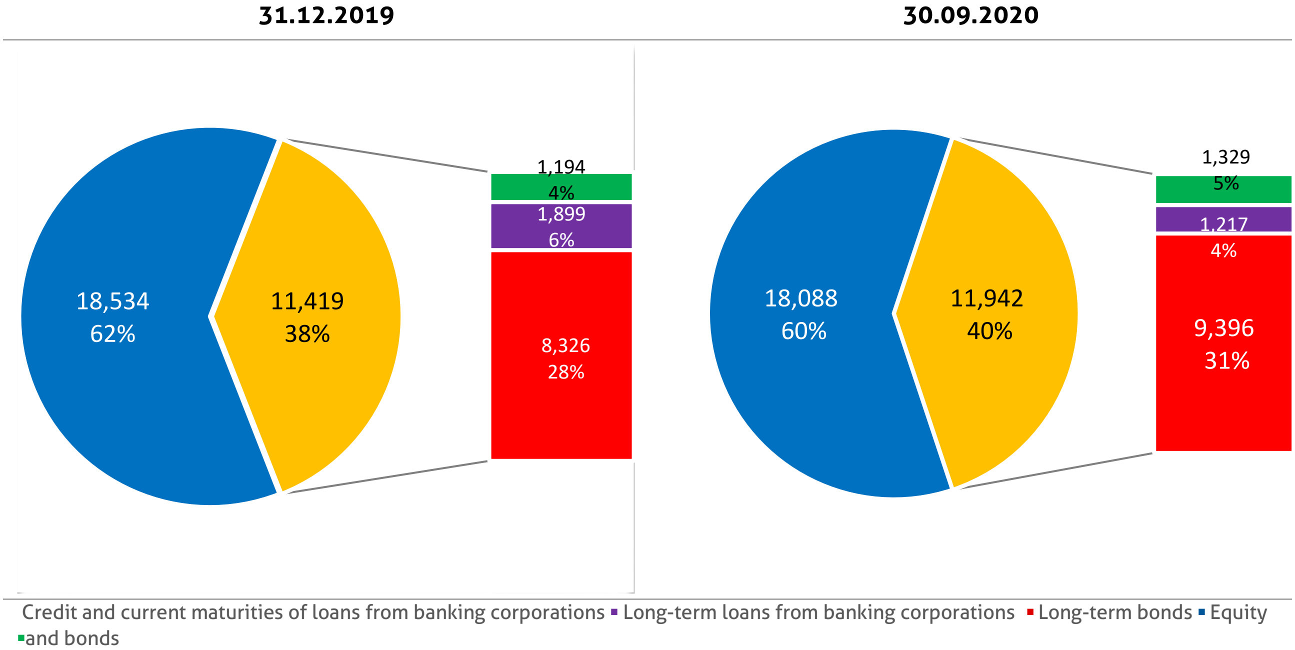
[25] For further details, see Section 19 of Chapter A of the Periodic Report for 2019, which is included herein by way of reference.

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



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

The increase of approx. NIS 523 million in total debt in the Report Period chiefly results from the issuance of bonds in Q2/2020, offset by current repayments of loans and bonds and offset by a decrease in commercial paper.

The Group estimates 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.

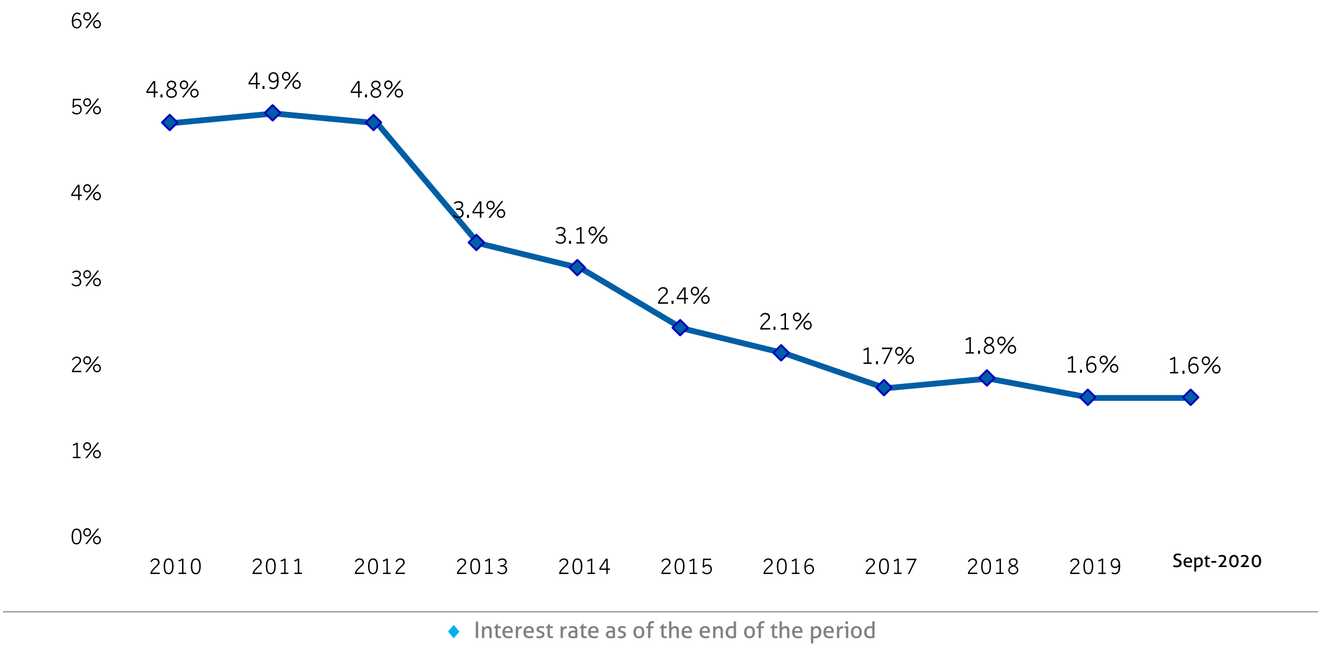
The Group's estimations mentioned in this Section 5.2 above in relation to its liquidity and the availability of its financing sources are forward-looking information as defined in the Securities Law, which is based on the Company's assessments as to market developments, inflation levels and projected 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 during the Report Period and up to the Report Release Date

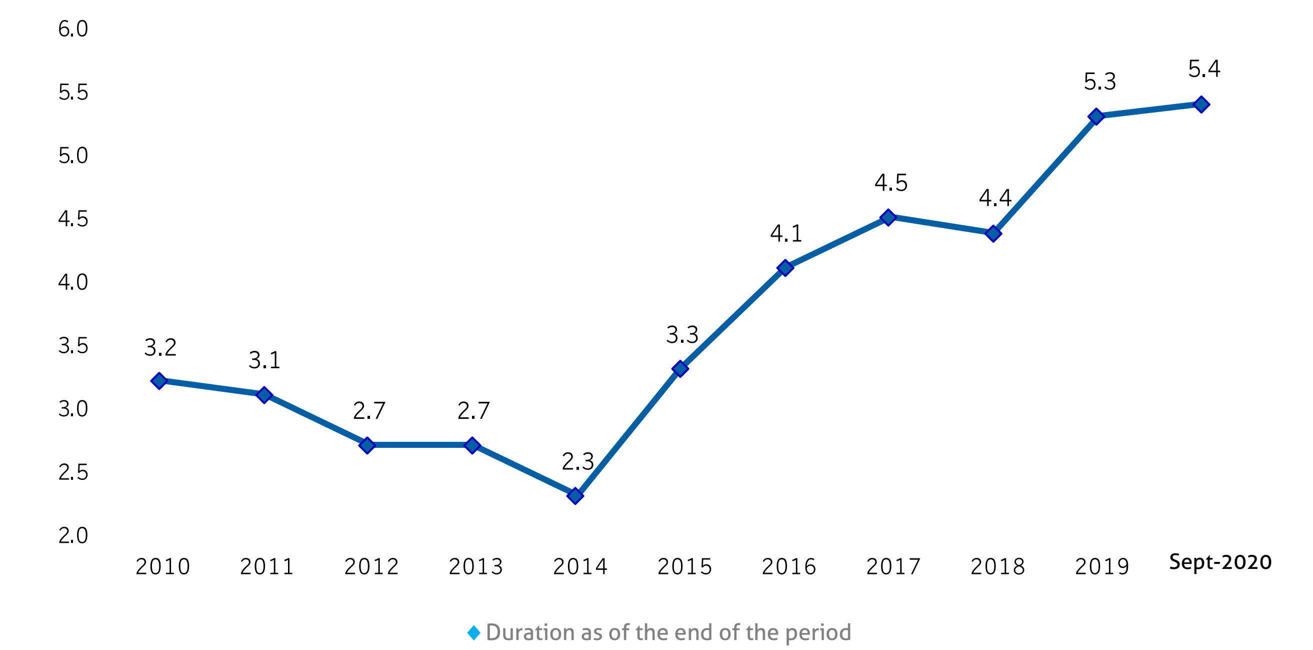
In the Report Period, the Company raised debt at low interest rates, which are typical in the present market conditions, whilst maintaining the Company's high credit rating and extending the duration of the loans' debt.

