AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q3/2022

Dated 30 September 2022

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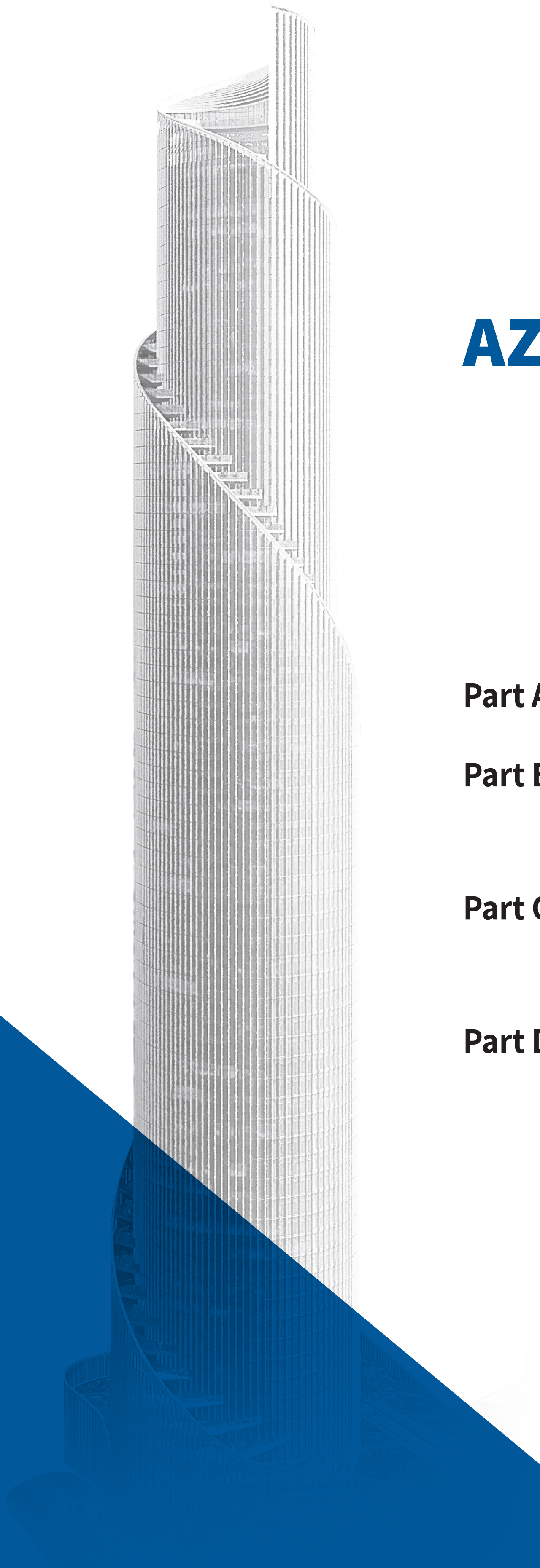


AZRIELI GROUP LTD.

Quarterly Report Q3/2022
Dated 30 September 2022

Part A | Board Report

Part B | Update of the Description of the Corporation's Business

Part C | Consolidated Financial Statements Dated 30 September 2022

Part D | Effectiveness of Internal Control over the Financial Reporting and Disclosure

PART A

Board Report

Azrieli Group

BUSINESS CARD

The 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, and during the report period the Company closed its acquisition of Mall Hayam in Eilat. 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 the Azrieli Town office tower, and has recently started accepting residents in its adjacent, newly-built 210-unit residential rental 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. 32.4% in a company operating mainly in the Data Centers industry in North America, and full ownership of Green Mountain, a company operating in the Data Center industry in Norway. During the report period the Company engaged in an agreement for the acquisition of a company operating in this industry in London, as detailed in Section 1.2.3.6 below. In addition, the Company holds the Mount Zion Hotel in Jerusalem. In January 2022, the Company closed on the acquisition of a company holding land in the North Glilot quarter, on which it has begun construction of a campus to be leased 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. 2.3%).
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 33%. 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 47.6 billion

Shareholders Equity NIS 21.6 billion

98% occupancy rate* on average in Israel

21 MALLS

360 thousand sqm | 99% Occupancy*

18 OFFICE BUILDINGS

666 thousand sqm | 97% Occupancy*

4 SENIOR HOMES

115 thousand sqm | 98% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

241 thousand sqm | 72% Occupancy

16 DATA CENTERS OVERSEAS

29 thousand sqm | 96% Occupancy

DEVELOPMENT PIPELINE – 10 PROJECTS

664 thousand sqm |

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

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

Increase of approx. 20% in Q3 2022 NOI to NIS 513 million compared with NIS 428 million in Q3 2021

