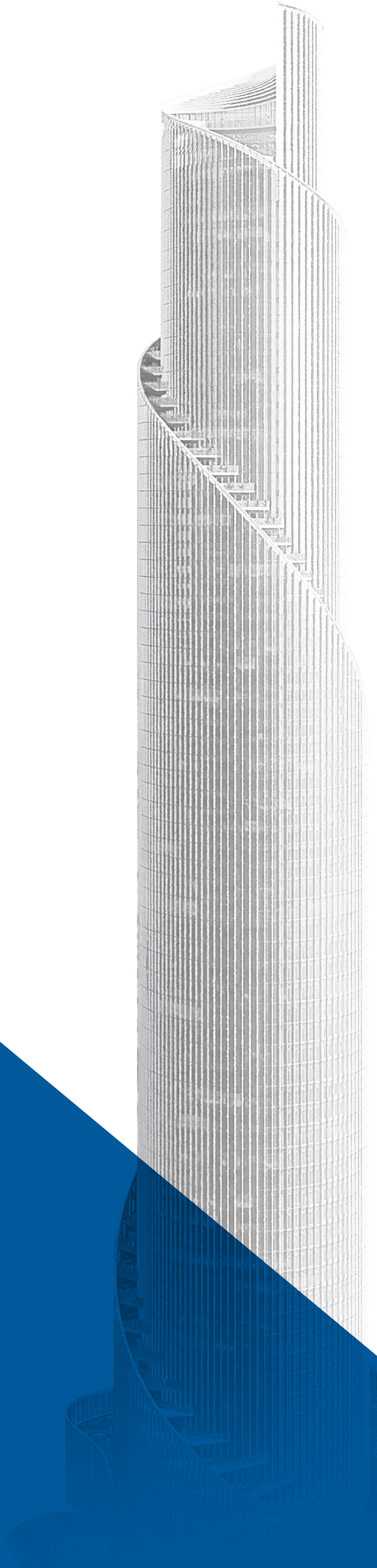
AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q1/2022

Dated 31 March 2022



AZRIELIGROUP

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Quarterly Report Q1/2022
Dated 31 March 2022

PART A

Board Report

Azrieli Group

BUSINESS CARD

Azrieli Group is focused on the income-producing real estate sector and is Israel's largest real estate company.
In the shopping mall sector, the Group holds several leading malls, including Azrieli Jerusalem mall, Azrieli Ayalon mall and Azrieli Tel Aviv mall. The Company also holds and manages office properties, including some of the most prominent in Israel, such as the Azrieli Tel Aviv Center and Azrieli Sarona tower. In the past year, it opened two new office properties, Holon HaManor and the Azrieli Town office tower. The Company also operates in the senior housing sector, and as of the report date manages four active senior homes. In the United States, the Company holds several office buildings, mainly in Houston and Austin, Texas. The Company also has a holding of approx. 24% in a company operating mainly in the Data Centers industry in North America, and holds 100% in Green Mountain, a company operating in the Data Centers industry in Norway. In addition, the Company holds the Mount Zion Hotel in Jerusalem. In October 2021 the Company entered into a conditional agreement for the acquisition of Mall HaYam in Eilat, some of the closing conditions of which have been fulfilled as of the report release date, as detailed in Section 1.2.3.3.
In January 2022, the Company completed the acquisition of a company holding land in North Glilot, on part of which it will build a campus for lease to SolarEdge Technologies Ltd.
Azrieli Group has an extraordinary pipeline of hundreds of thousands of square meters of office, retail and senior housing space, in projects which will contribute significantly to the Group's future growth. In addition, we constantly invest in the preservation of the quality and value of our current property portfolio.
In addition to its real estate operations, the Group owns the Azrieli.com e-commerce platform and, as of the report date, has a financial holding of Bank Leumi stock (approx. 2.4%).
Azrieli Group's financial strength puts it in a class of its own among real estate companies. The Company has low leverage, with a net debt to assets ratio of just 32%. We target the best locations for our properties, to provide good transportation access over time and form a significant part of their urban environment. The location and quality of the properties are planned to serve as the best platform for our malls' tenants and visitors. As Israel's leading and strongest real estate group, Azrieli Group intends to continue its work in the real estate sector, and lead the development and management of high-quality, modern and innovative income-producing properties in Israel and overseas.
The Group will continue to focus on its core business, while investing in new growth engines and applying advanced technologies.

Established in 1983

NIS 4.9 billion distributed in dividends since the IPO in 2010

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

Israel's largest real estate company with total assets of NIS 43.4 billion

Shareholders Equity NIS 20.6 billion

98% occupancy rate* on average in Israel

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

19 MALLS

343 thousand sqm | 99% Occupancy*

17 OFFICE BUILDINGS

644 thousand sqm | 98% Occupancy*

4 SENIOR HOMES

105 thousand sqm | 99% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

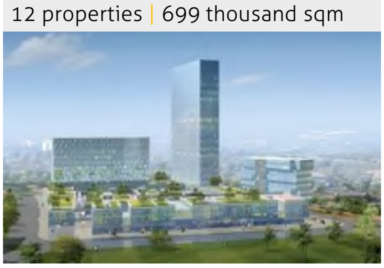
241 thousand sqm | 75% Occupancy

16 DATA CENTERS OVERSEAS

24 thousand sqm | 94% Occupancy

DEVELOPMENT PIPELINE

12 properties | 699 thousand sqm



PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

Increase of approx. 51% in Q1 2022 NOI to NIS 456 million compared with NIS 301 million in Q1 2021

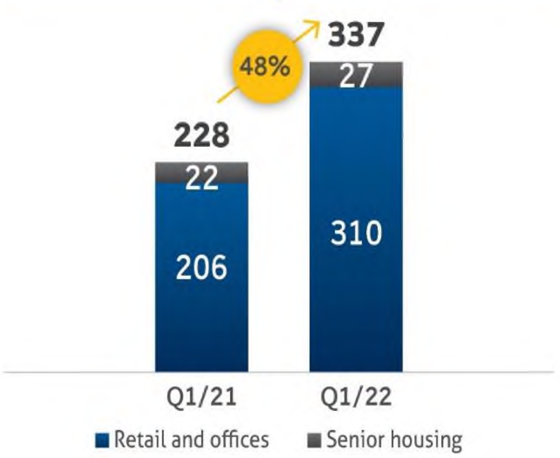
NOI

An increase of 205% in Net Profit totaled NIS 336 million in the report period compared with NIS 110 million in the same period last year

Net Profit

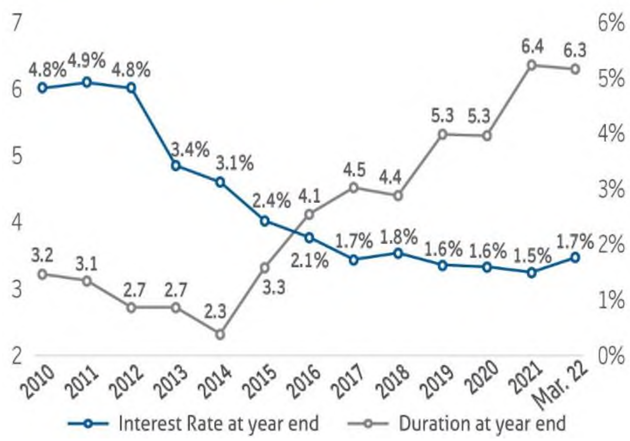
Increase of approx. 48% in Q1 2022 FFO to NIS 337 million compared with NIS 228 million in Q1 2021

FFO from income-producing real estate business



Average debt duration extended while reducing the interest rate

Average interest vs. average duration



On May 2022, the Company distributed a NIS 650 million dividend

This is a translation of Azrieli Group's Hebrew-language Quarterly Report and Financial Statements as of March 31, 2022. 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 three months ended March 31, 2022 (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. The review should be read in conjunction with the Description of the Corporation's Business chapter in the periodic report for December 31, 2021, 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 2021**"), the update to the Corporation's Business chapter and the financial statements as of March 31, 2022.

Unless otherwise stated herein, the terms defined in Chapter A of the Periodic Report for 2021 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 March 31, 2022[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 March 31, 2022 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 23, 2022 (Ref.: 2022-01-033196), which is included herein by 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 March 31, 2022.

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

1.2.1. Summary of Reported Operating Segments for the Three Months Ended March 31, 2022

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, the senior housing in Israel segment, the income-producing property overseas segment (mostly in the U.S.) and the data centers segment. The Company holds the Mount Zion Hotel in Jerusalem. The Company is also active in the e-commerce business through its holdings in the Azrieli.com website and has holdings of minority interests in Bank Leumi LeIsrael Ltd. ("**Bank Leumi**").

The Group's primary growth engine is the development of income-producing real estate projects: malls, offices, senior housing and data centers. As of the report date, the Company has twelve projects in Israel in various development stages, the planned area of which is approx. 699 thousand sqm, as well as land for development. A brief description of the Group's five reported operating segments, as well as its additional activities ("**Others**") follows:

1. **Retail centers and malls in Israel** – The Group has 19 malls and retail centers in Israel;
2. **Leasable office and other space in Israel** – The Group has 17 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;
5. **Data centers –** The Company (indirectly) owns 100% of the issued and paid-up share capital of GM which operates in Norway, and has (indirect) holdings of approx. 24% in Compass which operates in North America and EMEA.

Additional activities – As of the Report Release Date, the Group has an e-commerce business through Azrieli E-Commerce that holds and operates the Azrieli.com website, operations in the hospitality segment and holds approx. 2.4% of the shares of Bank Leumi.

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

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

1.2.2. Breakdown of Asset Value by Operating Segment

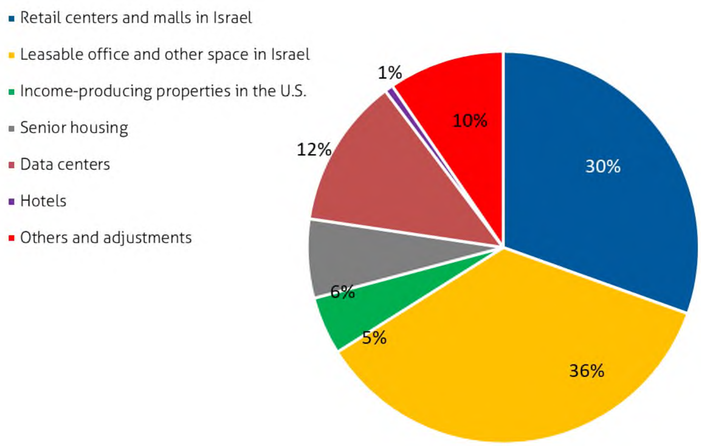
The following chart presents a breakdown of the total balance sheet assets by operating segment:[3]

Breakdown of Total Balance Sheet Assets by Operating Segment

As of	31.3.2022	31.12.2021
Retail centers and malls in Israel	**13,226**	13,051
Leasable office and other space in Israel	**15,438**	14,975
Income-producing properties in the U.S.	**2,073**	2,023
Senior housing	**2,828**	2,810
Data centers	**5,371**	5,025
Hospitality	**304**	301
Others and adjustments	**4,157**	4,186
Total	**43,397**	42,371

Percentage of Segment Assets out of Total Assets

31.3.2022



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 36% of the total balance sheet assets and the retail centers and malls segment assets constitute approx. 30%. The other income-producing real estate segments, in the aggregate, constitute approx. 23% of the total balance sheet assets.

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. Acquisition of Land Located in the Glilot North Site for the Construction of a Campus and Lease thereof to SolarEdge Technologies Ltd.

On May 10, 2021 the Company engaged in an agreement which is contingent on the fulfillment of conditions precedent for acquisition of (direct and indirect) control of a company that is unaffiliated with the Company, which is entitled to receive rights of lease in the lands located in the Glilot North site from the ILA. On January 17, 2022 the transaction was closed. In addition, the Company engaged in a lease agreement for construction and lease of a campus for SolarEdge Technologies Ltd. on part of the land.

For further details, see the Company's immediate report of May 11, 2021 (Ref.: 2021-01-082779) and January 18, 2022 (Ref.: 2022-01-007851), which are included herein by reference.

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

1.2.3.3. Entry into an Agreement for the Acquisition of the Ownership of the "Mall Hayam" Mall in Eilat

On October 3, 2021 the Company entered into an agreement which is contingent on the fulfillment of conditions precedent with two third parties that are unaffiliated with the Company, and with Mall Hayam Eilat (1978) Ltd., for acquisition of all (100%) of the rights in the land on which the "Mall Hayam" mall in Eilat is built, for consideration that reflects the total value of approx. NIS 1.31 billion (subject to adjustments). On May 3, 2022 the Competition Commissioner's approval for performance of said transaction was received. On May 23, 2022 the ILA's approval, which was among the closing conditions of the transaction, was received.

For further details, see the Company's immediate report of October 4, 2021 (Ref.: 2021-01-150663), May 8, 2022 (Ref.: 2022-01-054778), and May 24, 2022 (Ref.: 2022-01-063034) which are included herein by reference.

1.2.3.4. Changes in the Service of Officers of the Company

Mr. Uri Kilstein took office as the Company's Head of Malls and Deputy CEO on February 1, 2021. His office ended on February 8, 2022.

After a 9-year term as an independent director of the Company, Ms. Tzipora Carmon's office ended on May 18, 2022.

1.2.3.5. Shelf Prospectus

On May 17, 2022, the Company released a shelf prospectus bearing the date May 18, 2022, after it received a permit therefor from the Israel Securities Authority.

1.2.3.6. Covid pandemic

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

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Sum of Dividend
Azrieli Group	March 22, 2022	May 10,2022	NIS 650 million[4]

On March 22, 2022, the Company's board of directors resolved to approve a dividend distribution of NIS 650 million. For further details see the Company's immediate report and an amending immediate report dated March 23, 2022 (Ref.: 2022-01-033226 and 2022-01-033460, respectively), which are included herein by reference.

1.2.5. Dividends distributed to the Company

	Date of Approval	Date of Payment	Sum of Dividend	Company's Share of Distributed Dividend Sum
Bank Leumi	March 8, 2022	April 6,2022	Approx. NIS 588 million	Approx. NIS 15 million

[4] As of March 31, 2022, the Company has a balance of profits available for distribution in the sum of approx. NIS 17.4 billion (which balance also includes real estate revaluation profits).