In the Report Period, the Company acted to raise debt through the issuance of bonds (Series E and F), by way of expanding such bond series, in the amount of approx. NIS 1.7 billion, with an average duration of approx. 7 years and a weighted index-linked interest rate of approx. 1.3%. For details regarding the debt raising see Section 1.2.3.5 above.

Reduction of Average Interest over the Years



Extension of the Average Duration of Debt



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 2019, which is included herein by way of reference, as well as Section 7 of Chapter B hereof.

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	USD-linked	Unlinked	GBP-linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	**18**	**58**	-	**76**	**76**
Long-term loans	**10,558**	**1,293**	-	-	**15**	**11,851**	**15**	**11,866**
Total	**10,558**	**1,293**	-	**18**	**73**	**11,851**	**91**	**11,942**

Figures are presented in millions of NIS, as of September 30, 2020.

As of September 30, 2020, short-term loans represented less than 1% 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 and F)

For details with respect to designated disclosure to the holders of the Company's Series B, D, E and F 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	,1329	215	,1544
2	907	190	,1097
3	952	178	,1130
4	784	164	948
5 forth	7,970	678	,8648
Total	11,942	,1425	,13367

Figures are presented in millions of NIS, as of September 30, 2020.

The sources for the funding of the Group's financial liabilities are chiefly the following:

- Positive cash flow from current operations, which totaled approx. NIS 726 million in the nine months ended September 30, 2020.
- 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, 2020, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 2,807 million. 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 24 billion, in addition to the aforesaid amount of approx. NIS 2.8 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.[26] 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, 2020
Real estate of the retail centers and malls in Israel segment	11,755
Real estate of the leasable office and other space in Israel segment	10,539
Other real estate (mainly hospitality)	415
The Company's holdings in Compass and Azrieli E-Commerce	749
The Company's holdings in Bank Leumi	688
Total	24,146

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.

[26] For details with respect to additional matters related to the Group's financing activities, see Section 19 of Chapter A of the Periodic Report for2019, 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	**30.9.2020**	**31.12.2019**
Total assets (1)	**,35175**	35,239
Current assets	**,3414**	3,427
Investment properties (2)	**,29444**	29,145
Short-term credit(3)	**,1329**	1,194
Loans from banking corporations and other credit providers (4)	**,1217**	1,899
Net bonds (5)	**,9396**	8,326
Equity (6)	**,18122**	18,574

Figures are presented in millions of NIS.

(1) The decrease mainly results from a decrease in the value of the holding of Bank Leumi stock and from the write-off of the GES assets in light of the closing of the sale thereof, offset by an increase in investment property in the Report Period mainly as a result of the progress in investments in projects under construction and an additional investment in Compass.
(2) The increase results from the progress of investments in projects under construction and in income-producing properties in the Report Period, offset by the decrease in the fair value of the properties, primarily due to the COVID-19 crisis.
(3) The increase results mainly from a balance of loans previously classified as long-term and carried to current maturities, offset by the repayment of maturities and the repayment of commercial paper.
(4) The decrease results mainly from a balance of loans previously classified as long-term and carried to current maturities.
(5) The increase results from the issuance of bonds in Q2/2020, offset by current maturities.
(6) The decrease chiefly results from a dividend distribution and from loss in comprehensive profit mainly due to the decrease in the fair value of the Bank Leumi stock.

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
	30.9.2020	**30.9.2019**	**30.9.2020**	**30.9.2019**	**31.12.2019**
Net profit for the period attributable to the shareholders	**192**	289	**219**	990	2,099
Net profit attributable to the shareholders and to non-controlling interests	**193**	289	**213**	990	2,097
Basic earnings per share (NIS)	**1.59**	2.38	**1.81**	8.16	17.31
Basic earnings per share from continued operations (NIS)	**1.61**	2.26	**1.88**	7.74	14.08
Comprehensive income (loss) to shareholders and to non-controlling interests	**108**	225	**(157)**	884	1,997

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 213 million, compared with NIS 990 million in the same period last year. The decrease in profit in the Report Period was affected mostly by a shift to loss due to the adjustment of the fair value of investment properties compared with a profit in the same period last year, a difference of NIS 631 million, by a decrease of NIS 212 million in NOI mainly as a result of the COVID-19 crisis, by a decrease in net other revenues in the amount of NIS 108 million, offset by a decrease in net financing expenses in the amount of NIS 103 million and a decrease in tax expenses, mainly due to the loss from the fair value adjustment, in the amount of NIS 163 million.

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, 2020, mostly derives from a decrease in the fair value of financial assets net of tax in the sum of NIS 354 million. For the three-month period ended September 30, 2020, it mainly derives from a decrease in the fair value of financial assets net of tax in the amount of NIS 78 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	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Marketing, general and administrative expenses (1)	**41**	43	**119**	121
Net other revenues (2)	**-**	12	**-**	108
Net financing expenses (revenues) (3)	**44**	(9)	**58**	161
Income tax expenses (4)	**62**	96	**77**	240

Figures are presented in millions of NIS.

(1) The decrease in expenses in the quarter compared with the same quarter last year mainly derives from a decrease in consulting expenses and contributions offset by an increase in marketing expenses. The decrease in expenses in the Report Period compared with the same period last year mainly derives from a decrease in consulting expenses and contributions offset by an increase in payrolls expenses, primarily due to the expansion of the Company's management echelon in consequence of its entry into new business segments.
(2) Net other revenues in the corresponding quarter mainly derived from a dividend from Bank Leumi (in the same period last year, they mainly derived from dividends from Leumi Card and Bank Leumi).
(3) The increase in net financing expenses in the current quarter compared with the same quarter last year mainly derives from an increase in linkage expenses on loans, bonds and senior housing residents' deposits due to a 0.1% increase in the CPI in the current quarter compared with a 0.7% decrease in the CPI in the same quarter last year. The decrease in financing expenses in the Report Period compared with the same period last year, mainly derives from a decrease in linkage expenses on loans, bonds and senior housing residents' deposits, due to a 0.6% decrease in the CPI in the current period compared with a 0.5% increase in the same period last year.
(4) The decrease in tax expenses in the current quarter compared with the same quarter last year is mainly attributed to a decrease in current taxes due to a decrease in the NOI and the increase in the financing expenses as noted above. The decrease in tax expenses in the Report Period compared with the same period last year is primarily attributed to a change in deferred tax expenses due to the loss from fair value adjustments of investment properties in the present period compared with the profit from fair value adjustments of investment properties in the same period last year.

6.4. Cash Flows

The following table shows the cash flows generated by the Group for Q3/2020, compared with the same quarter in 2019:

Quarterly Cash Flows		
Quarter	**Q3/2020**	**Q3/2019**
Net cash flows generated by the Group from current operations (1)	**294**	447
Net cash flows used by the Group for investment activities (2)	**(265)**	(701)
Net cash flows used by the Group for financing activities (3)	**(309)**	(479)

Figures are presented in millions of NIS.

(1) The cash flow in Q3/2020 and in the same quarter last year chiefly resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 346 million (approx. NIS 403 million in the corresponding period), plus net senior housing deposits net of paid income taxes.
(2) Most of the cash flow in Q3/2020 was used for acquisition of and investment in investment properties and investment properties under construction in the sum of NIS 187 million and for an additional investment in Compass, and was offset by the proceeds received from the sale of Supergas. Most of the cash flow in the same quarter last year was used for the acquisition of Compass and for the acquisition of and investment in investment properties and

investment properties under construction in the sum of approx. NIS 201 million.

(3) Most of the decrease relative to the same quarter last year derives from a decrease in repayment of bonds in the current quarter compared with the same quarter last year.

The following table presents the cash flows generated by the Group for the nine-month period ended September 30, 2020, compared with the same period last year:

Cash Flows in the Report Period	For the Nine-Month Period Ended September 30, 2020	For the Nine-Month Period Ended September 30, 2019
Net cash flows generated by the Group from current operations (1)	726	1,263
Net cash flows used by the Group for investment activities (2)	(979)	(746)
Net cash flows generated (used) by the Group from (for) financing activities (3)	153	(172)

Figures are presented in millions of NIS.

(1) Most of the cash flow in the period and in the same period last year derived from the operating profit of the income-producing real estate in the amount of approx. NIS 972 million (approx. NIS 1,199 million in the corresponding period) plus net senior housing deposits and offset by income taxes paid.

(2) Most of the cash flow in the Report Period was used for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 680 million, for acquisition of the Mount Zion Hotel and for an additional investment in Compass offset by proceeds received from the sale of Leumi Card, Supergas and GES. Most of the cash flow in the same period last year was used for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 578 million and for the acquisition of Compass, offset by proceeds from the disposition of Bank Leumi and Leumi Card shares net of tax and from dividends received.