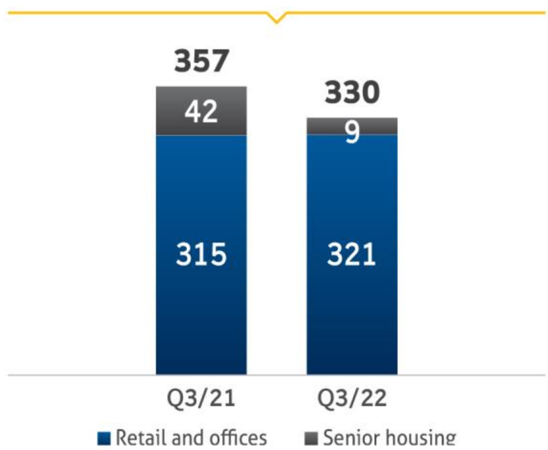
NOI

An increase of 11% in Net Profit totaled NIS 207 million in the report period compared with NIS 187 million in the same period last year

Net Profit

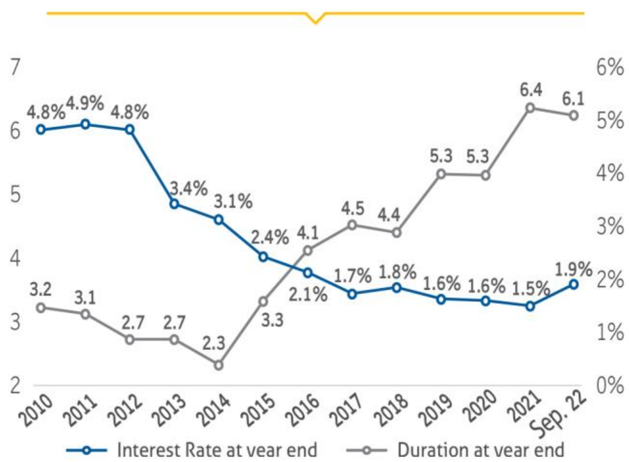
Decrease of approx. 8% in Q3 2022 FFO to NIS 330 million compared with the equivalent quarter 2021

FFO from income-producing real estate business



Average debt duration extended while reducing the interest rate

Average interest vs. average duration



During the Report Period, the Company distributed a NIS 650 million dividend

This is a translation of Azrieli Group's Hebrew-language Board of Directors' Report as of September 30, 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 nine and three months ended September 30, 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 September 30, 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 September 30, 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 September 30, 2022 and up to 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 September 30, 2022.

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

1.2.1. Summary of Reported Operating Segments for the Nine and Three Months Ended September 30, 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 ten projects in Israel in various development stages, the planned area of which is approx. 664 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 21 malls and retail centers in Israel;

2. **Leasable office and other space in Israel** – The Group has 18 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, as well as (indirect) holdings of approx.32.4% 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 which holds and operates the Azrieli.com website, and a holding of approx. 2.3% of Bank Leumi shares.

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

1.2.2. Breakdown of Asset Value by Operating Segment

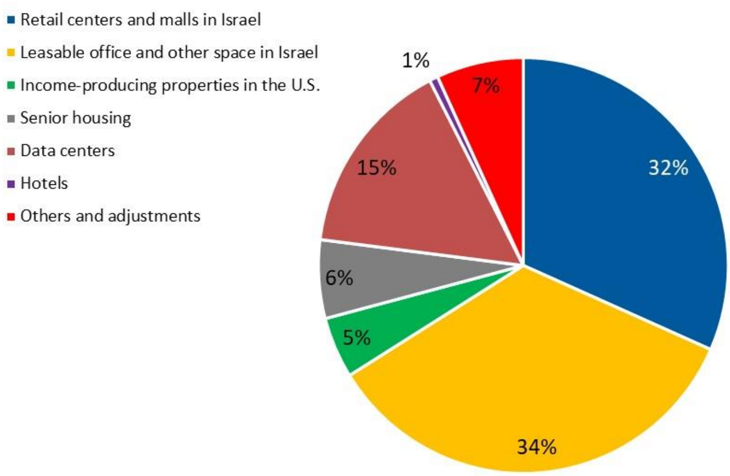
The following chart presents a breakdown of the total balance sheet assets by operating segment:[3]

Breakdown of Total Balance Sheet Assets by Operating Segment

As of	30.9.2022	31.12.2021
Retail centers and malls in Israel	**15,060**	13,051
Leasable office and other space in Israel	**16,430**	14,975
Income-producing properties in the U.S.	**2,268**	2,023
Senior housing	**2,909**	2,810
Data centers	**7,358**	5,025
Hospitality	**322**	301
Others and adjustments	**3,273**	4,186
Total	**47,620**	42,371

Percentage of Segment Assets out of Total Assets

30.9.2022



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 34% of the total balance sheet assets and the retail centers and malls segment assets constitute approx. 32%. The other income-producing real estate segments, in the aggregate, constitute approx. 27% 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. The work for construction of the campus has begun.