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 2021 and included herein by reference. Because of the inflation increase in Israel in the past months and the forecast of the inflation reaching the upper limit of the target in the coming year, in April 2022 the Bank of Israel's monetary committee resolved to increase the Bank of Israel interest by 0.25% to the level of 0.35%[5] and on May 23, 2022 it resolved to further increase the interest to the level of 0.75%.[6]

*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 insofar as the Covid pandemic shall have additional future repercussions.*

2.2. Covid Pandemic and its Implications

The beginning of 2020 saw the outbreak of Covid in China which spread across the world. On March 11, 2020, the WHO declared a global pandemic and steps were taken to mitigate the spread of Covid. The pandemic affected various business sectors in many countries. In Israel, the GDP decreased by 2.2% in 2020, due to the ramifications of the steps taken by the government in order to stop the spread of Covid, the essence of which was to impose (partial or full) lockdowns and other restrictions which resulted in a significant decrease in business activity.

In January 2021, the State of Israel launched an extensive vaccination campaign against the Covid virus, and it appeared that business is getting back to normal in the Israeli economy. However, in the period between the beginning of Q3/2021 and the end of Q3/2021, the morbidity rate in Israel and worldwide began to increase again due to the spread of the Delta variant and in view of the waning of vaccine efficacy over time. Consequently, it was decided to offer a third dose of Covid vaccine (booster shots) for ages 12 and up, such that from the beginning of Q4/2021, morbidity rates were low. However, in the period from the end of Q/4 2021 to the beginning of Q/1 2022, morbidity rates increased again, in view of the spread of the Omicron variant which resulted in the fifth morbidity wave.

The aforesaid notwithstanding, despite the outbreak of the fifth wave (which waned towards the end of February 2022), restrictions and increasing morbidity had a lower impact on the economic activity, because the economy has adapted to living with Covid, together with the improved vaccination rates and treatment of patients, and thus the Israeli economy appears to have fully returned to routine. Further to the aforesaid, in the Report Period and until the date of its release, most of the restrictions imposed due to the Covid pandemic were cancelled, and cancellation of the few that are still in effect is being considered. For details on the impact of the Covid crisis on the Company's business, see Section 2.2 of Chapter B of the 2021 periodic report.

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[5] Bank of Israel – press release of April 11, 2022, on April 11, 2022 the monetary committee decided to increase the interest by 0.25 percentage points to the level of 0.35%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/11-04-22.aspx

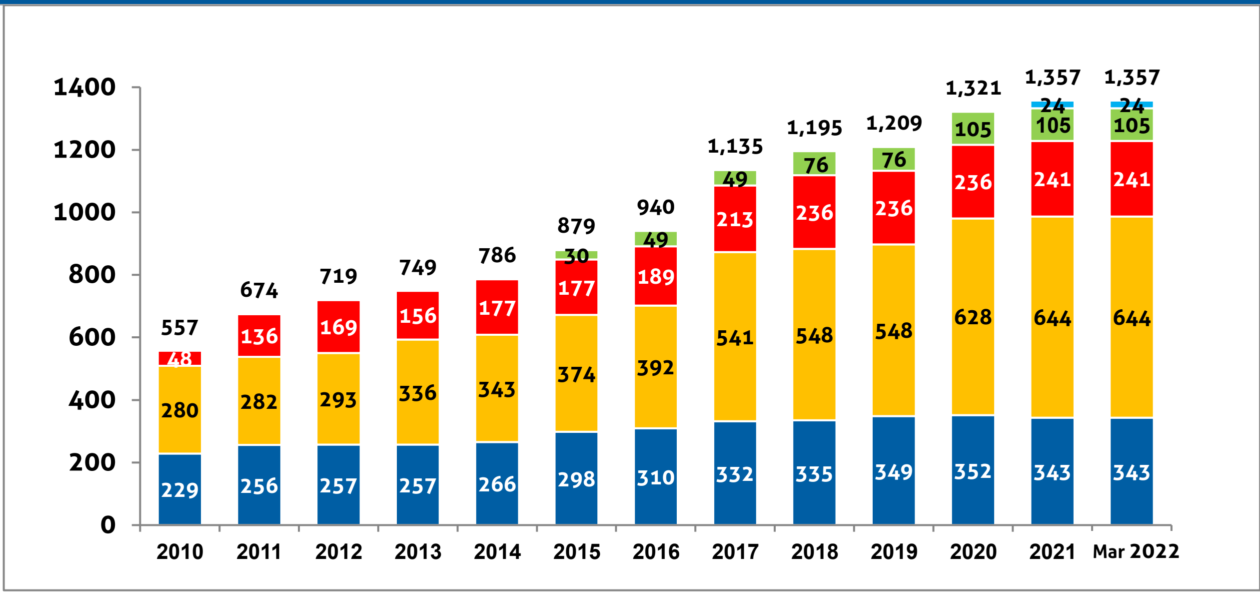
[6] Bank of Israel – press release of May 23, 2022, on May 23, 2022 the monetary committee decided to increase the interest by 0.4 percentage points to the level of 0.55%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/23-05-22.aspx

As of the Report Release Date, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with another worsening of the Covid pandemic and the measures to be consequently taken by the various countries, the Company is unable to assess such effects on its future activity, since the extent of the impact depends on the degree and scope of materialization thereof. In the Company's estimation, despite the efficacy of the Covid vaccinations and the Israeli economy's return to routine, if there are further significant outbreaks of the virus, there may be additional material adverse effects on the global and domestic 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 a Covid resurgence, decreases.

The Company's assessments in this Section 2.2 regarding the potential implications of the spread of Covid 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 March 31, 2022



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

Figures represent thousands of sqm. GLA data stated according to the Company's share.

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 March 31, 2022:

- Retail centers and malls in Israel – approx. 99%;[7]
- Leasable office and other space in Israel – approx. 98%;[7]
- Income-producing properties in the U.S. – approx. 75%;
- Senior housing in Israel – approx. 99%;[7]
- Data centers – approx. 94%.[8]

2.5. NOI of the Properties

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

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

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

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

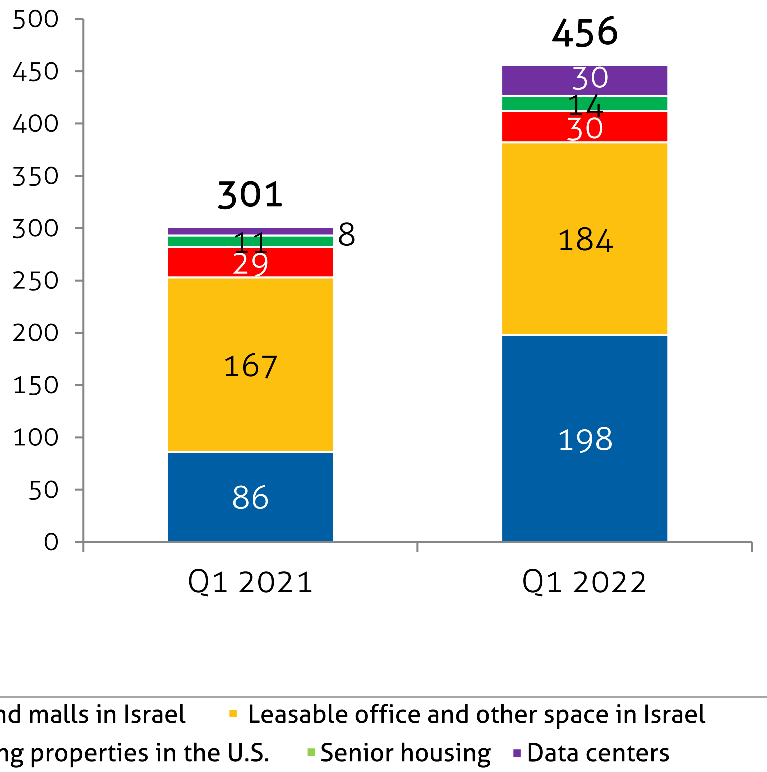
We wish to emphasize that these parameters do not present cash flows from current operations according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's cash flows (including its ability to make distributions), and they are not meant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

2.5.1. NOI Data

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

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

NOI



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.

2.5.2. Same-Property NOI Data

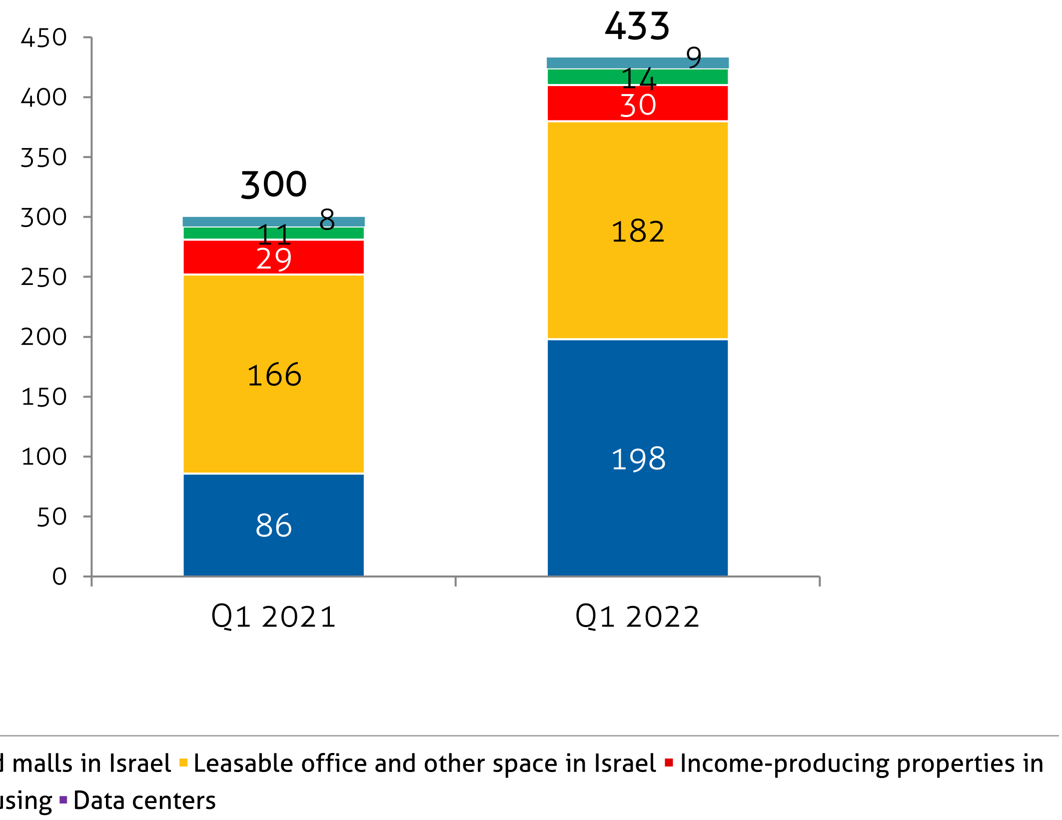
The NOI index is affected by changes in the property portfolio. That is to say, the sale of a property or the addition of a new property to the Company's portfolio is reflected in a change in the NOI. Contrarily, the Same-Property NOI index discounts such changes and allows for an examination of changes in the profitability of the same portfolio of the Group's properties over time. For the purpose of calculation thereof, only properties that were

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

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

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



Figures are presented in millions of NIS.

The increase in Same-Property NOI was mainly affected by the increase in the segment of retail centers and malls in Israel due to the closure of malls to visitors according to the Government's decisions and in view of the relief to tenants of the Company's malls in the same quarter last year as specified in Section 2.2 above and from an increase in the office segment in view of the lease-up of former Bezeq offices in the Azrieli towers.

2.6. Weighted Cap Rate

The following table shows the calculation of the weighted cap rate derived from all of the Group's income-producing real estate, excluding senior housing[12], excluding the data centers[13] and excluding the Mount Zion Hotel[14] of the Group as of March 31, 2022:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment properties in the statement	**35,091**
Net of value attributed to investment properties under construction	**(2,673)**
Net of value attributed to land reserves	**(584)**
Net of value attributed to income-producing senior housing	**(2,496)**
Net of value attributed to data centers properties	**(1,740)**
Net of value attributed to building rights in income-producing properties and value attributed to income-producing properties not assessed according to cash flow discounting	**(750)**
Total value of income-producing investment properties (including the fair value of vacant space)	**26,848**
Actual NOI in the quarter ended March 31, 2022 (excluding senior housing, data centers)	**412**
Additional future quarterly NOI (1)	**42**
Total standardized NOI	**454**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers)	**1,816**
Weighted cap rate derived from income-producing investment properties (including vacant space) (2)	**6.8%**

Financials are presented in millions of NIS.

(1) The figure includes adjustment to NOI as included in the valuations as of December 31, 2021 (adjusted to the increase in the index in the Report Period) and therefore includes, *inter alia*, additional NOI for vacant space not yet fully occupied and space occupied and to be occupied during 2022 under a whole-year lease (the main amounts in this item are due to the Group's overseas properties, Sarona mall, the office building in Holon at HaManor street, the office building in Petach Tikva and due to a period of tenant replacement in some of the malls in order to change the mix).

(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 2022 and its entire purpose is to reflect the NOI assuming full occupancy for a whole year of all income-producing properties.

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

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

[13] The data centers properties are partially included in investments in companies accounted for using the equity method, and other properties are in stages of development or a different valuation methodology was used and therefore, the properties were excluded from income-producing real estate.

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

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 March 31, 2022	For the Three Months Ended March 31, 2021	For the Year Ended December 31, 2021
Net profit for the period attributable to shareholders	336	110	**2,889**
Discounting the net loss from Azrieli E-Commerce and the results of Granite Hacarmel attributed to shareholders (including a deduction of excess cost)	14	12	**62**
Profit adjustments:[1]			
Decrease (increase) in the value of investment properties and fixed assets, net	(252)	37	**(2,443)**
Depreciation and amortizations	3	3	**14**
Net non-cash flow financing and other expenses	105	9	**277**
Tax expenses	106	26	**688**
Net of a dividend from financial assets available for sale	(15)	-	**(55)**
Effect of losses (profits) of an associate	9	5	**(331)**
One-time expenses	3	-	**43**[2]
Cash flow from the receipt of residents' deposits net of deposits returned to residents [3]	31	26	**182**
Net of revenues from the forfeiture of residents' deposits	(11)	(9)	**(40)**
Total profit adjustments	(21)	97	**(1,665)**
Plus interest paid for real investments [4]	1	1	**3**
Total FFO attributed to the income-producing real estate business [5] [6]	330	220	**1,289**
Total cash flow of financing of development pipeline [7]	7	8	**29**
Total FFO attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline	337	228	**1,318**

Financials are presented in millions of NIS.