(3) Most of the change relative to the same period last year derived from an increase in the sum received from the issuance of bonds in the period compared with the corresponding period and from a decrease in the amount of the dividend distributed to the shareholders in the period compared with the same period last year and from a decrease in repayment of bonds, offset by an increase in the repayment of short-term credit in the current period relative to 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 2019, which is included herein by way of reference.

7.1. Approval of Extension of the Term of Letters of Indemnification and Exemption from Liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli, who are Controlling Shareholders of the Company and serve as Directors thereof

On April 30, 2020, the general meeting of the Company's shareholders approved the extension of the term of the letters of indemnification and exemption from liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli as directors of the Company, who are controlling shareholders of the Company, for an additional three-year period commencing on the date of such approval. For further details, see the immediate notice of meeting report of March 25, 2020 (Ref.: 2020-01-029445) and the immediate report of May 3, 2020 on the results of the meeting (Ref.: 2020-01-043230), which are included herein by way of reference.

7.2. Internal Enforcement Plan

On May 27, 2020 the Company's board committee on internal enforcement discussed the 2019 report and enforcement plan for 2020. For further details on the Company's internal enforcement plan, see Section 10 in Chapter E of the Periodic Report for 2019, which is included herein by way of reference.

7.3. Changes in the Service of Company Officers

See Section 1.2.3.8 above.

7.4. Contributions

On May 31, 2020, the contributions arrangement between the Company and the Azrieli Foundation (Israel), R.A., expired. It is clarified that the Azrieli Foundation still holds Company shares, constituting approx. 5.69% of the Company's issued capital.

In view of the Company's intention to continue making contributions to non-profit organizations, during the report period, the Group adopted a corporate social responsibility (CSR) plan, which defines the Group's commitment to social and business responsibility, building Israel and protecting the environment. On August 18, 2020 the Company's board of directors approved an annual budget in the sum of up to 1.5% of the consolidated annual net profit[27] or NIS 20 million, whichever is higher, for the implementation of the CSR plan, including the contribution policy included therein, which shall be made by the granting of financial and/or in-kind donations.

[27] Net of fair value adjustments of investment properties net of tax.

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, 2020 and Note 3 to the financial statements as of September 30, 2020.

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 2019. The Company has updated the valuations of its properties as of June 30, 2020.

As specified in Section 9.3 of the board of directors' report included in the Periodic Report for 2019, 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. 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.

8.5. 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, 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 persistence 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, 2020.

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

Date: November 24, 2020

<u>Annex A</u>

Designated Disclosure to the Bondholders

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	754.8	754.8	2.4	745.5	761.8	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	3,635.8	3,683.2	11.6	3,664.5	3,787.8	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	3,243.5	14.5	3,358.9	3,434.8	Fixed	1.77	On June 30 of each of the years 2022 through	From June 30, 2019, twice a year on June 30 of each of the years	Linkage (principal and interest) to the rise in the CPI	
	Dec. 19, 2019	1,216.7											

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
	April 20, 2020	810.7								2028	2019 through 2028 and December 31 of each of the years 2019 through 2027	for December 2018*	
Series F	Jan. 22, 2019	263.4	1,958.0	1,958.0	12.2	2,174.9	2,212.5	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											
Total		**11,198.3**	**9,592.0**	**9,639.5**	**40.7**	**9,943.8**	**10,196.9**						

* The Series B, Series D, Series E, Series F 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).

3. The reports mentioned in Sections 2.1-2.3 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 2, 2020(*)	AA+ stable	June 21, 2015 March 28, 2017 February 2, 2020
Series D	Midroog	Aa1/stable outlook	Aa1/stable outlook	April 19, 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
Series E	Midroog	Aa1/stable outlook	Aa1/stable outlook	April 19, 2020(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020
Series F	Midroog	Aa1/stable outlook	Aa1/stable outlook	April 19, 2020(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020

* For Ma'alot's rating report on the Company's Series B, see the Company's immediate report of February 2, 2020 (Ref.: 2020-01-012273), which is included herein by way of reference.

** For Midroog's rating report on the Company's Series D-F Bonds, see the Company's immediate report of April 19, 2020 (Ref.: 2020-01-034858), which is included herein by way of reference.

AZRIELI GROUP

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, 2019 (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, 2020 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 25, 2020; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – September 30, 2020; 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, 2020.

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) investment in Compass; (3) the sale of Granite Hacarmel; (4) the sale of GES; (5) financing transactions; (6) the purchase of Mount Zion Hotel in Jerusalem; (7) the spread of COVID-19; and (8) changes in the office of senior officers, see Section 1.2.3 of Chapter A hereof.

2. Dividends

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

On May 14, 2020, the Company paid a dividend to its shareholders in the total amount of NIS 300 million. For details, see Section 1.2.4 of Chapter A hereof.

3. 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:

[1] As reported by the Company on March 25, 2020 (Ref.: 2020-01-025963) which is incorporated herein by reference.

Azrieli Town Tel Aviv – In August 2020, a decision was issued denying the appeal filed against a zoning plan for the addition of office and hotel areas at a total scope of approx. 24 thousand sqm (gross) at the site.

"Palace Lehavim" senior home – in May 2020, a Form 4 (occupancy permit) was received in connection with the construction of Phase A of the project and for the retail space, and residents have started moving in. In July 2020, a Form 4 for the LTC space (approx. 5 thousand sqm) was received.

Land in Modi'in (Lot 21) - in June 2020, a basement permit was received and an application was submitted for an above-ground building permit for two retail floors, two hotel floors (84 rooms) and service and operation areas. Furthermore, in June 2020, the Company filed for objections, the plan to increase the above-ground building rights for the lot to 28,000 sqm and connect it to the existing project, and in November 2020, the objections were heard by the District Committee that approved the plan and the Company is working for publication of the plan for validation.

Azrieli Tel Aviv - the Company is currently working on fulfillment of conditions in connection with an application for a permit to add approx. 2,500 sqm for construction of movie theaters on the roof of the mall, and add approx. 800 sqm of retail space on the ground floor.

Azrieli Rishonim - in July 2020, a hearing was held on the objections to the plan for the addition of office space in the project's office tower, which were denied by the District Committee. The plan was approved for conditional validation.

Hamanor Holon - in September 2020, a Form 4 was received for the office project in the office area of Holon at a scope of approx. 28 thousand sqm. As of the Report Release Date, Bezeq The Israel Telecommunication Corp., Limited occupies approx. 70% of the project areas.

Azrieli Jerusalem mall - in September 2020, the District Committee held a hearing on the objections to the zoning plan published by the Company for the expansion of the Azrieli Jerusalem mall by approx. 100 thousand sqm gross aboveground, that includes commercial, office and senior housing areas, as well as a building to be built for the Municipality of Jerusalem. As of the Report Release Date, the Committee's decision has not yet been received.

Holon 3 – Holon Industrial Zone - in November 2020, a Form 4 was received for the underground parking levels on the eastern side of the project.

4. 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.

"Palace Rishon LeZion" senior home – in March 2020, the Company filed an application for an excavation and shoring permit for the project, and a decision was made by the local committee approving the permit under conditions. In June 2020 the permit was received.

5. Granite Segment – Discontinued Operations

Update to Section 13 of the Description of the Corporation's Business chapter – Granite Segment – Discontinued Operations:

On January 23, 2020, Canit Hashalom Investments Ltd. entered into an agreement for the sale of its entire holdings in GES, which engages in water, wastewater, air and waste treatment, and industrial chemicals. On April 28, 2020 all of the closing conditions for the transaction were fulfilled as aforesaid, and the transaction was closed on May 7, 2020. For further details about the sale of GES see Section 1.2.3.4 of Chapter A hereof, as well as Note 4 to the financial statements.

6. Financing

Non-Bank Financing for the Company

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

- **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 3,636 million.

- **Series E Bonds of the Company**

  On April 20, 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 904 million par value of the Company's Bond Series E, by virtue of the 2019 Shelf Prospectus. On April 21, 2019, the Company announced that according to the issue results, approx. NIS 811 million par value of Series E Bonds have been allotted in consideration for approx. NIS 847 million (approx. NIS 842 million net of issue expenses).

  As of the Report Release Date, the par value balance of the Company’s Series E Bonds in circulation is approx. NIS 3,243 million.

- **Series F Bonds of the Company**

  On April 20, 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 849 million par value of the Company's Bond Series F, by virtue of the 2019 Shelf Prospectus. On April 21, 2020, the Company announced that according to the issue results, approx. NIS 762 million par value of Series F Bonds have been allotted in consideration for approx. NIS 850 million (approx. NIS 841 million net of issue expenses).

  As of the Report Release Date, the par value balance of the Company’s Series F Bonds in circulation is approx. NIS 1,958 million.

- **Commercial Paper**

  As of the Report Date, the Company has two series of CP – one rated series of approx. NIS 53 million (after having repaid approx. NIS 200 million during the report period), and one unrated series of approx. NIS 5 million (after having repaid approx. NIS 149 million during the report period). For details on the Company’s CP see Note 17A to the 2019 annual financial statements.

7. Credit rating

On February 2, 2020, Ma'alot confirmed the Company's ilAA+/Stable/ilA-1+ rating. To inspect the full report by Ma'alot, see the Company's immediate report of February 2, 2020 (Ref.: 2020-01-012273), which is included herein by way of reference.

On April 20, 2020, Midroog confirmed the rating of the Series E-F bonds issued by the Company by way of expansion of the said series, Aa1.il with a stable outlook. To inspect the full report by Midroog dated April 20, 2020, see the Company's immediate report of April 20, 2020 (Ref.: 2020-01-035086), which is included herein by way of reference.

PART C

Consolidated Financial Statements

Dated 30 September 2020

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of September 30, 2020

(Unaudited)

Azrieli Group Ltd.

C o n t e n t s

Deloitte.

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements

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 subsidiaries (the "**Group**") which includes the Condensed Consolidated Statement of Financial Position as of September 30, 2020 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the nine- 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 24, 2020

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
ASSETS			
Current Assets			
Cash and cash equivalents	2,738	1,014	2,842
Short-term investments and deposits	69	8	19
Trade accounts receivable	89	58	54
Other receivables	408	208	228
Inventory	9	6	7
Current tax assets	101	68	70
	3,414	1,362	3,220
Assets of a disposal group held for sale	-	1,091	207
Total Current Assets	3,414	2,453	3,427
Non-current Assets			
Investment in company accounted for on the equity method	702	480	505
Investments, loans and receivables	289	501	614
Financial assets	693	1,158	1,167
Investment property and investment property under construction	29,444	27,986	29,145
Fixed assets	513	211	253
Other non-current assets	120	130	128
Total Non-current Assets	31,761	30,466	31,812
Total Assets	35,175	32,919	35,239

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
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
LIABILITIES AND CAPITAL			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,329	1,583	1,194
Trade payables	361	224	372
Payables and other current liabilities	183	152	151
Deposits from customers	1,009	938	957
Current tax liabilities	3	2	2
	2,885	2,899	2,676
Liabilities of a disposal group held for sale	-	587	112
Total Current liabilities	2,885	3,486	2,788
Non-current liabilities			
Loans from financial corporations	1,217	1,792	1,899
Bonds	9,396	6,757	8,326
Other liabilities	65	68	67
Deferred tax liabilities	3,490	3,368	3,585
Total Non-current liabilities	14,168	11,985	13,877
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	52	439	424
Retained earnings	15,500	14,427	15,574
Total equity attributable to the shareholders of the Company	18,088	17,402	18,534
Non-controlling interests	34	46	40
Total Capital	18,122	17,448	18,574
Total Liabilities and Capital	35,175	32,919	35,239

November 24, 2020			
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
	2020	2019	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues:					
From rent, management, maintenance and sales fees, net	(*) 1,427	1,675	511	571	2,235
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(456)	175	2	(3)	901
Share in results of company accounted for on the equity method	(26)	(3)	(1)	(3)	19
Financing	15	15	(3)	3	20
Other	9	114	-	12	124
Total Revenues	969	1,976	509	580	3,299
Costs and Expenses:					
Cost of revenues from rent, management, maintenance and sales fees	469	494	169	173	658
Sales and marketing	54	54	21	18	77
G&A	65	67	20	25	97
Financing	73	176	41	(6)	266
Other	9	6	-	-	25
Total Costs and Expenses	670	797	251	210	1,123
Income before income taxes	299	1,179	258	370	2,176
Taxes on income	(77)	(240)	(62)	(96)	(471)
Income from continuing operations for the period	222	939	196	274	1,705
Income (loss) from discontinued operations for the period (net of tax)	(9)	51	(3)	15	392
Net profit for the period	213	990	193	289	2,097

(*) For the nine-month period ended September 30, 2020, the revenues from rent, management, maintenance and sales fees amounted to NIS 1,490 million. In the period from April 1, 2020 until May 4, 2020, the Company gave relief in rent to tenants in the retail centers and malls in Israel in the amount of NIS 63 million, treated as a write-off of operating lease receivables asset due to waivers attributed to the COVID-19 crisis. In view of the aforesaid, the revenues from rent, management, maintenance and sales fees, net, amounted to NIS 1,427 million. For additional details on the impact of Covid-19, see Note 3C.

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
	2020	2019	2020	2019	2019
	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 fair value of financial assets, net of tax	(354)	6	(78)	(21)	20
Actuarial loss due to defined benefit plan, net of tax	-	-	-	-	(1)
	(354)	6	(78)	(21)	19
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Share in the other comprehensive income (loss) of an investment accounted for on the equity method	(12)	(2)	4	(2)	4
Translation differences from foreign operations	(4)	(110)	(11)	(41)	(123)
	(16)	(112)	(7)	(43)	(119)
Total other comprehensive loss for the period, net of tax	(370)	(106)	(85)	(64)	(100)
Total Comprehensive Income (Loss) for the Period	(157)	884	108	225	1,997

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
	2020	2019	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Net income (loss) for the period attributable to:					
Shareholders of the Company	219	990	192	289	2,099
Non-controlling interests	(6)	-	1	-	(2)
	213	990	193	289	2,097
Comprehensive income (loss) for the period attributable to:					
Shareholders of the Company	(151)	887	107	226	2,003
Non-controlling interests	(6)	(3)	1	(1)	(6)
	(157)	884	108	225	1,997
	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	1.88	7.74	1.61	2.26	14.08
Discontinued operations	(0.07)	0.42	(0.02)	0.12	3.23
	1.81	8.16	1,59	2.38	17.31
Average weighted 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, 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 fair value of financial assets, net of tax	-	-	(354)	-	-	-	(354)	-	(354)
Share in comprehensive loss of an investment accounted for on 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 nine-month period ended September 30, 2019 (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, 2019	18	2,518	640	1	(7)	13,907	17,077	44	17,121
Net profit for the period	-	-	-	-	-	990	990	-	990
Change in fair value of financial assets, net of tax	-	-	6	-	-	-	6	-	6
Translation differences from foreign operations	-	-	-	(107)	-	-	(107)	(3)	(110)
Share in comprehensive loss of an investment accounted for on the equity method	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income (loss) for the period	-	-	6	(109)	-	990	887	(3)	884
Dividend to shareholders of the Company	-	-	-	-	-	(560)	(560)	-	(560)
Investment of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	4	4
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	(2)	-	(2)	1	(1)
Total transactions with shareholders of the Company	-	-	-	-	(2)	(560)	(562)	5	(557)
Carried to retained earnings as a result of disposition of financial assets	-	-	(90)	-	-	90	-	-	-
Balance as of September 30, 2019	18	2,518	556	(108)	(9)	14,427	17,402	46	17,448

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 fair value of financial assets, net of tax	-	-	(78)	-	-	-	(78)	-	(78)
Share in comprehensive income of an investment accounted for on 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 three-month period ended September 30, 2019 (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, 2019	18	2,518	577	(66)	(9)	14,138	17,176	47	17,223
Net profit for the period	-	-	-	-	-	289	289	-	289
Change in fair value of financial assets, net of tax	-	-	(21)	-	-	-	(21)	-	(21)
Translation differences from foreign operations	-	-	-	(40)	-	-	(40)	(1)	(41)
Share in comprehensive loss of an investment accounted for on the equity method	-	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income (loss) for the period	-	-	(21)	(42)	-	289	226	(1)	225
Balance as of September 30, 2019	18	2,518	556	(108)	(9)	14,427	17,402	46	17,448

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, 2019								
	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, 2019	18	2,518	640	1	(7)	13,907	17,077	44	17,121
Net profit (loss) for the year	-	-	-	-	-	2,099	2,099	(2)	2,097
Change in fair value of financial assets, net of tax	-	-	20	-	-	-	20	-	20
Actuarial loss due to defined benefit plan, net of tax	-	-	-	-	-	(1)	(1)	-	(1)
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	4	-	-	4	-	4
Translation differences from foreign operations	-	-	-	(119)	-	-	(119)	(4)	(123)
Total comprehensive income (loss) for the year	-	-	20	(115)	-	2,098	2,003	(6)	1,997
Dividend to shareholders of the Company	-	-	-	-	-	(560)	(560)	-	(560)
Investment of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	4	4
Sale of shares in a consolidated company	-	-	(36)	15	-	36	15	(3)	12
Funds from investee companies	-	-	-	-	1	-	1	-	1
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	(2)	-	(2)	1	(1)
Total transactions with shareholders of the Company	-	-	(36)	15	(1)	(524)	(546)	2	(544)
Carried to retained earnings as a result of disposition of financial assets	-	-	(93)	-	-	93	-	-	-
Balance as of December 31, 2019	18	2,518	531	(99)	(8)	15,574	18,534	40	18,574