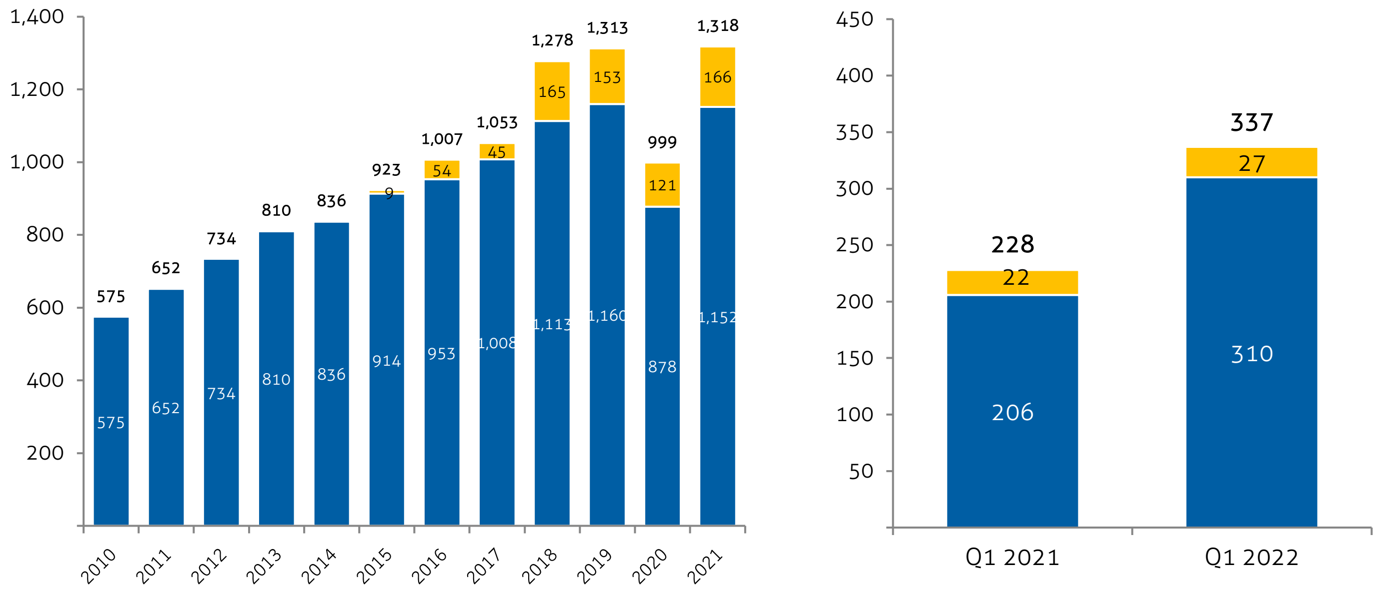
(1) The below profit adjustments do not include adjustments in respect of Granite Hacarmel and Azrieli E-Commerce, as their results have been fully discounted.
(2) Mainly due to acquisition of GM.
(3) Senior housing residents' deposits are deemed received or returned on the date on which the agreement is signed or terminated, as applicable and not as presented in the cash flow statement.
(4) Calculated according to the Group's weighted interest rate in respect of the investment in Azrieli E-Commerce, for 65% of the investment cost.
(5) Attributable to shareholders only.
(6) Including FFO from the senior housing segment in the sum of approx. NIS 27 million, in the three months ended March 31, 2022, (approx. NIS 22 million in the three months ended March 31, 2021) and approx. NIS 166 million in 2021.
(7) Calculated based on real credit costs due to development pipeline.

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

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

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

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

EPRA NRV		
	31.3.2022	**31.3.2021**
Equity attributable to the Company's shareholders in the financial statements	**20,578**	17,939
Goodwill created against a reserve for deferred taxes	**(243)**	(64)
Plus a tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	**4,526**	3,590
EPRA NRV	**24,861**	21,465
EPRA NRV per share (NIS)	**205**	177

Figures are presented in millions of NIS, unless stated otherwise.

2.8.2. EPRA NTA

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

EPRA NTA		
	31.3.2022	**31.3.2021**
Equity attributable to the Company's shareholders in the financial statements	**20,578**	17,939
Goodwill created against a reserve for deferred taxes	**(243)**	(64)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	**(1,436)**	(38)
Other intangible assets	**(19)**	(14)
Plus 50% of the tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	**2,263**	1,795
EPRA NTA	**21,143**	19,618
EPRA NTA per share (NIS)	**174**	162

Figures are presented in millions of NIS, unless stated otherwise.

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		
	31.3.2022	**31.3.2021**
Equity attributable to the Company's shareholders in the financial statements	**20,578**	17,939
Goodwill created against reserve for deferred tax	**(243)**	(64)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	**(1,436)**	(38)
Adjustment of the value of financial liabilities to fair value	**(471)**	(679)
EPRA NDV	**18,428**	17,158
EPRA NDV per share (NIS)	**152**	141

Figures are presented in millions of NIS, unless stated otherwise.

AZRIELI GROUP’S INCOME PRODUCING REAL ESTATE*

MALLS & SHOPPING CENTERS

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

OFFICES & OTHERS in Israel

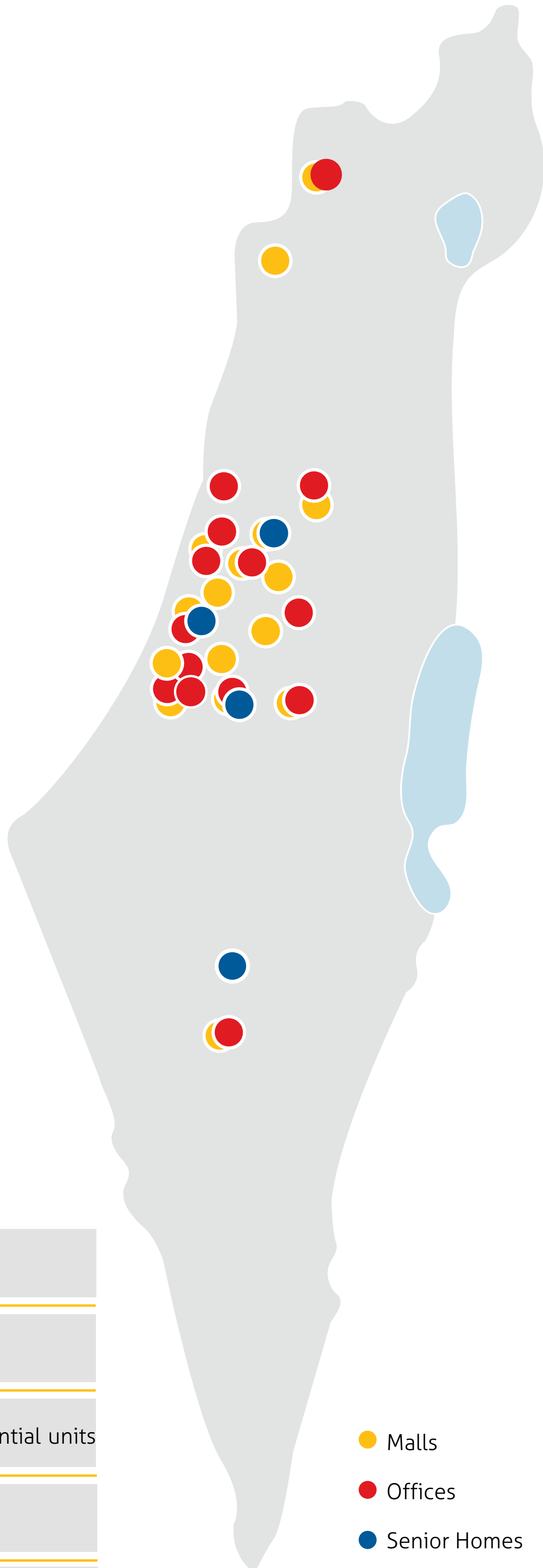
Azrieli Towers
Azrieli Sarona
Azrieli Holon Business Center
Azrieli Caesarea
Azrieli Herzliya Center
Azrieli Modi’in
Azrieli Modi’in Residential
Azrieli Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN Building E
Azrieli TOWN
Azrieli Holon Hamanor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

OVERSEAS

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

SENIOR HOMES

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



19 malls	343 thousand sqm
17 office buildings	644 thousand sqm
4 senior homes	105 thousand sqm 1,033 residential units
8 office buildings overseas	241 thousand sqm
Total	**1,333 thousand sqm**

As of March 31, 2022.
GLA (gross leasable area) is based on the Company’s share.

AZRIELI GROUP'S DATA CENTERS IN OPERATION*

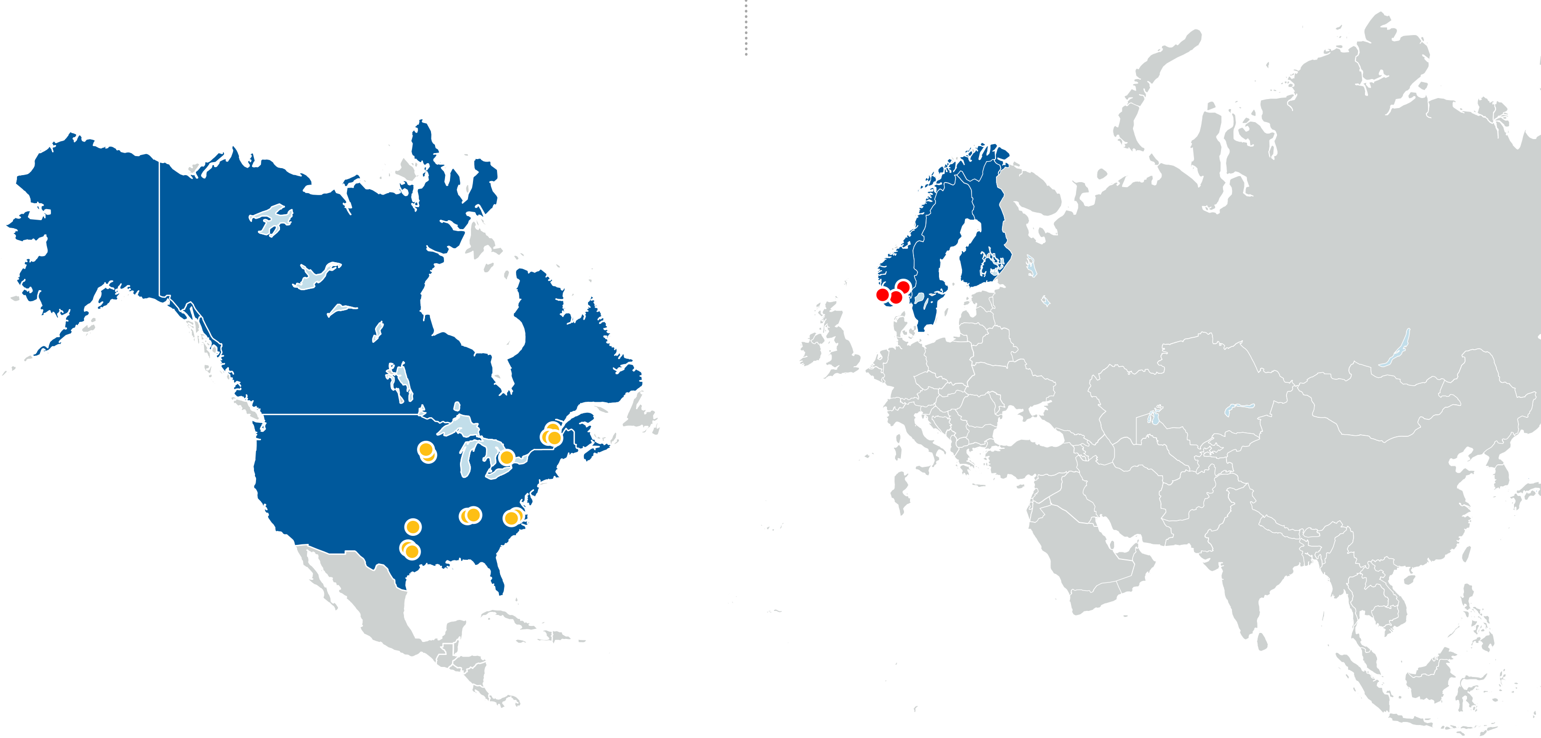
COMPASS datacenters ~24%

Green Mountain 100%

USA
Nashville, Tennessee
Raleigh, North Carolina
Minneapolis, Minnesota
Dallas, Texas
Tulsa, Oklahoma

Canada
Montreal, Quebec
Toronto, Ontario

Norway
DC1 – Stavanger
DC2 – Telemark
DC3 - Oslo



- COMPASS
- Green Mountain

16 data centers

24 thousand sqm

As of March 31, 2022.
GLA (gross leasable area) is based on the Company's share.

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.

In 2020-2021, during some of the periods in which, in view of the Government directives, the Group's malls were closed (other than essential businesses) due to the Covid pandemic and hence, in view of the relief provided by the Company to tenants in its malls, in these periods there was a decrease in the business results in the segment.

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

The store revenues reported by the tenants in the Group's malls in March-April 2022 were 0.5% higher compared with the same period last year.

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

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

- **Diverse and changing mix** – the malls segment has a dynamic retail mix that 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** – in recent years, increased retail space is demanded by international brands, followed by domestic ones, which seek to combine complementing brands in one store in order to expand the product mix and create an improved customer experience, while increasing the sales.
- **Malls as entertainment venues** – the Company acts to improve the entertainment and dining experience in the malls, through a selection of restaurants and cafés in the malls 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 1,800 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").

<u>Performance of the retail centers and malls in Israel segment and changes in value</u>

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

Balance of the properties of the retail centers and malls in Israel segment – the balance totaled approx. NIS 13.2 billion as of March 31, 2022, compared with approx. NIS 13.1 billion on December 31, 2021. The change mainly derives from revaluation profits because of the increase in the index.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – the profit from such adjustment in the Report Period totaled approx. NIS 131 million and derived from the effect of the increase in the index on the properties' value, compared with a loss of approx. NIS 1 million in the same period last year. The properties are presented according to valuations performed by an independent appraiser as of December 31, 2021 adjusted to the increase in the index in the Report Period.

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 Year Ended
	Rate of Change	**31.3.2022**	**31.3.2021**	**31.12.2021**
Revenues	**100%**	**250**	**125**	866
NOI	**130%**	**198**	**86**	665

Figures are presented in millions of NIS.

As noted above, from late December 2020 until February 21, 2021, the Group's malls were closed (other than essential businesses) because of the government's directives for coping with the Covid pandemic. Hence, in view of the relief provided by the Company to tenants in its malls, in the same period last year there was a decrease in the business results in the segment. 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	
	31.3.2022	**31.3.2021**
NOI from segment properties owned by the Company	198	86
NOI from properties sold in 2021	-	-
Total NOI from all properties	198	86

Figures are presented in millions of NIS.