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
	2020	2019	2020	2019	2019
	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	213	990	193	289	2,097
Depreciation and amortization	22	60	7	20	73
Impairment of fixed assets	7	-	-	-	10
Forfeiture of senior housing residents' deposits	(23)	(21)	(7)	(7)	(29)
Net loss (profit) from fair value adjustment of investment property and investment property under construction	456	(175)	(2)	3	(901)
Net financing and other expenses (income)	52	69	48	(19)	163
Share in losses (profits) of associates accounted for on the equity method	26	7	1	3	(14)
Tax recognized in the income statement	76	254	61	100	490
Income from disposition of investment in a subsidiary (Annex A)	-	-	-	-	(383)
Income taxes paid, net	(93)	(80)	(33)	(3)	(108)
Erosion of financial assets designated at fair value through profit and loss	-	-	-	-	1
Change in inventory	1	9	(1)	1	10
Change in trade and other receivables	(45)	8	(26)	11	54
Change in receivables in respect of franchise arrangement	-	2	-	1	2
Change in trade and other payables	(54)	(14)	21	18	(60)
Receipt of deposits from senior housing residents	133	197	51	45	236
Return of deposits from senior housing residents	(45)	(43)	(19)	(15)	(55)
Change in employee provisions and benefits	-	-	-	-	(1)
Net cash - current operations	726	1,263	294	447	1,585

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
	2020	2019	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows - Investment Activity					
Proceeds from liquidation of fixed assets	1	1	-	-	2
Purchase of and investment in investment property and investment property under construction	(689)	(578)	(225)	(201)	(899)
Purchase of and investment in fixed and intangible assets	(284)	(41)	(7)	(16)	(60)
Down-payments for purchase of fixed assets	-	-	-	-	(28)
Investment in and granting of loans to companies accounted for on the equity method	(231)	(503)	(129)	(500)	(503)
Change in short-term deposits	(50)	(16)	(50)	9	(27)
Indemnification from insurance	13	-	-	-	-
Proceeds from disposition of financial assets designated at fair value through profit and loss	-	-	-	-	3
Granting of long-term loans	(9)	-	(4)	-	-
Collection of long-term loans	-	14	-	7	15
Interest and dividend received	17	130	2	16	142
Investment in financial assets	-	(10)	-	-	(10)
Net proceeds from disposition of financial assets	84	273	-	-	279
Proceeds from disposition of investments in investee companies, net (Annex A)	162	-	112	-	673
Taxes paid for financial assets	(2)	(16)	(2)	(16)	(16)
Payments to institutions for purchase of real estate, net	9	-	38	-	(9)
Net cash – investment activity	(979)	(746)	(265)	(701)	(438)

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
	2020	2019	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows - Financing Activity					
Acquisition of non-controlling interests in a subsidiary	-	(1)	-	-	(1)
Dividend distribution to shareholders	(300)	(560)	-	-	(560)
Repayment of bonds	(520)	(679)	(184)	(321)	(1,628)
Bond offering net of issue expenses	1,672	1,467	-	-	3,904
Receipt of long-term loans from financial corporations	-	18	-	-	169
Repayment of long-term loans from financial corporations	(190)	(201)	(78)	(82)	(516)
Short-term credit from financial corporations, net	(350)	(41)	1	(10)	(55)
Repayment of other long-term liabilities	(4)	(6)	(1)	(2)	(17)
Repayment of deposits from customers	(4)	(4)	(1)	(1)	(5)
Received deposits from customers	4	9	-	1	10
Interest paid	(155)	(174)	(46)	(64)	(295)
Net cash - financing activity	153	(172)	(309)	(479)	1,006
Increase (decrease) in cash and cash equivalents	(100)	345	(280)	(733)	2,153
Cash and cash equivalents at beginning of period	2,842	716	3,020	1,784	716
Change in net cash classified for a disposal group held for sale	(2)	(28)	-	(28)	(7)
Effect of exchange rate changes on cash balances held in foreign currency	(2)	(19)	(2)	(9)	(20)
Cash and cash equivalents at end of period	2,738	1,014	2,738	1,014	2,842

(*) For the nine- and three-month periods ended September 30, 2020, non-cash transactions included an increase in accounts payable in respect of acquisitions on credit of non-current assets in the sum of approx. NIS 48 million and NIS 64 million, respectively (for 2019 - NIS 50 million).

For 2019, the non-cash transactions included an increase in receivables due to the sale of consolidated companies in the sum of approx. NIS 116 million.

In addition, for the nine-month period ended September 30, 2019 and for 2019, the non-cash transactions included an increase in receivables due to the sale of investments in financial assets in the sum of approx. NIS 282 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
	2020	2019	2020	2019	2019
	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 companies					
Working capital (excluding cash and cash equivalents)	103	-	-	-	42
Investments and loans	-	-	-	-	142
Fixed and intangible assets, net	-	-	-	-	455
Deferred tax assets	-	-	-	-	10
Other long-term liabilities	-	-	-	-	(6)
Long-term financial liabilities including current maturities	-	-	-	-	(249)
Receivables due to sale of the investment	59	-	112	-	(116)
Write-off of non-controlling interests	-	-	-	-	(3)
Write-off of capital reserves for translation differences from foreign operations	-	-	-	-	15
Profit from disposition of an investment in a subsidiary before tax	-	-	-	-	383
	162	-	112	-	673

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

AZRIELI GROUP LTD.
Notes to the Condensed Consolidated Financial Statements
as of September 30, 2020

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 (Series B and D-F) that have been issued to the public. The Group's Consolidated Financial Statements as of September 30, 2020 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, 2019, 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, 2019 and for the year then ended, including the following.

- **Waiver for lease payments deriving from operating lease arrangements whose contractual due date has expired**

  The Group treats waivers granted to lessees in operating lease arrangements for overdue lease payments, which constitute a lease amendment, as a financial asset write-off. Accordingly, and after taking into account expected credit losses, if any, the Group records the operating lease receivables balance write-off in the statement of profit or loss on the date of expiration of the contractual rights to the cash flows.

- **Operating lease arrangements which combine fixed lease payments and variable lease payments**

  In operating lease arrangements which combine fixed lease payments and variable lease payments, in which context the lessees were given relief related to COVID-19, pursuant to which the fixed component was reduced to a lower amount for a fixed period while keeping the variable component intact, the Group deems the updated floor of the fixed component as another methodical basis which better represents the format in which the benefit from use of the underlying asset decreases.

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.

Note 2 – Significant Accounting Policies (Cont.)

B. Amendments to International Financial Reporting Standards, initially applied by the Company starting from January 1, 2020:

- **Amendment IFRS 3 "Business Combinations" (regarding the definition of a "business")**

  The amendment prescribes that in order to be deemed a "business", the acquired assets and activities must include, at the very least, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment removes the need to assess whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, and removes from the definition of a "business" and "outputs" reduced costs or other economic benefits, and focuses on goods and services provided to customers.

  In addition, the amendment adds a 'fair value concentration' test whereby it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

  The amendment will be applied with respect to business combinations and asset acquisitions, the date of whose acquisition is from January 1, 2020.
  The application of the standard has no material effect on the Group's financial statements.

C. 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, 2019.

(2) Further to Note 3B to the annual financial statements, as of September 30, 2020, the Group has updated the valuations for most of its investment properties.

The valuations were prepared by independent outside valuators having relevant professional skills.

Note 2 – Significant Accounting Policies (Cont.)

C. Use of estimates and discretion: (Cont.)

(2) (Cont.)

The valuations for the investment and under construction properties were prepared mainly in the method of discounting the expected cash flows from the property. For details on the cap rates and the sensitivity to changes in the interest rates of the cap rates of investment properties, see Note 5D.

With respect to the other properties, to the Company's estimation no material changes occurred in the value of the real estate relative to the previous valuation performed.

D. 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.

Note 2 – Significant Accounting Policies (Cont.)

D. Rates of exchange and linkage basis: (Cont.)

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

	Representative Exchange Rate of the $ (NIS to $1)	CPI in Israel "For" Base 1993	CPI in Israel "Known" Base 1993
As of the date of the Financial Statements:			
September 30, 2020	3.441	223.11	223.34
September 30, 2019	3.482	224.67	225.12
December 31, 2019	3.456	224.67	224.67
	%	%	%
Change rates:			
for the nine-month period ended:			
September 30, 2020	(0.43)	(0.70)	(0.60)
September 30, 2019	(7.10)	0.60	0.50
for the three-month period ended:			
September 30, 2020	(0.72)	0.10	0.10
September 30, 2019	(2.36)	(0.30)	(0.70)
for the year ended:			
December 31, 2019	(7.79)	0.60	0.30

Note 3 – Material Events during the Report Period

A. On March 24, 2020, the Company's board of directors decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 300 million (reflecting an amount of NIS 2.47 per share), which was paid on May 14, 2020.

B. Following Note 12D to the annual financial statements, on February 9, 2020, the transaction for the purchase of the Mount Zion Hotel in Jerusalem was closed.

C. At the beginning of 2020, there was an outbreak of COVID-19 in China, which proceeds to spread around the world. The outbreak of the virus effects various areas of business in many countries. On March 11, 2020, the WHO declared a pandemic and took measures intended to slow the spread of COVID-19.

<u>Effect of the COVID-19 crisis on the segment of retail centers and malls in Israel</u> – From March 15, 2020 until May 7, 2020, an order was in place by the Israeli Government on the closure of cultural and recreational venues (the "**First Lockdown**"), an order that also applied to the Company's malls (other than to essential businesses such as supermarkets, drugstores, clinics, banks, etc.).

Similarly, in view of the increase in morbidity, various restrictions were once again imposed to reduce the spread of the virus. *Inter alia*, as of September 18, 2020, an order to close cultural and recreational venues took effect, which also applies to the Company's malls (other than the aforesaid exceptions) (in this section – the "**Second Lockdown**").

In view of the impact of the government order on the tenants in the Group's malls, the Company set up a NIS 100 million special financial aid fund for tenants in the Group's malls. As of the report release date, dozens of applications from tenants in the Group's malls to receive loans from the fund have been processed, and the Company provides loans from the fund's money, to help the tenants in its malls to return to routine.

In March 2020, the Company reported granting an exemption from payment of rent for the second half of the month of March 2020 to tenants whose businesses were closed following the First Lockdown (the "**Tenants**"), as well as suspension of rent and management fee payments for the period from April 1, 2020 until the return to routine.

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

Prior to the resumption of operations of the Group's malls, after the First Lockdown, on May 5, 2020, 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 (the "**Relief Plan**" or the "**Plan**"), whose highlights are as follows: for the period from March 15, 2020 until May 4, 2020, the Company granted a full exemption to Tenants from payment of rent and management fees; from May 5, 2020 until May 14, 2020 (the "**Preparation Period**") the Company granted a full exemption to Tenants from rent and a 75% discount on management fee payments; for the period from the end of the Preparation Period until May 31, 2020, the Company granted a 75% discount on rent and a 50% discount on the management fees; and for June 2020, a 50% discount on rent was granted with no discount on management fees, subject to payments according to rent-to-sales ratio for such periods as set forth in the specific contract of each and every Tenant. Furthermore, in the event that (all or some) of the Tenants are paid grants under a government aid program, the Plan will be adjusted and the rates of the aforesaid discounts will be reduced accordingly. The effect of the Relief Plan amounted to approx. NIS 180 million.

During Q3, the Company granted relief to tenants that were closed or whose activity was reduced pursuant to law such as movie theatres, restaurants and coffee shops, and also granted relief to tenants whose revenues were impacted. In addition, the Company estimates the total relief in Q3 from the date of commencement of the Second Lockdown at approx. NIS 21 million.

On August 9, 2020 the ISA released an accounting staff paper in connection with accounting alternatives regarding recognition of rent waivers that are attributed to the COVID-19 crisis period. Pursuant to the provisions of IFRS 9-Financial Instruments and IFRS 16-Leases (for details see Note 2A), the Company adopted a resolution to recognize, in Q2/2020 and Q3/2020, the full effect of the relief which was given to the tenants. The Company continues to examine the need to give relief to tenants, in accordance with the developments and the economy's response to the spread of the virus, and in view of the State's aid programs for tenants.

As part of the strategy for the return to normalcy in the Israeli economy, after a decrease in the number of people infected with the virus in the "first wave", the Israeli Government released an order 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 who will be responsible for compliance with the rules in each mall, a 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 meters distance requirement, the maintenance of a high standard of hygiene, and more.

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

Despite the opening of the malls, after the First Lockdown (until the Second Lockdown that commenced on September 18, 2020), permission was not given for the resumption of the activity of movie theaters and for public events on the malls' premises. In addition to these restrictions, each store in the malls' premises was required to operate in accordance with the guidelines relevant thereto, including restaurants, cafes and gyms and restrictions on dining in malls' fast food court, cafes and restaurants.

Impact of COVID-19 on the Mount Zion Hotel – On March 17, 2020, the Company closed down the activity of the hotel, in view of the encumbering directives imposed on the operation of hotels due to the COVID-19 crisis. As of the report date, the hotel is closed and the Company is working to plan the hotel renovation and exercise of the building rights for expansion of the hotel (for further details see Note 12D to the annual financial statements).

Effect of COVID-19 on the value of the Company's properties – The loss from fair value adjustment of investment property totaled approx. NIS 456 million during the report period. The Company used external appraisers to examine the value of the Company's properties as of June 30, 2020. As of the report date, there are no indications in comparable transactions to estimate the change, if any, in the main cap rate of the Company's properties in Israel. In the estimation of the valuators, the uncertainty factor in the short-term until a COVID-19 vaccine will be found has increased and the rent payment risk in the short-term has increased. Insofar as these remain in the short-term, they will generally have a minor effect on the cap rate, if any. In view of the aforesaid, for the purpose of updating the valuations, it was assumed that, in the short-term, a decrease is expected in the revenues from lease of the retail space, which derives, *inter alia*, from discounts that will be given to some of the Tenants, which are affected, *inter alia*, by the prevalence of the disease. In view of the aforesaid, in the report period, the Company decreased the value of its properties in the retail centers and malls in Israel. In addition, the Company decreased the value of part of the income-producing properties in the United States, mainly due to the lengthening of the expected period of time for population of the vacant space, the increase in the amount of the vacant space, and the expected decrease in the inflation rate due to the economic crisis in the United States, the health crisis, and the crisis in the energy prices, on which a large part of Houston's economy is based.

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

C. (Cont.)

As of the date of release of this report, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with the continued spread of COVID-19 and the steps to be taken by various countries as well as the amount of time it will take before returning to full normalcy, the Company is unable to assess such effects on its future activity, since the extent of the impact is dependent on the degree and scope of materialization thereof. In the Company's estimation, in the event that the spread of COVID-19 continues for a long period of time, there may be additional material adverse effects on the global economy, including on some of the markets and sectors in which the Company operates, as well as on some of the tenants in the Group's properties.

The Company's management estimates that in view of its financial strength, which is expressed in the total cash and cash equivalents held thereby, low leverage and a significant volume of unmortgaged properties, long loan duration, and its ability to raise capital at convenient terms, and in view of the broad dispersion of the portfolio of properties owned by the Company, the diversity of the tenants and operating segments, the impact of the exposure of the Group's business to the crisis and/or significant instability due to the continued spread of COVID-19, decreases.

In addition, following the aforesaid COVID-19 outbreak, and given the slumps on TASE, as of the date of the Financial Statements, the Company's investment in Bank Leumi stock, which is included under the "financial assets" item, totaled approx. NIS 688 million (as a result, a decrease in the fair value, net of tax, in the sum of NIS 354 million, was recorded in the report period under 'other comprehensive income').

D. In April 2020, the Company made a public offering of NIS 810.7 million par value of additional Series E bonds at a price of 104.5 Agorot per NIS 1 par value (an approx. 3.4% premium relative to their adjusted value) with an effective interest rate of approx. 1.2%, and a public offering of NIS 761.9 million par value of additional Series F bonds at a price of 111.5 Agorot per NIS 1 par value (an approx. 10.2% premium relative to their adjusted value) with an effective interest rate of approx. 1.4%, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds totaled approx. NIS 1,697 million and the net proceeds, after attribution of the issue expenses, totaled approx. NIS 1,683 million.

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

E. On May 31, 2020, the contribution arrangement signed between the Company and Azrieli Foundation (Israel) (R.A.) expired. For further details, see Note 33C(5)a to the annual financial statements. In the report period, the Group adopted a corporate social responsibility (CSR) program, which defines the Group's commitment to social and business responsibility, the building of Israel and the protection of the environment. On August 18, 2020, the Company's board of directors approved an annual budget, in an amount of up to 1.5% of the consolidated annual net profit, net of fair value adjustments of investment property, net of tax, or NIS 20 million per year, whichever is higher, for the implementation of a CSR program, including the contribution policy included therein, which shall be carried out through making donations in cash and/or in kind.

F. Further to Note 33D to the annual financial statements, on April 30, 2020, the general meeting of the Company's shareholders approved the extension of the term of the letters of indemnification and exemption from liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli as directors of the Company, who are controlling shareholders of the Company, for an additional three-year period commencing on the date of such approval.

Note 4 – Discontinued Operations

A. On January 23, 2020, Canit Hashalom Investments Ltd. (in this section: the "**Seller**"), together with GES Global Environmental Solutions Ltd. ("**GES**"), engaged in an agreement (in this section: the "**Agreement**") with Generation Capital Ltd. (in this section: the "Buyer") for the sale of all of the Seller's holdings (100%) in GES to the Buyer (in this section: the "Transaction"), after engagement in a non-binding MOU on September 12, 2019.

On April 28, 2020, all of the closing conditions for the Transaction were fulfilled, and on May 7, 2020, the Transaction was closed. In accordance with an addendum to the Agreement, which was signed on the Transaction closing date, the consideration in the Transaction is NIS 105 million, while on the Transaction closing date, the Buyer paid the Seller approx. NIS 52.5 million. The balance of the consideration in the sum of approx. NIS 52.5 million, subject to adjustments, will be paid by the Buyer in two installments – one half 24 months after the Transaction closing date and one half 36 months after the Transaction closing date.