Same-Property NOI in the retail centers and malls in Israel segment was chiefly affected by the closing of malls to visitors according to the Government's decisions and the effects of the relief provided to tenants in Q1/2021 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. After the Report Period, the Company closed the acquisition of a company that has a long-term lease agreement for six office floors in the Azrieli Sarona tower and thus, the Company regained possession of these floors, for the purpose of lease thereof, in whole or in part, to third parties.

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 725 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 17 income-producing properties in this segment in Israel, with a total GLA of approx. 644 thousand sqm.

Balance of the Group's investment properties in the leasable office and other space in Israel Segment – as of March 31, 2022 the balance totaled approx. NIS 15.4 billion, compared with approx. NIS 15 billion as of December 31, 2021. The change mainly derives from investments in, and an appreciation of the segment's properties.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – the profit from such adjustment in the Report Period totaled approx. NIS 121 million and mainly derived from the effect of the increase in the index on the properties' value, compared with a loss of approx. NIS 36 million in the same period last year which mainly derived from changes in other receivables due to averaging of the revenues from rent and decreasing the purchase tax with respect to the purchase of the building in Tel Aviv. The properties are presented according to valuations performed by an independent appraiser as of December 31, 2021 adjusted to the increase in the index in the Report Period.

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 Year Ended
	Rate of Change	31.3.2022	31.3.2021	31.12.2021
Revenues	**11%**	**217**	195	834
NOI	**10%**	**184**	167	702

Figures are presented in millions of NIS.

The NOI was mainly affected by the lease-up of former Bezeq offices in Azrieli towers.

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	
	31.3.2022	31.3.2021
NOI from segment properties owned by the Company as of the beginning of the period	**182**	**166**
NOI from properties, that were purchased or the construction of which was completed in 2021	**2**	**1**
Total NOI from all properties	**184**	**167**

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 affected by the lease-up of former Bezeq offices in Azrieli towers.

2.11. Senior Housing Segment

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

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

Azrieli Group has four operating senior homes with aboveground built-up areas of approx. 105 thousand sqm (excluding areas which are attributed to the LTC unit and to retail areas), which consist of approx. 1,033 senior housing units. In addition, the Company is in advanced construction stages of Phase B in the senior home in Lehavim and is building another project in Rishon LeZion, of approx. 275 residential units with a total area of approx. 31 thousand sqm, which is under construction (excluding areas which are attributed to the LTC unit and to retail areas). In December 2021, the District Committee's decision was received, approving 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 2021, which is included herein by reference.

Balance of the Group's segment properties in the senior housing segment – This balance totaled approx. NIS 2.8 billion as of March 31, 2022, similarly to the balance as of December 31, 2021.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – There has been no change in the fair value of investment properties and investment properties under construction of the segment in the Report Period and 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, 2021.

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 Year Ended
	Rate of Change	31.3.2022	31.3.2021	31.12.2021
Revenues	**16%**	**52**	45	192
NOI	**27%**	**14**	11	48

Figures are presented in millions of NIS.

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

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

Development of the NOI of the Senior Housing Segment		
	For the Three Months Ended	
	31.3.2022	31.3.2021
NOI from segment properties owned by the Company as of the beginning of the period	**14**	11
NOI from properties construction of which was finished in 2021	**-**	-
Total NOI from all properties	**14**	11

Figures are presented in millions of NIS.

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 the previous decade, the Group expanded its activity significantly through the acquisition of office buildings in Houston and in Austin, Texas.

Most of the Group's overseas properties are concentrated in strong metropolitan areas, with a population of at least 2 million. The type of properties on which the Group focuses are offices. As of the Report Release Date, the Company is exploring the possibility of disposal of properties in this segment.

The trend of increase in the vacant space in the Houston office market continued in 2021, albeit to a lesser degree than in 2020, primarily due to the jolts in the energy industry which in recent years have led to a drop in oil prices, as well as due to the impact of the Covid pandemic. In the Report Period, the Houston office market appears to be awakening to some degree, albeit not significantly as of this time. Note further that the effect of the increase in oil prices which began in 2021 and continued in the Report Period too, is not yet apparent in the Houston real estate market.

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

As of the report date, Azrieli Group has 8 income-producing properties in this segment, mostly in the U.S. with a total GLA of approx. 248 thousand sqm (on a consolidated basis) and approx. 241 thousand sqm (the Company's share) leased to some 200 tenants.[15]

Balance of the Group's investment properties in the segment – This balance totaled approx. NIS 2.1 billion as of March 31, 2022, compared with approx. NIS 2 billion on December 31, 2021. The change mainly derives from an increase in the dollar exchange rate as of March 31, 2022, compared with December 31, 2021.

Change due to adjustment of the fair value of the segment's investment properties – No change in the fair value of the segment's investment properties in the Report Period, compared with a loss of approx. NIS 1 million recorded in the same period last year. The properties are presented according to valuations carried out by an independent appraiser as of December 31, 2021.

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 Year Ended
	Rate of Change	31.3.2022	31.3.2021	31.12.2021
Revenues	-	**58**	58	231
NOI	3%	**30**	29	122

Figures are presented in millions of NIS.

The following table presents the segment's NOI Development:

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

	For the Three Months Ended	
	31.3.2022	31.3.2021
NOI from segment properties owned by the Company as of the beginning of the period	**30**	29
NOI from properties purchased in 2021	**-**	-
Total NOI from all properties	**30**	29

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 offset against the effect of the decrease in the average exchange rate of the U.S. dollar.

2.13. Data centers

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

In 2019, after studying the market and the key players in the data centers 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 Company's business.

The first step of the Company's entry into the data centers sector was made through equity investment in Compass, which mainly operates in the data centers sector in North America and also has operations in EMEA. As of the Report Release Date, the Company (indirectly) holds approx. 24% of Compass. For further details, see the Company's immediate report dated July 18, 2019 (Ref.: 2019-01-073885) and Section 1.3.2 of Chapter A of the Company's Periodic Report for 2020, which are included herein by reference. As of the Report Release Date, the Company is exploring the possibility of increasing its holdings in Compass in scopes that may be material for the Company.

Further to the aforesaid, and as part as the Company's wish to launch data center operations in Europe, in 2021, the Company closed an (indirect) purchase of 100% of the share capital of GM, which operates in the sector in Norway. For additional details see Section 1.3.8 of Chapter A of the Company's Periodic Report for 2021, which is included herein by reference.

The Company estimates that the data centers operating segment is expected to grow at a significant rate and could constitute a significant growth engine for the Group's business and the Company has set itself a goal to become a significant player in this global market by both expanding the activity of GM and Compass and through more mergers and acquisitions. In addition, the Company aspires to create a global platform, together with other investors, that will be managed by an international team and will concentrate the Company's holdings portfolio in the sector.

The Company's estimates in this section regarding the growth potential that exists in the data centers sector 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.

2.13.1.Performance of the Data Centers Segment and changes in Value

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

Balance of the Group's properties in the segment – This balance totaled approx. NIS 5.4 billion as of March 31, 2022, compared with approx. NIS 5 billion on December 31, 2021. The change mainly derives from investments in the segment's properties and from an increase in the exchange rates.

Change due to adjustment of the fair value of the segment's investment properties – The loss from adjustment of fair value of the segment's investment properties in the Report Period totaled approx. NIS 4 million, compared with a profit of approx. NIS 1 million in the same quarter last year. The properties are presented according to valuations carried out by independent appraisers as of December 31, 2021.

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

Summary of the Business Results of the Data Centers Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2022	31.3.2021	31.12.2021
Revenues	354%	**50**	**11**	82
NOI	275%	**30**	**8**	53

Figures are presented in millions of NIS.

The increase in revenues and NOI in the data centers segment in the Report Period mainly derived from the acquisition of GM in 2021.

Development of the NOI of the Data Centers Segment		
	For the Three Months Ended	
	31.3.2022	31.3.2021
NOI from segment properties owned by the Company as of the beginning of the period	**9**	8
NOI from properties purchased in 2021	**21**	-
Total NOI from all properties	**30**	8

Figures are presented in millions of NIS.

2.14. Income-Producing Real Estate – Additional Operations

2.14.1. Hospitality

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

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

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

On March 17, 2020 the Company closed down the Mount Zion Hotel, in view of the encumbering directives imposed on the operation of hotels due to the Covid crisis. As of the Report Release Date, the hotel is closed and the Company is acting for planning the renovation of the Hotel and the exercising the building rights for the expansion thereof, such that it will include 350 rooms and an underground car park that will include approx. 250 parking spaces. The Hotel's renovation and expansion are subject to the receipt of a building permit and in November 2021, an excavation and shoring permit was received. After the Hotel's renovation and expansion, the Hotel will be re-opened.

3 | NON-REAL ESTATE BUSINESS

3.1. Additional Activities

3.1.1. Investments in Financial Corporations

The Group has holdings in the financial sector by means of an investment in Bank Leumi[16]. 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, 2021	1,282
Sale proceeds	(86)
Investment	-
Total investment as of March 31, 2022 (2)	1,196
Fair value of the investment as presented in the financial statements as of March 31, 2022	1,240
Change in fair value during the Report Period	44
Revenues from dividends recorded in the Report Period	15

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 March 31, 2022.

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

3.1.2. E-Commerce Platform Activity – Azrieli.com

Further to the Company's reports, whereby it is continuing to examine business opportunities related to the expansion of its operations to additional segments that coincide with its business strategy, while creating an additional growth engine, the Company owns and operates the Azrieli.com website. The website provides an e-commerce platform, aiming to integrate into and boost the malls and retail centers business through online activity and by way of combined sales and creation of consumption experience, alongside the development of the core business in traditional retail. For details about the Group's e-commerce operations, see Section 15 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

[16] The Company has also made negligible investments in investment funds, as specified in Section 15.2.2 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

4 | BUSINESS DEVELOPMENT – GROWTH ENGINES

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 12 projects at various development stages in Israel.

Summary of Information about Development Pipeline

Name of Property	Use	Marketable Sqm[1]	Estimated Completion	Book Value of Project [2]	Cost Invested [3]	Estimated Construction Cost including Land[3]
Development Projects under Construction in the Short-Term						
Azrieli Town Tel Aviv [4]	Retail and residence	Retail: 4,000 Residence: 21,000 (210 residential units)	2022	**650**	**532**	**565-595**
Palace Lehavim Senior Housing Phase B	Senior housing	10,000	2022	**139**	**110**	**130-135**
Modi'in land (Lot 21)	Retail, offices, residence and hospitality	31,000[6]	2023	**201**	**191**	**420-450**
Check Post Haifa	Retail	13,000	2023	**41**	**21**	**130-140**
Total		**79,000**		**1,031**	**854**	**1,245-1,320**
Development Projects in the Medium-Term						
Senior housing land Rishon LeZion	Senior housing and retail	37,300	2024	**101**	**79**	**470-490**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residence	150,000[5]	2026	**1,100**	**662**	**2,450-2,650**
Mount Zion Hotel	Hospitality	34,000[10]	2025	**304**	**307**	**850-880**
SolarEdge Campus	Offices	38,000	2025	**370**	**381**	**790-810**
Total		**259,300**		**1,875**	**1,429**	**4,560-4,830**
Total		**338,300**		**2,906**	**2,283**	**5,805-6,150**
Development Projects in Planning Stages						
Azrieli Town Building E	Offices	21,000	TBD	**255**	**340[7]**	**TBD**
Holon 3 – Holon Industrial Zone [8]	Retail and offices	250,000	TBD	**569**	**505**	**TBD**
Petach Tikva land	Offices and retail	53,000[9]	TBD	**96**	**100**	**TBD**
Modi'in land (Lot 10)	Offices and retail	37,000	TBD	**89**	**93**	**TBD**
Total		**361,000**		**1,009**	**1,038**	
Total		**699,300**				

Cost and value figures are presented in millions of NIS.

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

1. With respect to uses of the senior housing and/or leasable apartments, the figure represents building rights in sqm.
2. As of March 31, 2022.
3. Without capitalizations and tenant fit-outs, as of March 31, 2022.
4. The data presented relate to the existing zoning plan on the land.
5. In April 2018, a zoning plan was validated which increases the construction rights of the fourth tower and the expansion of the mall, in approx. 80,000 sqm, to a total building rights of approx. 150 thousand sqm.
6. The Group increased the building rights in the project to 31,000 sqm.
7. The building rights were purchased in the context of acquisition of the income-producing property in May 2018.
8. Includes additional land (approx. 27,000 sqm of marketable space) originally purchased in the framework of an ILA tender, which was part of the Holon HaManor land. In the context of a consolidation of plots, the building rights in the lot were increased by approx. 30,000 sqm (such that the building rights in the consolidated lot total approx. 250,000 sqm).
9. The data presented relate to the existing zoning plan on the land. The Group is in the process of increasing the building rights in the project to 280,000 sqm.
10. Includes both the existing area and the additional rights, as the Company intends to renovate the entire Hotel and expand it.

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

Description of Properties under Construction and Land Reserves

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

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

"Palace Lehavim" Senior Home – The land, the area of which is approx. 28,300 sqm, was purchased in December 2014 and construction commenced in August 2016. The project consists of a senior home for the elderly demographic with approx. 350 senior housing units and an LTC unit, as well as related facilities, such as a swimming pool, sports center and retail areas of up to approx. 1,500 sqm. In May 2020, a Form 4 was obtained in respect of the construction of Phase A of the project, which consists of 240 senior housing units and also in respect of the retail areas. In July 2020, a Form 4 was obtained in respect of the LTC unit (approx. 5 thousand sqm). Phase A of the project is in advanced occupancy stages and the Company is in advanced stages of construction of Phase B of the project, the marketing of which has begun.

Land in Modi'in (Lot 21) – On January 11, 2018, the Group won a tender held by the ILA, for the purchase of long-term lease rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut (close to the Azrieli Modi'in Mall), in an area of approx. 5,300 sqm, designated for the construction of 80 residential units, 50 hotel rooms, offices and retail space, in consideration for approx. NIS 101.5 million. An excavation and shoring permit was received in July

2019 and the Company commenced work at the site. An application for a basement permit was submitted in August 2019 and the Local Committee gave conditional approval therefor. In June 2020, the basement permit was obtained.

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

In June 2020, an application was filed requesting an aboveground building permit for two retail floors, two hotel floors (84 rooms) and service and operating space and the permit was received in November 2021. In addition, the Company filed an application for an aboveground building permit for the rest of the project (the office and residential towers). In December 2021 the Local Committee's decision, approving the permit with conditions, was received.