To secure payment of the balance of the consideration as aforesaid, the entire issued and paid-up share capital of GES and any right deriving therefrom were pledged in a first-ranking fixed charge in favor of the Seller, including a pledge of GES's uncalled and/or unpaid capital, and the Buyer assigned to the Seller, by way of a pledge, its right to receive any payment from GES.

The closing of the Transaction did not have a material effect on the Company's results.

B. Further to Note 7A to the annual financial statements in connection with a transaction for the sale of all of the holdings of Canit Hashalom Investments Ltd. (in this section: the "**Seller**") in Granite Hacarmel Investments Ltd., which held the entire share capital of Supergas Israeli Gas Distribution Company Ltd., to Elco Ltd. (in this section: the "**Buyer**"), on September 29, 2020, the Buyer prepaid the sum of NIS 111.5 million against the full balance of the periodic payments.

The prepayment did not have a material effect on the Company's results.

Note 4 – Discontinued Operations (Cont.)

C. 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 Dec. 31
	2020	2019	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Results of the discontinued operations:					
Revenues	38	554	-	156	594
Expenses	43	489	-	137	550
Income (loss) before income taxes	(5)	65	-	19	44
Income taxes	-	14	-	4	13
Income (loss) after income taxes	(5)	51	-	15	31
Other costs, net of tax	(4)	-	(3)	-	(12)
Profit from the sale of discontinued operations, net of tax	-	-	-	-	373
Income (loss) for the period	(9)	51	(3)	15	392
Cash flows from discontinued operations:					
Net cash which derived from operating activities	4	123	-	25	88
Net cash (used for activities) which derived from investment activity	162	(36)	112	(18)	637
Net cash used for financing activity	(2)	(65)	-	(4)	(73)
Effect of exchange rate changes	-	-	-	1	-
Net cash which derived from discontinued operations	164	22	112	4	652

Note 4 – Discontinued Operations (Cont.)

D. Effect on the Group's statements of financial position resulting from the classification of the discontinued operations of GES as a disposal group designated for sale:

	As of date of sale	As of December 31 2019
	NIS in millions	NIS in millions
	(Unaudited)	
Cash and cash equivalents	9	7
Short-term deposits and investments	5	5
Trade accounts receivable	53	57
Other receivables	14	8
Inventory	13	15
Investments and loans in associated companies	19	18
Investments, loans and receivables	7	7
Long-term receivables in respect of franchise arrangements	45	46
Fixed assets	9	9
Intangible assets	28	32
Deferred tax assets	3	3
Credit and current maturities from financial corporations	(10)	(9)
Trade payables	(17)	(17)
Payables and other current liabilities	(16)	(15)
Provisions	(4)	(4)
Loans from financial corporations	(46)	(47)
Other liabilities	(23)	(20)
Assets and liabilities classified for a disposal group held for sale, net	89	95

(*) Inter-company transactions (between the Group and GES) were written off from the results of the selling/service-providing company, as the case may be. In addition, an asset or a liability referring to an inter-company transaction was written off from the assets or liabilities of the discontinued operations, as the case may be.

Note 5 – Fair Value

A. Fair value of financial instruments 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, 2020		As of September 30, 2019(*)		As of Dec. 31, 2019(*)	
	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 assets:						
Receivables in respect of a franchise arrangement (1)	-	-	50	68	49	68
Non-current liabilities:						
Loans from financial corporations (1)	1,928	2,019	2,355	2,499	2,177	2,238
Bonds (1)(2)	9,985	10,197	7,717	8,379	8,897	9,422
	11,913	12,216	10,072	10,878	11,074	11,660

(*) Includes assets and liabilities of a disposal group held for sale.

(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 (Cont.)

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

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
	2020	2019(*)	2019(*)
	%	%	%
Non-current assets:			
Receivables in respect of a franchise arrangement	-	0.37-1.60	0.44-1.43
Non-current liabilities:			
Loans from financial corporations	1.09-3.12	0.23-3.63	0.19-4.18

(*) Includes assets and liabilities of a disposal group held for sale.

C. Hierarchy of fair value of financial instruments:

The following table presents an analysis of the financial instruments measured at fair value using valuation techniques.

The various levels were defined as follows:

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

Level 2 – Inputs other than the quoted market prices included within Level 1 which are directly or indirectly observable (for investments in financial assets designated at fair value through profit and loss, use is made of recent market transactions between a willing buyer and a willing seller).

Note 5 – Fair Value (Cont.)

C. Hierarchy of fair value of financial instruments (Cont.)

	As of September 30, 2020		
	Level 1	Level 2	Total
	NIS in millions		
	(Unaudited)		
Financial assets at fair value through profit and loss:			
Non-marketable investments	-	5	5
Financial assets at fair value through other comprehensive income:			
Marketable shares	688	-	688
Total fair value of financial assets	688	5	693

	As of September 30, 2019		
	Level 1	Level 2	Total
	NIS in millions		
	(Unaudited)		
Financial assets at fair value through profit and loss:			
Securities held for trade	1	-	1
Non-marketable investments	-	9	9
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,149	-	1,149
Total fair value of financial assets	1,150	9	1,159

	As of December 31, 2019		
	Level 1	Level 2	Total
	NIS in millions		
Financial assets at fair value through profit and loss:			
Securities held for trade	1	-	1
Non-marketable investments	-	5	5
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,162	-	1,162
Total fair value of financial assets	1,163	5	1,168

Note 5 – Fair Value (Cont.)

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

	Loss from changes in the market factor			Asset fair value	Profit from changes in the market factor			Valuation method
	NIS in million	NIS in million	NIS in million	NIS in million	NIS in million	NIS in million	NIS in million	
Rate of change	2% absolute increase	10% increase	5% increase		5% decrease	10% decrease	2% absolute decrease	
Weighted cap rate:								
5.75% - 6.49%	(801)	(303)	(159)	3,297	175	370	1,548	DCF method
6.5% - 6.99%	(3,889)	(1,523)	(798)	16,717	888	1,870	7,208	DCF method
7.0% - 7.49%	(790)	(326)	(171)	3,439	188	396	1,405	DCF method
7.5% - 8.49%	(394)	(175)	(92)	1,640	101	214	664	DCF method
8.5%	(174)	(83)	(43)	2,181	(46)	98	268	DCF method
Investment property and investment property under construction	(6,048)	(2,410)	(1,263)	27,274	1,398	2,948	11,093	

Note 6 – Segment Reporting

A. General:

For a description of the Company's operating segments, see Note 34 to the annual financial statements.

B. Operating segments:

	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 property in the U.S.**	**Senior housing**	**Other**	**Adjustments**	**Consolidated**
	NIS in millions						
Revenues:							
Total external income	531	535	191	120	74	(24)	1,427
Total segment expenses	140	79	91	95	94	(5)	494
Segment profit (loss) (NOI)	391	456	100	25	(20)	(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)
Net financing expenses							(58)
The Company's share in the results of a company accounted for on the equity method							(26)
Income before income taxes							299
Additional information:							
Segment assets	12,850	12,189	2,288	2,474	1,187	(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 nine-month period ended September 30, 2019 (unaudited)						
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Other	Adjust-ments	Consol-idated
	NIS in millions						
Revenues:							
Total external income	786	535	208	115	36	(5)	1,675
Total segment expenses	164	93	101	87	71	(1)	515
Segment profit (loss) (NOI)	622	442	107	28	(35)	(4)	1,160
Net profit (loss) from fair value adjustment of investment property and investment property under construction	14	164	(9)	6	-	-	175
Unallocated costs							(100)
Net financing expenses							(161)
Other income, net							108
The Company's share in the results of a company accounted for on the equity method							(3)
Income before income taxes							1,179
Additional information:							
Segment assets	12,800	10,932	2,431	2,163	508	(28)	28,806
Unallocated assets (*)							4,113
Total consolidated assets							32,919

(*) Mainly financial assets in the sum of approx. NIS 1.2 billion, cash and short-term deposits in the sum of approx. NIS 1.0 billion, and assets in respect of discontinued operations in the sum of approx. NIS 1.1 billion.

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 property in the U.S.	Senior housing	Other	Adjustments	Consolidated
	NIS in millions						
Revenues:							
Total external income	209	181	63	40	26	(8)	511
Total segment expenses	53	30	30	34	34	(2)	179
Segment profit (loss) (NOI)	156	151	33	6	(8)	(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)
Net financing expenses							(44)
The Company's share in the results of a company accounted for on the equity method							(1)
Profit before income taxes							258

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

	For the three-month period ended September 30, 2019 (unaudited)						
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Other	Adjustments	Consolidated
	NIS in millions						
Revenues:							
Total external income	269	185	67	40	15	(5)	571
Total segment expenses	59	33	36	30	21	(1)	178
Segment profit (loss) (NOI)	210	152	31	10	(6)	(4)	393
Net loss from fair value adjustment of investment property and investment property under construction	(1)	-	(2)	-	-	-	(3)
Unallocated costs							(38)
Net financing income							9
Other income, net							12
The Company's share in the results of a company accounted for on the equity method							(3)
Income before income taxes							370

Note 6 – Segment Reporting (Cont.)