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

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

The building plan was approved by the Local Committee. In addition, the Company submitted an application for a shoring and foundation permit that was received in January 2022 and work has begun. In addition, in December 2021 the Company submitted an application for a full building permit that was approved by the Local Committee with conditions, which the Company is working to fulfill.

Palace Rishon LeZion Senior Home – The land, located at HaRakafot Neighborhood in East Rishon LeZion, in an area of approx. 3,400 sqm, was purchased in March 2016 in a tender held by the ILA for the purchase of the leasehold on the land. The project is being built. On the land the Company is building 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 on the conditional deposit of the zoning plan was received. In April 2019, the zoning plan was published for objections, and in September 2019, a hearing was held at the District Committee on the objections that were submitted. In February 2020, the plan was published for validation and was approved on the Official Gazette.

In March 2020 the Company submitted an application for an excavation and shoring permit for the project. In June 2020, the permit was obtained and in the beginning of 2021 the work began. In May 2021 the Company filed an application for a basement permit that was approved with conditions in September 2021 and the permit was received in March 2022. In October 2021, the Company filed an application for a building permit for the entire project.

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. In January 2020 a basement permit was received for the project. In January 2021 the design plan was signed by the approving functions in the City of Tel Aviv. As of the Report Release Date, the Company is continuing to carry out excavation and shoring work and construction of the parking basements on the land. In July 2021, the Company filed an application for an above-ground building permit for the entire project, and in December 2021 the Local Committee's decision, giving approval with conditions for the permit, was received.

Mount Zion Hotel – On February 9, 2020 the Company closed a deal for the purchase of Mount Zion Hotel in Jerusalem. The Company is working on a hotel renovation plan and acting for the exercise of building rights for expansion of the hotel, such that it will consist of 350 rooms and an underground car park with approx. 250 parking spaces. Renovation and expansion of the hotel are subject to receipt of a building permit and in November 2021 an excavation and shoring permit was received.

SolarEdge Campus – On January 17, 2022 a transaction was closed for the acquisition of a company which holds lease rights in land located in the Glilot North Site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("**SolarEdge**") which will include 38,000 sqm above ground and 950 parking spaces. The Company engaged with SolarEdge in a 15-year lease agreement for the campus, with an option for extension up to the total period of 24 years and 11 months. Effective from the date of handover of possession of the campus, the tenant will be responsible for management, maintenance and upkeep of the campus. For additional details see the Company's immediate reports dated May 11, 2021 (Ref.: 2021-01-082779) and January 18, 2022 (Ref.: 2022-01-007851), which are included herein by reference.

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

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

Land in Petach Tikva – The land, which was purchased in November 2017, of an area of 19,000 sqm (the "**Vacant Land**"), 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 Vacant Land includes building rights for around 53,000 sqm as well as parking basements.

In July 2019 an application was filed for shoring, excavation and basement permits. In January 2020 the Local Committee decided to grant conditional approval for the shoring, excavation and basement permit application.

In view of the approval of the Petach Tikva Kiryat Aryeh outline plan, the Local Committee and the Company jointly decided to promote a zoning plan subject to local jurisdiction only, 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, in lieu of two other plans previously promoted by the Company.

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

Committee for the addition of designations to the lot. In April 2021 the plan was deliberated and conditional deposit of the plan was approved. In June 2021, the plan was deposited for objections. In October 2021, the plan was deliberated and given conditional approval. In January 2022, the Local Committee gave final approval for the plan.

Furthermore, the Company submitted a building plan to the Local Committee that was given conditional approval, and filed an application for a shoring and excavation permit that was received in March 2022.

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

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

DEVELOPMENT PIPELINE*

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

EXPANSION OF AZRIELI TEL AVIV CENTER (SPIRAL TOWER)

Use	Retail, offices, hotel and residence	**Estimated completion**	2026
GLA	150,000 sqm	**Status**	Under Construction

AZRIELI HOLON 3

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

MOUNT ZION HOTEL JERUSALEM

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

MODI'IN LAND (LOT 21)

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

PALACE RISHON LEZION SENIOR HOME

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

DEVELOPMENT PIPELINE*

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

AZRIELI TOWN

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

MODI'IN LAND (LOT 10)

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

PETACH TIKVA LAND

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

SOLAREDGE CAMPUS, HERZLIYA

Use	Offices
GLA	38,000 sqm
Estimated completion	2025
Status	In planning

AZRIELI TOWN BUILDING E

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

4.1.2. Betterment of income-producing properties

Another growth engine of the Company is the betterment of its existing properties. The Company also examines, from time to time, options to promote zoning plans for additional building rights in its properties. For details with respect to the Company's activities for the betterment of its existing properties, see Section 4.1.2 of the board of directors' report for the Periodic Report for 2021, which is included herein by reference and Section 4 of Chapter B of this report – updates to the Description of the Corporation's Business chapter as of March 31, 2022.

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

For details with respect to the Company's activities for the identification of properties in the Company's operating segments, see Section 4.1.3 of the board of directors' report for the Periodic Report for 2021, which is included herein by reference.

5 | FUNDING OF THE BUSINESS

5.1. Leverage Ratio of the Group

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

Summary of Balance Sheet Figures out of the Consolidated Statements

	31.3.2022	31.3.2021	31.12.2021
Current assets	3,492	2,888	3,271
Non-current assets	39,905	32,304	39,100
Current liabilities	3,466	2,949	3,289
Non-current liabilities	19,323	14,270	18,310
Equity attributable to the Company's shareholders	20,578	17,939	20,742
Equity attributable to the Company's shareholders out of total assets (in %)	47%	51%	49%
Net debt to assets (in %)	29%	26%	29%

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 July 2021, the Company issued two new bond series (Series G and H). For further details, see Section 1.2.2.9 of Chapter B of the Periodic Report for 2021, which is included herein by reference

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[17]. 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 issue in April 2020, in the midst of the Covid crisis, and by the issuance of the Company's two new bond series in July 2021.

[17] For further details, see Section 20 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

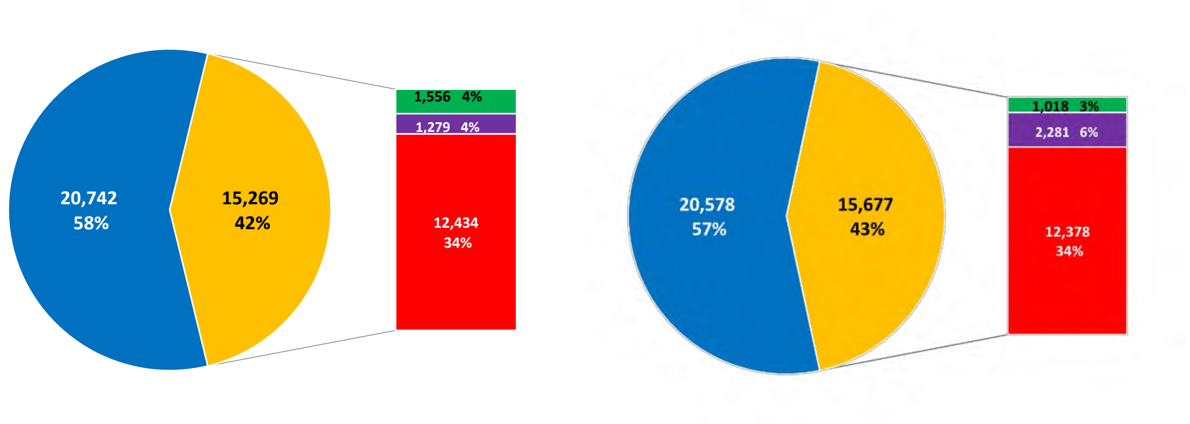
5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group

31.12.2021	31.3.2022



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

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

The increase of approx. NIS 408 million in total debt in the Report Period chiefly results from refinancing at GM.

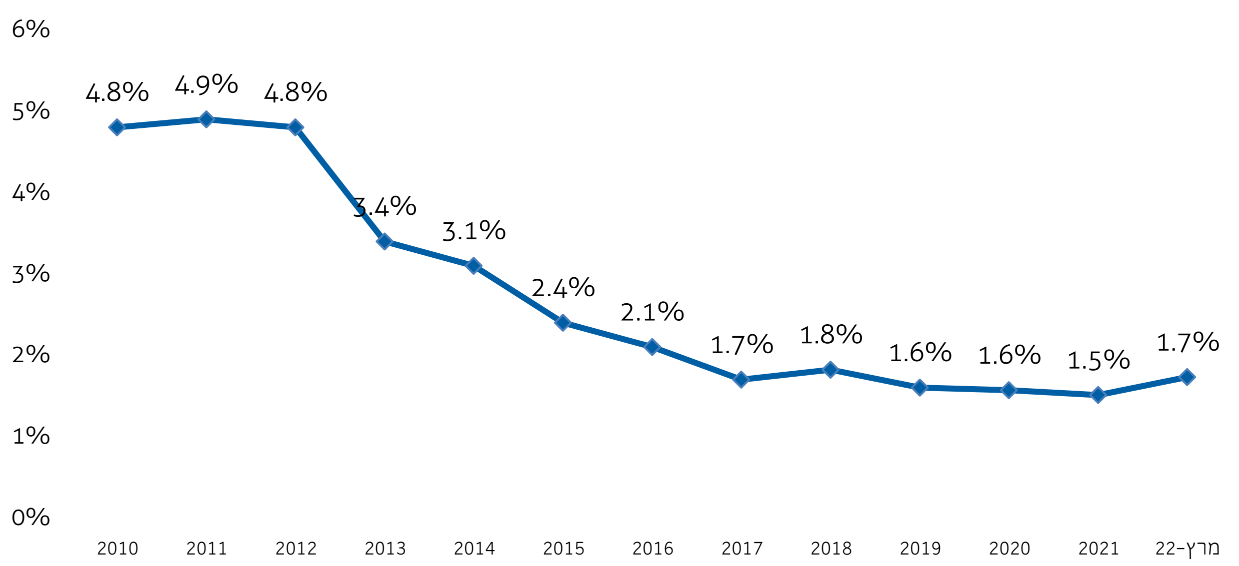
As of the Report Date, the Group, on a consolidated basis and in the separate statement, does not have a deficit in the working capital.

5.3. Financing Transactions

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

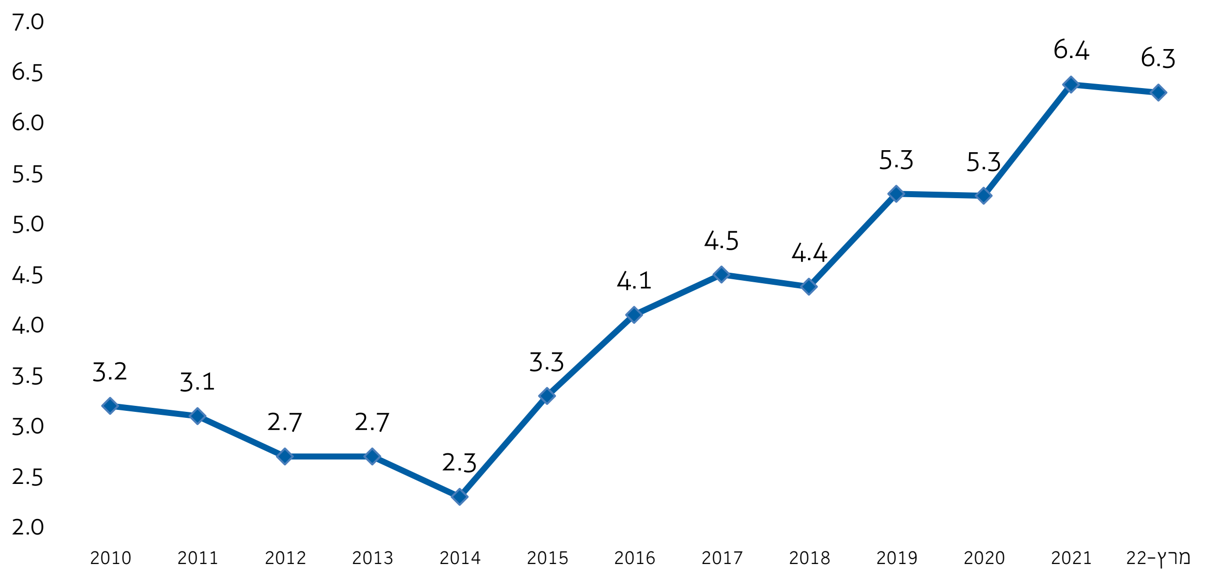
For details on a loan provided to GM in the Report Period, see Note 3D to the financial statements.

Reduction of Average Interest over the Years



1. Interest rate as of the end of the period

Extension of the Average Duration of Debt



2. Average duration as of the end of the period

5.4. Rating

The Company has a high credit rating that reflects its financial strength, the quality of its assets and its low leverage ratio. As of the report date, the Company's credit rating is ilAA+/Stable/ilA-1+ by Ma'alot and Aa1 by Midroog. For details with respect to the rating of bonds, commercial paper and private loans of the Company, see Section 20.12 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

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	Foreign Currency -linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	18	58	-	76	76
Long-term loans	13,607	985	-	1,005*	4	14,592	1,009	15,601
Total	13,607	985	-	1,023	62	14,592	1,085	15,677

Figures are presented in millions of NIS, as of March 31, 2022.
* The majority of the loan is protected by interest rate hedging.

As of March 31, 2022, 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.

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

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

5.7. Maturities of the Group's Financial Liabilities

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

Forecast of Maturities of Financial Liabilities			
Year	**Principal**	**Interest**	**Total**
1	**1,019**	**307**	**1,326**
2	**968**	**293**	**1,261**
3	**1,002**	**280**	**1,282**
4	**905**	**263**	**1,168**
5 forth	**11,783**	**999**	**12,782**
Total	**15,677**	**2,142**	**17,819**

Figures are presented in millions of NIS, as of March 31, 2022.

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 373 million in the three months ended March 31, 2022.
- 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 March 31, 2022, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 3.1 billion. The Company deems its liquid assets, the considerable cash flow from its current operations and its unencumbered assets (in the total value of approx. NIS 30 billion, in addition to the aforesaid amount of approx. NIS 3.1 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.[18] 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 March 31, 2022**
Real estate of the retail centers and malls in Israel segment	**12,145**
Real estate of the leasable office and other space in Israel segment	**15,036**
Other real estate (mainly hospitality)	**453**
The Company's holdings in Compass and Azrieli E-Commerce	**1,147**
The Company's holdings in Bank Leumi	**1,240**
Total	**30,021**

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.

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

[18] For details with respect to additional matters related to the Group's financing activities, see Section 20 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

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 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	31.3.2022	31.12.2021
Total assets (1)	**43,397**	42,371
Current assets	**3,492**	3,271
Investment properties (2)	**34,934**	34,137
Short-term credit (3)	**1,018**	1,556
Loans from banking corporations and other credit providers (4)	**2,281**	1,279
Net bonds (5)	**12,378**	12,434
Total equity (6)	**20,608**	20,772

Figures are presented in millions of NIS.

(1) The increase mainly results from an increase in investment property as a result of investments and a change in the fair value and increase in cash.
(2) The increase mainly results from closing the purchase of the land in the Glilot North site in the Report Period and from the progress of investments in projects under construction and in the income-producing properties in the Report Period and from a change in the fair value of the properties.
(3) The decrease mainly results from repayment of the short-term loan of GM.
(4) The increase mainly results from refinancing of a loan of GM.
(5) The decrease results from ongoing repayments in the Report Period.
(6) The decrease mainly results from a dividend distribution offset by an increase due to the comprehensive profit in the period.

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 Year Ended
	31.3.2022	**31.3.2021**	**31.12.2021**
Net profit for the period attributable to the shareholders	**336**	110	2,889
Net profit attributable to the shareholders and to non-controlling interests	**336**	110	2,889
Basic earnings per share (NIS)	**2.77**	0.91	23.82
Basic earnings per share from continued operations (NIS)	**2.77**	0.91	23.85
Comprehensive income to shareholders and to non-controlling interests	**484**	289	3,235

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 336 million, compared with NIS 110 million in the same period last year. The increase in profit in the Report Period was affected mostly by an increase in the NOI in the amount of NIS 155 million mainly as a result of the impact of the Covid crisis on the same period last year, from the transition to profit from a fair value adjustment in the amount of NIS 252 million compared with a loss in the amount of NIS 38 million in the same quarter and from an increase in net other income, offset against an increase in net financing expenses in the amount of NIS 162 million mainly due to the increase in the index this quarter by 1.17% compared with the increase in the index in the same quarter last year by 0.1% and an increase in tax expenses due to the transition to profit from a fair value adjustment.

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 three-month period ended March 31, 2022 mostly derives from a profit from translation differences from foreign operations in the amount of NIS 107 million and from an increase in the fair value of financial assets net of tax in the sum of NIS 36 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	
	31.3.2022	31.3.2021
Marketing, general and administrative expenses (1)	62	42
Net other revenues (expenses) (2)	14	(4)
Net financing expenses (3)	(211)	(49)
Income tax expenses (4)	84	40

Figures are presented in millions of NIS.

(1) The increase in expenses in the Report Period compared with the same period last year mainly derives from a consolidation of the results of GM and from an increase in payroll and consulting expenses.
(2) The increase in other revenues in the quarter mainly derives from a dividend received from 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 1.17% increase in the known CPI in the current quarter compared with a 0.1% increase in the same quarter last year.
(4) The increase in tax expenses in the Report Period mainly derives from an increase in the deferred tax expenses due to the increase in profit from the adjustment of the fair value of real estate.

6.4. Cash Flows

The following table shows the cash flows generated by the Group for Q1/2022, compared with the same quarter in 2021:

Quarterly Cash Flows		
Quarter	Q1/2022	Q1/2021
Net cash flows generated by the Group from current operations (1)	373	209
Net cash flows used by the Group for investment activities (2)	(320)	(69)
Net cash flows generated (used) by the Group for financing activities (3)	161	(385)

Figures are presented in millions of NIS.

(1) The cash flow in the quarter and in the same quarter last year resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 447 million (without Compass) (approx. NIS 293 million in the corresponding period), plus net senior housing deposits.

(2) Most of the cash flow in Q1/2022 was used for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 447 million, offset by net proceeds received from the sale of the shares of Bank Leumi and GES in the amount of NIS 139 million. 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 356 million, offset by the proceeds received from the sale of Leumi Card and Sonol in the amount of NIS 258 million.

(3) Most of the change relative to the same quarter last year resulted from an increase in net loans mainly because of refinancing of the loan in GM.

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 2021, which is included herein by reference.

7.1. Approval of Remuneration for Directors who are Controlling Shareholders of the Company

On May 30, 2022, the Company's board of directors (following receipt of the Compensation Committee's approval) authorized the terms of remuneration for Ms. Naomi Azrieli and Ms. Sharon Azrieli who are controlling shareholders of the Company and hold office as directors thereof. For further details, see the Company's immediate report which is released simultaneously herewith.

7.2. Changes in the Service of Company Officers

See Section 1.2.3.4 above.

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 March 31, 2022 and Note 3 to the financial statements as of March 31, 2022.

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 2021. The Company has updated the valuations of its properties as of March 31, 2022 due to the effect of the rise in the CPI in the Report Period.

As specified in Section 9.3 of the board of directors' report included in the Periodic Report for 2021, which is included herein by reference, and after an examination of the relevant parameters according to ISA Staff Legal Position 105-23 on the parameters for examination of the materiality of valuations, it transpires that the Company has no highly material valuation that is required to be attached to the report.

8.4. Subsequent Events

See Note 7 to the financial statements as of March 31, 2022.

8.5. Financials attributable to the Company as a Parent Company

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

8.6. Note on Forward-Looking Information

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

Such estimations may not materialize, in whole or in part, or materialize in a manner that materially differs from the Company's estimations. The principal factors that may affect the above are: changes in the capital market that will affect the conditions and possibilities of obtaining credit, changes in the Company's plans, including use of future available liquid balances for the purpose of seizing business opportunities, changes in the advantageousness of holding various investment channels or the advantageousness of use of various financing channels, delays in the obtainment of permits or approvals required for the progress of projects under construction, changes in the *regulation related to the Company's business, including planning and building regulation, an increase in the prices of construction materials, changes in the CPI, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a manner affecting the Company's cash flow, and the effects of the Covid 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 March 31, 2022.

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

Date: May 30, 2022

<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	**603.9**	**625.6**	**2.0**	**619.3**	**653.1**	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	**3,090.4**	**3,243.5**	**10.1**	**3,227.8**	**3,489.7**	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**	**3,360.3**	**14.7**	**3,449.2**	**3,676.1**	Fixed	1.77	On June 30 of each of the years 2022 through 2028	From June 30, 2019, twice a year on June 30 of each of the years 2019 through 2028 and December 31 of each of the years 2019 through 2027	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	1,216.7											
	April 20, 2020	810.7											

Series	Date of the Issue	Par Value on the Date of the Issue	Par Value on the Report Date	Par Value on the Report Date, including Linkage	Amount of Interest Accrued by the Report Date	Value in the Financial Statements	Market Cap	Type of Interest	Annual Interest Rate	Principal Payment Dates	Interest Payment Dates	Linkage Terms	Details regarding the Trustee
Series F	Jan. 22, 2019	263.4	**1958.0**	**2,028.6**	**12.4**	**2,215.6**	**2,303.0**	Fixed	2.48	On December 31 of each of the years 2025 through 2032	From June 30, 2019, twice a year on June 30 and December 31 of each of the years 2019 through 2032	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	932.6											
	April 20, 2020	761.9											
Series G	July 20, 2021	1,903.6	**1,903.6**	**1,943.0**	**4.2**	**1,924.1**	**1,901.9**	Fixed	0.9	July 2 of each of the years 2024 through 2036	From January 2, 2022, twice a year on January 2 and July 2 of each of the years 2022 through 2036	Linkage (principal and interest) to the rise in the CPI for June 2021	
Series H	July 20, 2021	1,751.5	**1,751.5**	**1,787.8**	**7.3**	**1,766.6**	**1,761.7**	Fixed	1.69	January 2 of each of the years 2032 through 2041	From January 2, 2022, twice a year on January 2 of each of the years 2022 through 2041 and July 2 of each of the years 2022 through 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
Total		**14,853.4**	**12,550.8**	**12,988.8**	**50.7**	**13,202.6**	**13,785.5**						

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

<u>Further details regarding the bonds of the Company held by the public:</u>

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

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

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

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

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

    2.4. With respect to the Series G Bond indenture and the Series H Bond indenture, both of which were attached to the Shelf Offering Report that was published by the Company, see the Company's report dated July 19, 2021 (Ref.: 2021-01-118986).

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

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

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

Rating of the bonds of the Company held by the public:

Series	Name of Rating Company	Rating Set on the Date of the Issue	Rating Set as of the Report Release Date	Date of Issuance of the Current Rating	Additional Ratings Set between the Date of the Issue and the Report Date	
					Rating	Date of Rating
Series B	Ma'alot	AA+ stable	AA+ stable	February 7, 2021(*)	AA+ stable	June 21, 2015 March 28, 2017 February 2, 2020 February 7, 2021
Series D	Midroog	Aa1/stable outlook	ilAa1/stable outlook	December 30, 2021(**)	ilAa1/stable outlook	July 20, 2016 March 27, 2017 March 28, 2017 December 31, 2017 January 28, 2018 January 31, 2018 December 31, 2019 April 19, 2020 December 27, 2020 December 30, 2021
Series E	Midroog	ilAa1/stable outlook	Aa1/stable outlook	December 30, 2021(**)	ilAa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020 December 30, 2021
Series F	Midroog	ilAa1/stable outlook	ilAa1/stable outlook	December 30, 2021(**)	ilAa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020 December 30, 2021
Series G	Ma'alot	ilAA+ stable	ilAA+ stable	July 1, 2021 (***)	AA+/stable outlook	July 1, 2021
Series H	Ma'alot	ilAA+ stable	ilAA+ stable	July 1, 2021 (***)	AA+/stable outlook	July 1, 2021

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

** For Midroog's rating report on the Series D-F Bonds, see the Company's immediate report of December 30, 2021 (Ref.: 2021-01-116851), which is included herein by way of reference.

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

PART B

Update of the Description of the Corporation's Business

AZRIELI GROUP LTD.

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of December 31, 2021 (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 three months ended March 31, 2022 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**" – May 31, 2022; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – March 31, 2022; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the three months ended March 31, 2022.

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

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

For details with respect to: (1) the development pipeline; (2) the purchase of lands that are located in the North Glilot complex and lease thereof to SolarEdge Technologies Ltd.; (3) the engagement in an agreement for the acquisition of ownership in "Mall Hayam", Eilat; (4) changes in the position of officers of the Company; (5) the shelf prospectus; and (6) the Covid pandemic, 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 10, 2022, the Company paid a dividend to its shareholders in the total amount of NIS 650 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:

SolarEdge Campus – on January 17, 2022, a transaction was closed for the acquisition of a company that holds leasehold rights in land located in the North Glilot complex, on part of which the Company will establish a campus for SolarEdge Technologies Ltd. ("**SolarEdge**") which will include 38,000 aboveground sqm and 950 parking spaces. The Company engaged with SolarEdge in an agreement for the lease of the campus for a 15-year period with options for extension up to a total period of 24 years and 11 months. From the date of handover of

[1] As reported by the Company on March 23, 2022 (Ref.: 2022-01-033196), which is incorporated herein by reference.

possession of the campus, the lessee will be responsible for the management, maintenance and upkeeping of the campus. For further details, see the Company's immediate report dated May 11, 2021 (Ref.: 2021-01-082779) and dated January 18, 2022 (Ref.: 2022-01-007851), which are included herein by way of reference.

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):

Land in Modi'in (Lot 10) – in March 2022, an excavation and shoring permit was received for the project.

"Palace Rishon LeZion" senior home – in March 2022, a basement permit was received for the project.

5. Financing

Non-Bank Financing for the Company

Update to Section 20.5 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 3,090 million.

AZRIELI GROUP

PART C

Consolidated Financial Statements

Dated 31 March 2022

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of March 31, 2022

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements

As of March 31, 2022

C o n t e n t s

Deloitte.

Auditors' review report to the shareholders of

Azrieli Group Ltd.

Introduction

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of March 31, 2022 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for this interim period 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, May 30, 2022

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of March 31 2022 NIS in millions (Unaudited)	As of March 31 2021 NIS in millions (Unaudited)	As of Dec. 31 2021 NIS in millions
ASSETS			
Current Assets			
Cash and cash equivalents	3,105	2,416	2,886
Short-term investments and deposits	4	19	1
Trade accounts receivable	82	91	83
Other receivables	165	145	150
Inventory	10	12	11
Current tax assets	126	115	140
	3,492	2,798	3,271
Assets held for sale	-	90	-
Total Current Assets	3,492	2,888	3,271
Non-current Assets			
Investment in company accounted for on the equity method	1,108	832	1,094
Loans and receivables	366	315	382
Financial assets	1,245	1,007	1,288
Investment property and investment property under construction	34,934	29,517	34,137
Fixed assets	553	516	548
Intangible and other assets	1,699	117	1,651
Total Non-current Assets	39,905	32,304	39,100
Total Assets	43,397	35,192	42,371

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 March 31		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
LIABILITIES AND CAPITAL			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,018	894	1,556
Trade payables	341	376	383
Payables and other current liabilities	278	180	221
Deposits from customers	1,176	1,015	1,126
Current tax liabilities	3	2	3
Declared dividend	650	450	-
	3,466	2,917	3,289
Liabilities of assets held for sale	-	32	-
Total Current liabilities	3,466	2,949	3,289
Non-current liabilities			
Loans from financial corporations	2,281	1,428	1,279
Bonds	12,378	9,206	12,434
Other liabilities	88	74	91
Deferred tax liabilities	4,576	3,562	4,506
Total Non-current liabilities	19,323	14,270	18,310
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	458	275	356
Retained earnings	17,584	15,128	17,850
Total equity attributable to the shareholders of the Company	20,578	17,939	20,742
Non-controlling interests	30	34	30
Total Capital	20,608	17,973	20,772
Total Liabilities and Capital	43,397	35,192	42,371