B. Operating segments: (Cont.)

	For the year ended December 31, 2019						
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing property in the U.S.**	**Senior housing**	**Other**	**Adjustments**	**Consolidated**
	NIS in millions						
Revenues:							
Total external income	1,050	716	268	156	58	(13)	2,235
Total segment expenses	219	122	129	119	98	(3)	684
Segment profit (loss) (NOI)	831	594	139	37	(40)	(10)	1,551
Net profit (loss) from fair value adjustment of investment property and investment property under construction	123	690	(12)	100	20	(20)	901
Unallocated costs							(148)
Net financing expenses							(246)
Other income, net							99
The Company's share in the results of a company accounted for on the equity method							19
Income before income taxes							2,176
Additional information as of December 31, 2019:							
Segment assets	13,018	11,655	2,421	2,410	582	(77)	30,009
Unallocated assets (*)							5,230
Total consolidated assets							35,239
Capital investments	219	532	34	238			

(*) Mainly financial assets in the sum of approx. NIS 1.2 billion and cash and short-term deposits in the sum of NIS 2.9 billion.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of September 30, 2020

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement

as of September 30, 2020

(Unaudited)

Prepared according to the provisions of Section 38D

of the Securities Regulations

(Periodic and Immediate Reports), 5730-1970

Azrieli Group Ltd.

C o n t e n t s

To
The Shareholders of
the 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, 2020 and for the nine- and three-month periods then ended. The separate interim financial statement is the responsibility of the Company's board of directors and management. Our responsibility is to express a conclusion on the separate interim financial statement, 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 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 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 24, 2020

Azrieli Group Ltd.
Statement of Financial Position

	As of September 30		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	2,451	651	2,582
Short-term deposits and investments	50	1	1
Trade accounts receivable	23	9	5
Other receivables	405	214	209
Current tax assets	68	26	43
Total current assets	2,997	901	2,840
Non-current assets			
Financial assets	693	1,158	1,167
Investment property and investment property under construction	12,787	11,794	12,375
Investments in Investee Companies	11,323	10,266	11,065
Loans to Investee Companies	2,419	3,473	2,679
Fixed assets	302	9	39
Other receivables	33	251	251
Total non-current assets	27,557	26,951	27,576
Total assets	30,554	27,852	30,416

The additional figures supplementing the financial information constitute an integral part of the separate interim financial statement.

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

	As of September 30		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	803	1,395	1,157
Trade payables	201	93	118
Payables and other current liabilities	112	85	80
Total current liabilities	1,116	1,573	1,355
Non-current liabilities			
Loans from financial corporations	436	619	595
Bonds	9,396	6,757	8,326
Other liabilities	27	28	28
Deferred tax liabilities	1,491	1,473	1,578
Total non-current liabilities	11,350	8,877	10,527
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	92	479	464
Retained earnings	15,500	14,427	15,574
Total capital attributable to shareholders of the Company	18,088	17,402	18,534
Total liabilities and capital	30,554	27,852	30,416

November 24, 2020			
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 supplementing the financial information constitute an integral part of the separate interim financial statement

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
	2020	2019	2020	2019	2019
	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	400(*)	514	146	175	688
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	(134)	59	2	(1)	389
Financing	74	112	22	26	141
Other	9	114	-	12	123
Total Revenues	349	799	170	212	1,341
Costs and Expenses					
Cost of revenues from rent and management and maintenance fees	26	20	9	6	26
Sales and marketing	22	25	11	9	38
G&A	50	49	15	17	69
Financing	28	119	27	(21)	211
Other	3	5	1	-	6
Total Costs and Expenses	129	218	63	11	350
Income before the Company's share in the profits of Investee Companies	220	581	107	201	991
Share in results of Investee Companies, net of tax	45	455	111	121	908
Income before income taxes	265	1,036	218	322	1,899
Taxes on income	(37)	(97)	(23)	(48)	(192)
Income from continued operations for the period	228	939	195	274	1,707
Income (loss) from discontinued operations for the period (after tax)	(9)	51	(3)	15	392
Net income for the period	219	990	192	289	2,099
Other comprehensive 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	(354)	6	(78)	(21)	20
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Translation differences from foreign operations	(5)	(80)	(10)	(34)	(89)
Share in the other comprehensive profit (loss) of Investee Companies, net of tax	(11)	(29)	3	(8)	(27)
	(16)	(109)	(7)	(42)	(116)
Total other comprehensive loss for the period, net of tax	(370)	(103)	(85)	(63)	(96)
Total comprehensive income (loss) for the period	(151)	887	107	226	2,003

(*) For the nine-month period ended September 30, 2020 revenues from rent and management and maintenance fees amounted to NIS 435 million. 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, revenues from rent and management and maintenance fees, net, amounted to NIS 400 million. For further details on the impact of COVID-19, see Note 3C to the condensed consolidated financial statements.

The additional figures supplementing the financial information constitute an integral part of the separate interim financial statement

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
	2020	2019	2020	2019	2019
	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	219	990	192	289	2,099
Depreciation and amortization	2	1	1	-	2
Net loss (profit) from adjustment to fair value of investment property and investment property under construction	134	(59)	(2)	1	(389)
Financing and other expenses (income), net	(57)	(101)	5	(56)	(49)
Share in profits of Investee Companies, net of tax	(40)	(506)	(112)	(136)	(1,300)
Tax expenses recognized in the income statement	37	97	23	48	192
Income tax received (paid), net	(39)	(2)	(15)	27	(16)
Change in trade and other receivables	(134)	(61)	(8)	(18)	(88)
Change in trade and other payables	(15)	13	19	12	31
Impairment of fixed assets	1	-	-	-	-
Erosion of financial assets designated at fair value through profit and loss	-	-	-	-	1
Net cash – current operations	108	372	103	167	483
Cash flows – investment activities					
Purchase and investment in investment property and investment property under construction	(417)	(324)	(156)	(129)	(572)
Purchase of fixed assets	(266)	(2)	(2)	-	(4)
Investments in Investee Companies	(231)	(528)	(129)	(495)	(528)
Change in short-term deposits	(50)	-	(50)	-	-
Prepayments in respect of the purchase of fixed assets	-	-	-	-	(28)
Proceeds from financial assets designated at fair value through profit and loss	-	-	-	-	3
Receipt of long-term loans from Investee Companies, net	391	421	120	156	1,263
Interest and dividend received	13	125	1	15	154
Recovery of investment in Investee Company	-	-	-	-	11
Proceeds from the disposition of financial assets, net	84	273	-	-	279
Taxes paid for financial assets	(2)	(16)	(2)	(16)	(16)
Payments to institutions for the acquisition of real estate, net	9	-	38	-	(9)
Investment in financial assets	-	(10)	-	-	(10)
Net cash – investment activities	(469)	(61)	(180)	(469)	543

The additional figures supplementing the financial information constitute an integral part of the separate interim financial statement

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
	2020	2019	2020	2019	2019
	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	1,672	1,467	-	-	3,904
Dividend distribution to shareholders	(300)	(560)	-	-	(560)
Repayment of bonds	(520)	(643)	(184)	(307)	(1,595)
Repayment of long-term loans from financial corporations	(163)	(173)	(69)	(74)	(326)
Short-term credit from financial corporations, net	(351)	(16)	1	(2)	(28)
Deposits from customers, net	-	3	-	-	3
Interest paid	(107)	(108)	(30)	(43)	(211)
Net cash – financing activities	231	(30)	(282)	(426)	1,187
Increase (decrease) in cash and cash equivalents	(130)	281	(359)	(728)	2,213
Cash and cash equivalents at beginning of period	2,582	372	2,811	1,380	372
Effect of exchange rate changes on cash balances held in foreign currency	(1)	(2)	(1)	(1)	(3)
Cash and cash equivalents at end of period	2,451	651	2,451	651	2,582

(*) For the nine- and three-month periods ended September 30, 2020, non-cash transaction included an increase in other payables in respect of acquisitions on credit in the sum of NIS 119 million and NIS 89 million, respectively.

For the nine-month period ended September 30, 2019 and Y2019, non-cash transactions included an increase in other receivables due to the sale of investments in financial assets in the sum of approx. NIS 282 million.

The additional figures supplementing the financial information constitute an integral part of the separate interim financial statement

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, 2019, 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, 2019 and the year then ended, with the exception of the provisions of Note 2B to the condensed consolidated financial statements which are published with this separate financial statement.

D. Material Events during the Reporting Period:

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

E. Discontinued Operations

See Note 4 to the condensed consolidated financial statements published with this separate financial statement.

November 24, 2020

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 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 24, 2020 on condensed consolidated financial information of the Company as of September 30, 2020 and for the nine- and three-month periods then ended.

(2) Special auditors' report of November 24, 2020 on condensed separate financial information of the Company as of September 30, 2020 and for the nine- and three-month periods then ended according to Section 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 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 September 30, 2020 (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 Q3/2020 (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 quarterly report and the report date herein, 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 24, 2020

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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 Q3/2020 (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 quarterly report and the report date herein, 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 24, 2020

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Irit Sekler-Pilosof | Deputy CEO and CFO