May 30, 2022			
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 three-month period ended March 31		For the year ended December 31
	2 0 2 2	2 0 2 1	2 0 2 1
	NIS in millions	NIS in millions	NIS in millions
	Unaudited		
Revenues:			
From rent, management, maintenance and sales fees, net	623	437	2,210
Net profit (loss) from fair value adjustment of investment property and investment property under construction	252	(38)	2,441
Share in results of companies accounted for on the equity method, net of tax	(17)	(6)	310
Financing	26	6	31
Other	16	-	62
Total revenues	900	399	5,054
Costs and Expenses:			
Cost of revenues from rent, management, maintenance and sales fees	179	148	669
Sales and marketing	20	17	80
G&A	42	25	106
Financing	237	55	479
Other	2	4	48
Total Costs and Expenses	480	249	1,382
Income before income taxes	420	150	3,672
Taxes on income	(84)	(40)	(780)
Income from continuing operations for the period	336	110	2,892
Loss from discontinued operation (after tax)	-	-	(3)
Net profit for the period	336	110	2,889
Other comprehensive income			
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	36	109	476
Amounts that were carried or will be carried in the future to the income statement, net of tax:			
Share in other comprehensive income of an investment accounted for using the equity method	5	2	2
Translation differences from foreign operations	107	68	(132)
Cash flow hedge for a projected business combination transaction	-	-	(69)
Cash flow hedge for a projected business combination transaction	-	-	69
Total	112	70	(130)
Total other comprehensive income for the period, net of tax	148	179	346
Total Comprehensive Income for the Period	484	289	3,235

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 three-month period ended		For the year ended December 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Net income for the period attributable to:			
Shareholders of the Company	336	110	2,889
Non-controlling interests	-	-	-
	336	110	2,889
Comprehensive income for the period attributable to:			
Shareholders of the Company	484	287	3,237
Non-controlling interests	-	2	(2)
	484	289	3,235
	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	2.77	0.91	23.85
Discontinued operations	-	-	(0.03)
	2.77	0.91	23.82
Average weighted number of shares used for calculating the basic and diluted earnings per share	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 three-month period ended March 31, 2022								
	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								
	Unaudited								
Balance as of January 1, 2022	18	2,518	689	(337)	4	17,850	20,742	30	20,772
Net profit for the period	-	-	-	-	-	336	336	-	336
Change in fair value of financial assets, net of tax	-	-	36	-	-	-	36	-	36
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	5	-	-	5	-	5
Translation differences from foreign operations	-	-	-	107	-	-	107	-	107
Total comprehensive income for the period	-	-	36	112	-	336	484	-	484
--									
Declared dividend to shareholders of the Company	-	-	-	-	-	(650)	(650)	-	(650)
Funds from investee companies	-	-	-	-	2	-	2	-	2
Total transactions with shareholders of the Company	-	-	-	-	2	(650)	(648)	-	(648)
Carried to retained earnings as a result of disposition of financial assets	-	-	(48)	-	-	48	-	-	-
Balance as of March 31, 2022	18	2,518	677	(225)	6	17,584	20,578	30	20,608

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 March 31, 2021								
	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								
	Unaudited								
Balance as of January 1, 2021	18	2,518	304	(209)	-	15,470	18,101	32	18,133
Net profit for the period	-	-	-	-	-	110	110	-	110
Change in fair value of financial assets, net of tax	-	-	109	-	-	-	109	-	109
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	2	-	-	2	-	2
Translation differences from foreign operations			-	66	-	-	66	2	68
Total comprehensive income for the period	-	-	109	68	-	110	287	2	289
--									
Declared dividend to shareholders of the Company	-	-	-	-	-	(450)	(450)	-	(450)
Funds from investee companies	-	-	-	-	1	-	1	-	1
Total transactions with shareholders of the Company			-	-	1	(450)	(449)	-	(449)
Carried to retained earnings as a result of disposition of financial assets	-	-	2	-	-	(2)	-	-	-
Balance as of March 31, 2021	18	2,518	415	(141)	1	15,128	17,939	34	17,973

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, 2021								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2021	18	2,518	304	(209)	-	15,470	18,101	32	18,133
Net profit for the year	-	-	-	-	-	2,889	2,889	-	2,889
Change in fair value of financial assets, net of tax	-	-	476	-	-	-	476	-	476
Share in other comprehensive income of an investment accounted for on the equity method	-	-	-	2	-	-	2	-	2
Translation differences from foreign operations	-	-	-	(130)	-	-	(130)	(2)	(132)
Total comprehensive income (loss) for the year	-	-	476	(128)	-	2,889	3,237	(2)	3,235
Dividend to shareholders of the Company	-	-	-	-	-	(600)	(600)	-	(600)
Funds from investee companies	-	-	-	-	4	-	4	-	4
Total transactions with shareholders of the Company	-	-	-	-	4	(600)	(596)	-	(596)
Carried to retained earnings as a result of disposition of financial assets	-	-	(91)	-	-	91	-	-	-
Balance as of December 31, 2021	18	2,518	689	(337)	4	17,850	20,742	30	20,772

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 three-month period ended March 31		For the year ended December 31
	2 0 2 2	2 0 2 1	2 0 2 1
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash Flows - Current Operations			
Net profit for the period	336	110	2,889
Depreciation and amortization	4	6	20
Forfeiture of senior housing residents' deposits	(11)	(9)	(40)
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(252)	38	(2,441)
Net financing and other expenses	165	48	420
Share in results of associates accounted for on the equity method	17	6	(310)
Tax recognized in the income statement	84	40	780
Income taxes received (paid), net	(5)	9	(82)
Erosion of financial assets designated at fair value through profit and loss	3	-	(6)
Change in inventory	2	(2)	2
Change in trade and other receivables	(12)	(20)	(23)
Change in trade and other payables	(9)	(31)	11
Receipt of deposits from senior housing residents	64	28	204
Return of deposits from senior housing residents	(13)	(15)	(68)
Change in employee provisions and benefits	-	1	1
Net cash - current operations	373	209	1,357
Cash flows - Investment Activity			
Proceeds from disposition of fixed assets	-	-	2
Down-payment on account of sale of investment property	-	32	59
Purchase of and investment in investment property and investment property under construction	(417)	(325)	(982)
Purchase of and investment in fixed and intangible assets	(9)	(7)	(32)
Down-payments paid on account of investment property	-	-	(138)
Investment in and granting of loans to companies accounted for on the equity method	-	-	(2)
Change in short-term deposits	(3)	-	18
Proceeds from disposition of financial assets designated at fair value through profit and loss	-	-	1
Provision of long-term loans	-	-	(45)
Collection of long-term loans	1	-	1
Interest and dividend received	1	4	62
Proceeds from disposition of financial assets, net	86	222	416
Proceeds from disposition of investments in investee companies, net (Annex A)	53	36	36
Acquisition of company consolidated for the first time (Annex B)	-	-	(2,380)
Taxes paid for financial assets	(2)	-	(7)
Payments to institutions for purchase of real estate	(30)	(31)	-
Net cash – investment activity	(320)	(69)	(2,991)

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 three-month period ended March 31		For the year ended December 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – Financing activity			
Dividend distribution to shareholders	-	-	(600)
Repayment of bonds	(189)	(184)	(522)
Issuance of bonds net of issue expenses	-	-	3,613
Receipt of long-term loans from financial corporations	1,006	290	290
Repayment of long-term loans from financial corporations	(30)	(452)	(661)
Short-term credit from financial corporations, net	(562)	1	(9)
Repayment of other long-term liabilities	(1)	(1)	(3)
Repayment of deposits from customers	(1)	(1)	(5)
Received deposits from customers	-	1	9
Paid interest	(62)	(39)	(220)
Net cash – financing activity	161	(385)	1,892
Increase (decrease) in cash and cash equivalents	214	(245)	258
Cash and cash equivalents at beginning of period	2,886	2,646	2,646
Effect of exchange rate changes on cash balances held in foreign currency	5	15	(18)
Cash and cash equivalents at end of period	3,105	2,416	2,886

(*) For the three-month periods ended March 31, 2022 and March 31, 2021, non-cash transactions include a change in dividend payables in the sum of NIS 650 million and NIS 450 million, respectively.

For the three-month periods ended March 31, 2022 and March 31, 2021, non-cash transactions included a change in other payables in respect of acquisitions on credit of non-current assets in the sum of approx. NIS 7 million and approx. NIS 17 million, respectively.

In addition, non-cash transactions included, in 2021, a change in "other receivables in respect of the sale of investment property" balances in the sum of approx. NIS 32 million.

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

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows
(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Annex A –			
Proceeds from disposition of an investment in investee companies:			
Receivables due to sale of the investment	53	36	36

	For the three-month period ended March 31		For the year ended December 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Annex B –			
Acquisition of a company consolidated for the first time:			
Working capital (excluding cash and cash equivalents)	-	-	582
Fixed assets and intangible assets	-	-	(1,580)
Investment property	-	-	(1,576)
Long-term liabilities including current maturities	-	-	194
	-	-	(2,380)

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 March 31, 2022

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-H) that have been issued to the public. The Group's Consolidated Financial Statements as of March 31, 2022 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, each one of Sharon Azrieli, Naomi Azrieli and Danna Azrieli, holds, directly and through a Canadian holding corporation controlled by them ("**Canadian 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 holds (indirectly, through a holding of shares of a Canadian 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, 2021, and for the year then ended (the "**Annual Financial Statements**"), 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, 2021 and for the year then ended.

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

B. Use of estimates and discretion:

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

The evaluations and discretion used by management to apply the accounting policy and prepare the Consolidated Interim Financial Statements were identical to those used in the preparation of the Financial Statements as of December 31, 2021.

(2) As of March 31, 2022, the Group updated the valuations for part of its real estate properties in Israel, in view of the increase in index for the period.

C. Rates of exchange and linkage basis:

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

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

Note 2 – Significant Accounting Policies (Cont.)

C. 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 NOK	Representative Exchange Rate of the Dollar	CPI in Israel "For"	CPI in Israel "Known"
	(NIS to 1 NOK)	(NIS to $1)	Base 1993	Base 1993
Date of the Financial Statements:				
March 31, 2022	0.3635	3.176	232.73	231.38
March 31, 2021	0.3911	3.334	224.90	223.56
December 31, 2021	0.3525	3.110	229.37	228.70
	%	%	%	%
Rates of change:				
For the three-month period ended:				
March 31, 2022	3.12	2.12	1.46	1.17
March 31, 2021	3.82	3.70	0.80	0.10
For the year ended:				
December 31, 2021	(6.42)	(3.27)	2.80	2.40

Note 3 – Material Events during the Report Period

A. On March 24, 2022, the Company's board of directors decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 650 million (reflecting an amount of NIS 5.36 per share), which was paid on May 10, 2022.

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

For details about the effects of the Covid-19 crisis, see Note 1B to the Annual Financial Statements.

From January 2021, the State of Israel launched an extensive vaccination campaign against the Covid virus, and it appeared that business is getting back to normal in the Israeli economy. However, in the period between the beginning of Q3/2021 and the end of Q3/2021, the morbidity rate in Israel and worldwide began to increase. From the beginning of Q4/2021 the wave began to abate and morbidity figures were low. However, in the period from the end of Q/4 2021 and in the beginning of 2022, morbidity rates increased again, which resulted in the fifth morbidity wave.

The aforesaid notwithstanding, despite the outbreak of the fifth wave, which waned towards the end of February 2022, restrictions and increasing morbidity had a lower impact on the economic activity, because the economy has adapted to living with Covid, together with the improved vaccination rates and treatment of patients, and thus the Israeli economy appears to have fully returned to routine. Further to the aforesaid, in the report period and until the date of its release, most of the restrictions imposed due to the Covid pandemic were cancelled, and cancellation of the few that are still in effect is being considered.

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

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

The overall consideration in the transaction is approx. NIS 350 million.

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

The Acquisition Agreement includes representations and indemnities the responsibility and liability in respect of which is limited to the total amount of the consideration.

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

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

On January 17, 2022, the transaction was closed.

D. In February 2022, a refinancing agreement was signed which replaced the short-term loan that existed at Green Mountain, As, a Norwegian company, 100% of whose share capital is held (indirectly) by the Company ("**GM**"), at the time of its acquisition, as stated in Note 8B to the Annual Financial Statements. The agreement included a senior and junior debt of approx. NOK 2.9 billion (approx. NIS 1 billion), most of which was used to repay a previous debt of approx. NOK 1.5 billion (approx. NIS 0.5 billion). The debt has an average variable interest rate, with a margin of approx. 4.2% over NIBOR for three months to repay principal after 60 months. In addition, the financing agreement includes credit facilities of approx. NOK 2.1 billion (approx. NIS 0.7 billion) that can be utilized in accordance with the terms set forth in the agreement at an average variable interest rate with a margin of approx. 3.25% over NIBOR for three months. The costs of the turnover transaction are approx. NOK 118 million (approx. NIS 42 million). Against the loan, the Company's holdings in Green Data, As, a Norwegian company wholly owned by the Company, which holds GM's shares ("**GD**"), GD's holdings in GM as well as GM's operating and real estate assets and GM's holding in a wholly-owned subsidiary thereof, were pledged. The financing agreement includes a requirement to hedge against changes in the variable interest and further determines financial covenants which apply to GM as follows: For the leverage ratio as expressed in the ratio between the adjusted debt level and the adjusted EBITDA, the debt coverage ratio as expressed in the ratio between the adjusted EBITDA and the annual debt service obligation, the weighted average lease term ratio and the LTV ratio. As of March 31, 2022. GM is in compliance with the above covenants.

Note 4 – Discontinued Operations

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Loss from the sale of discontinued operations, net of tax	-	-	(3)
Loss for the period	-	-	(3)
Cash flows from discontinued operations:			
Net cash derived from investment activity	53	36	36
Net cash derived from discontinued operations	53	36	36

Note 5 – Investments in Investee Companies

Condensed financial statement for an investee company material to the Company:

Compass Holdco, LLC:

	As of March 31 2022 NIS in millions (Unaudited)	As of Dec. 31 2021 NIS in millions
Current assets	420	338
Non current assets	8,961	8,050
Current liabilities	(1,026)	(493)
Non current liabilities	(4,189)	(3,776)
Capital attributed to shareholders	(4,166)	(4,118)
The Company's share in assets, net	998	986
Adjustments	110	108
The book value of the investment in investee company	1,108	1,094

	For the three-month period ended March 31 2022 NIS in millions (Unaudited)	For the year ended Dec. 31 2021 NIS in millions
Revenues	54	195
Net income (loss) for the year	(64)	1,311
The Company's share in the profit (loss)	(15)	314

Note 6 – Fair Value of Financial Instruments

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 March 31, 2022		As of March 31, 2021		As of Dec. 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS in millions (unaudited)		NIS in millions (unaudited)		NIS in millions	
Non-current liabilities:						
Loans from banking corporations and other credit providers (1)	2,403	2,340	1,701	1,718	1,403	1,417
Bonds (1)(2)	13,253	13,786	9,794	10,456	13,294	14,496
	15,656	16,126	11,495	12,174	14,697	15,913

(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.

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

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

	As of March 31		As of December 31
	2022	2021	2021
	%	%	%
Non-current liabilities:			
Loans from financial corporations	(1.72)-6.16	(1.46)-4.78	(1.19)-4.9

Note 6 – Fair Value of Financial Instruments (Cont.)

C. Hierarchy of fair value:

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).

	As of March 31, 2022		
	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	1,240	-	1,240
Total fair value of financial assets	1,240	5	1,245

Note 6 – Fair Value of Financial Instruments (Cont.)

	As of March 31, 2021		
	Level 1	Level 2	Total
	NIS in millions		
	(unaudited)		
Financial assets at fair value through profit and loss:			
Non-marketable investments	-	4	4
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,003	-	1,003
Total fair value of financial assets	1,003	4	1,007

	As of December 31, 2021		
	Level 1	Level 2	Total
	NIS in millions		
Financial assets at fair value through profit and loss:			
Non-marketable investments	-	6	6
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,282	-	1,282
Total fair value of financial assets	1,282	6	1,288

Note 7 – Segment Reporting

A. General:

For a description of the Company's operating segments, see Note 34 to the Annual Financial Statements.

Below are the Company's reporting segments:

Segment A – Retail centers and malls in Israel
Segment B – Leasable office and other space in Israel
Segment C – Income-producing properties in the U.S.
Segment D – Senior housing
Segment E – Data Centers

The following are the considerations exercised by the management in the application of the criteria for grouping each of these operating segments:

The Group's management examined the economic characteristics of each of these operating segments and reached the conclusion that in each of them the economic characteristics are similar, given the fact that each of the segments, with the exception of the Data Centers segment, is conducted in the same geographical area (Israel or the U.S.), denominated in the same currency (in new shekels or in U.S. dollars), subject to similar political and legal conditions and with similar profitability rates. The Group's management also examined that each of these operating segments is similar in all of the following characteristics:

- The nature of the projects – All of the projects within each of these operating segments are in the same area of operation.

- The nature of the development and initiation processes – All of the projects within each of these operating segments involve similar development and initiation processes.

- Type of customers – All of the projects within each of these operating segments are marketed to a similar group of customers (business customers, elderly population).

Note 7 – Segment Reporting (Cont.)

A. General (Cont.)

- The methods used for marketing the projects – The methods for marketing all of the projects within each of these operating segments are similar and include identical advertising and marketing processes.

- The essence of the supervising environment – All of the projects in each of these operating segments are subject to similar laws, regulations and rules, including in the field of real estate, planning, construction and leasing, the environment, municipal laws and in connection with real estate taxation, as well as laws and regulations in the field of senior housing.

Based on the considerations specified above, the Group's management believes that the grouping of each of the operating segments into the following reporting 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, is in accordance with IFRS 8.

Note 7 – Segment Reporting (Cont.)

B. Operating segments:

	For the three-month period ended March 31, 2022							
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing property in the U.S.**	**Senior housing**	**Data Centers**	**Other**	**Adjustments**	**Consolidated**
	NIS in millions							
	(Unaudited)							
Revenues:								
Total external income	250	217	58	52	50	9	(13)	623
Total segment expenses	52	33	28	38	20	21	(5)	187
Segment profit (loss) (NOI)	198	184	30	14	30	(12)	(8)	436
Net profit (loss) from fair value adjustment of investment property and investment property under construction	131	121	-	-	(4)	-	4	252
Unallocated expenses								(54)
Financing expenses, net								(211)
Other income, net								14
The Company's share in the results of a company accounted for in the equity method, net of tax								(17)
Income before income taxes								420
Additional information:								
Segment assets	13,226	15,438	2,073	2,828	5,371	304	(947)	38,293
Unallocated assets (*)								5,104
Total consolidated assets								43,397

(*) Mainly financial assets in the sum of approx. NIS 1.2 billion and cash and short-term deposits in the sum of approx. NIS 3 billion.

Note 7 – Segment Reporting (Cont.)
B. Operating segments (Cont.)

	For the three-month period ended March 31, 2021							
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing property in the U.S.**	**Senior housing**	**Data Centers**	**Other**	**Adjustments**	**Consolidated**
	NIS in millions							
	(Unaudited)							
Revenues:								
Total external income	125	195	58	45	11	14	(11)	437
Total segment expenses	39	28	29	34	3	25	(3)	155
Segment profit (loss) (NOI)	86	167	29	11	8	(11)	(8)	282
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(1)	(36)	(1)	-	1	-	(1)	(38)
Unallocated expenses								(35)
Financing expenses, net								(49)
Other expenses, net								(4)
The Company's share in the results of a company accounted for in the equity method, net of tax								(6)
Income before income taxes								150
Additional information:								
Segment assets	12,461	12,705	2,210	2,600	1,174	295	(342)	31,103
Unallocated assets (*)								4,089
Total consolidated assets								35,192

(*) Mainly financial assets in the sum of approx. NIS 1.0 billion and cash and short-term deposits in the sum of approx. NIS 2.4 billion.

Note 7 – Segment Reporting (Cont.)
B. Operating segments (Cont.)

	For the year ended December 31, 2021							
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Data Centers	Other	Adjustments	Consolidated
	NIS in millions							
Revenues:								
Total external income	866	834	231	192	82	53	(48)	2,210
Total segment expenses	201	132	109	144	29	101	(15)	701
Segment profit (loss) (NOI)	665	702	122	48	53	(48)	(33)	1,509
Net profit (loss) from fair value adjustment of investment property and investment property under construction	542	1,701	(59)	171	466	-	(380)	2,441
Unallocated expenses								(154)
Financing expenses, net								(448)
Other income, net								14
The Company's share in investee companies, net of tax								310
Income before income taxes								3,672
Additional information as of Dec. 31, 2021:								
Segment assets	13,051	14,975	2,023	2,810	5,025	301	(743)	37,442
Unallocated assets (*)								4,929
Total consolidated assets								42,371
Capital investments	153	802	28	42	3,356			

(*) Mainly financial assets in the sum of approx. NIS 1.3 billion and cash and short-term deposits in the sum of approx. NIS 2.9 billion.

Note 8 – Material Subsequent Events

On October 3, 2021 the Company (in this section, the "**Purchaser**") entered into an agreement with two third parties that are unaffiliated with the Company (in this section jointly: the "**Sellers**") and with Mall Hayam Eilat (1978) Ltd. (in this section: the "**Acquired Company**"), for the acquisition of all of the rights in the land on an area of approx. 6,000 sqm in Eilat, registered with the ILA, on which "Mall Hayam" in Eilat is located, on an area of approx. 19,000 sqm (in this section, the "**Agreement**").

On the date of closing of the transaction, the Purchaser will acquire 100% of the Acquired Company's issued and paid-up share capital. The Company will also receive, by way of assignment, all of the rights and obligations of the Sellers under the loan agreements, in which they have engaged vis-à-vis the lenders for the taking of loans, in a manner that as of the date of closing, the Company shall replace the borrowers.

The overall transaction consideration is approx. NIS 1.31 billion, plus index-linked differentials for the month of May 2021, net of the financing loans balance as of the date of closing.

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

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

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

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

After the report date, on May 3, 2022, approval was received from the Competition Commissioner for performance of the transaction. In addition, on May 23, 2022, approval was received from the ILA.

The transaction is subject to additional closing conditions which the Company is working to fulfill.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of March 31, 2022

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement
as of March 31, 2022

(Unaudited)

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

Azrieli Group Ltd.

Separate Interim Financial Statement
as of March 31, 2022

(Unaudited)

C o n t e n t s

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

Dear Sir/Madam,

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

We have reviewed the separate interim financial statement, which is presented according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of **Azrieli Group Ltd.** (the "**Company**") as of March 31, 2022 and for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this separate interim financial information in accordance with Section 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 . Our responsibility is to express a conclusion on the separate interim financial statement for this interim period, 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, May 30, 2022

Azrieli Group Ltd.
Statement of Financial Position

	As of March 31		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	2,682	2,244	2,597
Trade accounts receivable	14	22	9
Other receivables	237	200	182
Current tax assets	96	64	88
Total current assets	3,029	2,530	2,876
Non-current assets			
Financial assets	1,245	1,007	1,288
Investment property and investment property under construction	14,994	13,084	14,917
Investments in Investee Companies	14,424	11,517	14,139
Loans to Investee Companies	3,195	2,164	3,248
Fixed assets	323	307	318
Other receivables	57	50	60
Total non-current assets	34,238	28,129	33,970
Total assets	37,267	30,659	36,846

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

	As of March 31		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	992	760	983
Trade payables	150	221	155
Payables and other current liabilities	158	107	131
Declared dividend	650	450	-
Total current liabilities	1,950	1,538	1,269
Non-current liabilities			
Loans from financial corporations	314	392	332
Bonds	12,378	9,206	12,434
Other liabilities	26	26	27
Deferred tax liabilities	2,021	1,558	2,042
Total non-current liabilities	14,739	11,182	14,835
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	498	315	396
Retained earnings	17,584	15,128	17,850
Total capital attributable to shareholders of the Company	20,578	17,939	20,742
Total liabilities and capital	37,267	30,659	36,846

May 30, 2022			
Date of Approval of Separate Financial Statement	**Danna Azrieli** **Chairman of the Board**	**Eyal Henkin** **CEO**	**Irit Sekler-Pilosof** **Chief Financial Officer and Deputy CEO**

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

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues			
From rent and management and maintenance fees, net	199	133	702
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	129	(25)	1,342
Financing	57	28	139
Other	16	-	65
Total Revenues	401	136	2,248
Costs and Expenses			
Cost of revenues from rent and management and maintenance fees	7	12	37
Sales and marketing	9	7	39
G&A	30	22	86
Financing	201	42	407
Other	2	-	41
Total Costs and Expenses	249	83	610
Income before the Company's share in the profits of Investee Companies	152	53	1,638
Share in profits of Investee Companies, net of tax	203	64	1,648
Income before income taxes	355	117	3,286
Taxes on income	(19)	(7)	(394)
Income for the period from continued operations	336	110	2,892
Loss from discontinued operations (after tax)	-	-	(3)
Net income for the period	336	110	2,889
Other comprehensive income:			
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	36	109	476
Amounts that were carried or will be carried in the future to the income statement, net of tax:			
Translation differences from foreign operations	107	60	(120)
Share in the other comprehensive profit (loss) of Investee Companies, net of tax	5	8	(8)
Total	112	68	(128)
Other comprehensive income for the period, net of tax	148	177	348
Total comprehensive income for the period	484	287	3,237

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

Azrieli Group Ltd.
Statement of Cash Flows

	For the three-month period ended March 31		For the year ended Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – current operations			
Net profit for the period	336	110	2,889
Depreciation and amortization	1	1	2
Net loss (profit) from adjustment to fair value of investment property and investment property under construction	(129)	25	(1,342)
Financing and other expenses, net	113	13	236
Share in profits of Investee Companies, net of tax	(203)	(64)	(1,645)
Tax expenses recognized in the income statement	19	7	394
Income tax received, net	-	25	3
Change in trade and other receivables	(1)	(7)	2
Change in trade and other payables	25	(9)	6
Erosion of financial assets designated at fair value through profit and loss	-	-	(3)
Change in employee benefits and provisions	1	1	1
Net cash – current operations	162	102	543
Cash flows – investment activities			
Purchase and investment in investment property and investment property under construction	(80)	(268)	(790)
Purchase of fixed assets	(5)	(4)	(17)
Investments in Investee Companies	-	(95)	(2,523)
Consideration from financial assets designated at fair value through profit and loss	-	-	1
Return of long-term loans from Investee Companies, net	209	117	252
Interest and dividend received	1	4	76
Recovery of investment in Investee Company	-	-	19
Proceeds from the disposition of financial assets, net	86	222	416
Taxes paid for financial assets	(2)	-	(7)
Proceeds from liquidation of fixed assets	-	-	1
Ppayments to institutions for the acquisition of real estate, net	(30)	(31)	-
Net cash – investment activities	179	(55)	(2,572)

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

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – financing activities			
Bond offering net of offering expenses	-	-	3,613
Dividend distribution to shareholders	-	-	(600)
Repayment of bonds	(189)	(184)	(522)
Repayment of long-term loans from financial corporations	(23)	(67)	(180)
Short-term credit from financial corporations, net	-	1	(1)
Deposits from customers, net	-	-	2
Interest paid	(46)	(28)	(168)
Net cash – financing activities	(258)	(278)	2,144
Increase (decrease) in cash and cash equivalents	83	(231)	115
Cash and cash equivalents at beginning of period	2,597	2,472	2,472
Effect of exchange rate changes on cash balances held in foreign currency	2	3	10
Cash and cash equivalents at end of period	2,682	2,244	2,597

(*) Non-cash transactions, for the three-month period ended March 31, 2022, include a change in other payables due to a dividend in the sum of NIS 650 million (for the three-month period ended March 31, 2021 – NIS 450 million).

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

A. General:

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

This separate financial statement is to be inspected with respect to the Company’s separate financial statement as of December 31, 2021, 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, 2021 and the year then ended.

D. Material Events during the Reporting Period:

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

E. Subsequent Events:

See Note 8 to the condensed consolidated financial statements published with this separate financial statement.

Deloitte.

Date: May 30, 2022

To:
The Board of Directors of Azrieli Group Ltd.
Azrieli 1,
Tel Aviv

Dear Sir/Madam,

Re: Consent given in connection with the shelf prospectus of Azrieli Group Ltd. of May 2022

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 2022:

(1) Review report of May 30, 2022 on condensed consolidated financial information of the Company as of March 31, 2022 and for the three-month period then ended.

(2) Special auditors' report of May 30, 2022 on condensed separate financial information of the Company as of March 31, 2022 and for the three-month period then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

AZRIELI GROUP

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

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

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

For this purpose, the members of management are:

1| **Eyal Henkin**, CEO

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

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

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

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended December 31, 2021 (the "**Most Recent Annual Report on Internal Control**"), the Board of Directors and the management assessed the internal control within the Corporation; based on such assessment, the Board of Directors and the management of the Corporation arrived at the conclusion that such internal control was effective as of December 31, 2021.

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 Annual Report on Internal Control.

As of the report date, based on the assessment of the effectiveness of internal control in the Most Recent Annual 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 Q1/2022 (the "**Reports**").
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
    a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –

    b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
    a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and –

    b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP.

    c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, which may change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 30, 2022

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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 Q1/2022 (the "**Reports**" or the "**Interim Reports**");
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports;
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the Interim Financial Statements and the other information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and -
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation-
   a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and -
   b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP;
   c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, pertaining to the Interim Financial Statements and any other information included in the Interim Reports, which could, in my opinion, change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 30, 2022

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Irit Sekler-Pilosof | Deputy CEO and CFO