For further details, see the Company's immediate reports 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. Closing of the Acquisition of 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. On July 3, 2022, the remaining conditions precedent for the closing of the transaction were satisfied and the transaction was closed.

For further details, see the Company's immediate reports of October 4, 2021 (Ref.: 2021-01-150663), May 8, 2022 (Ref.: 2022-01-054778), May 24, 2022 (Ref.: 2022-01-063034) and July 4, 2022 (Ref.: 2022-01-083134), which are included herein by reference.

1.2.3.4. Changes in the Service of Officers of the Company

On February 8, 2022, Mr. Uri Kilstein left his office as the Company's Head of Malls and Deputy CEO .

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

On August 10, 2022, the general meeting of shareholders approved the reappointment of Mr. Yossef Shachak for another term as outside director and the first-time appointment of Ms. Varda Levy as outside director, for a 3-year term commencing on August 23, 2022.

On August 22, 2022, Mr. Ehud Rassabi ceased to hold the office of outside director of the Company.

On September 15, 2022, Mr. Yoram Ben Porat ceased to hold office as VP Senior Housing of the Company.

On November 22, 2022, Dr. Ariel Kor was appointed to hold office as a director of the Company. For further details, see the Company's immediate report that is released concurrently with this report.

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 (the "**2022 Shelf Prospectus**").

1.2.3.6. Entry into an Agreement for Acquisition of Companies operating in the Data Center Industry in England

On June 23, 2022, the Company, through a wholly owned special-purpose company thereof (the "**Buyer**"), entered into an agreement with a U.K. company (the "**Seller**"), for acquisition of all of the Seller's holdings in two companies: A company that leases land from a third party, which land holds an operating data center located in East London, and another company that owns vacant land near the operating data center, in consideration for approx. £52 million (approx. NIS 220 million, according to the representative rate of the pound as of the date of signing of the agreement), which shall be paid at the transaction closing date. For further details with respect to the engagement in the agreement, see the Company's immediate report of June 26, 2022 (Ref.: 2022-01-078271), which is included herein by reference.

1.2.3.7. Financing Transactions

In July 2022, the Company issued bonds (Series D, F and H) of the Company[4], by way of expanding these bond series, allocating Series D Bonds with a par value of approx. NIS 625,591 thousand in consideration for approx. NIS 671 million (approx. NIS 667 million, net of issue expenses), Series F Bonds with a par value of approx. NIS 1,336,503 thousand in consideration for approx. NIS 1,460 million (approx. NIS 1,445 million, net of issue expenses), and Series H Bonds with a par value of approx. NIS 926,416 million in consideration for approx. NIS 870 million (approx. NIS 857 million, net of issue expenses).

1.2.3.8. 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[5]

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	Total Dividend	Company's Share of Total Dividend Distributed
Bank Leumi	March 8, 2022	April 6,2022	Approx. NIS 588 million	Approx. NIS 15 million
Bank Leumi	May 23, 2022	June 15, 2022	Approx. NIS 322 million	Approx. NIS 8 million
Bank Leumi	August 15, 2022	September 6, 2022	Approx. NIS 398 million	Approx. NIS 9 million

[4] In accordance with a shelf offering report released on July 12, 2022 (Ref.: 2022-01-059968), which report was released under the 2022 Shelf Prospectus, which is included herein by reference.

[5] As of September 30, 2022, the Company has distributable retained earnings in the sum of approx. NIS 18.6 billion (which 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 (in this section: the "**Committee**") decided to increase the Bank of Israel interest by 0.25% to a rate of 0.35%[6], on May 23, 2022 the Committee decided to further increase the interest to a rate of 0.75%[7], on July 4, 2022 the Committee decided to further increase the interest to a rate of 1.25%[8], on August 22, 2022 it decided to increase the interest further to a rate of 2%[9], and on October 3, 2022 the Committee decided to increase the interest again to a rate of 2.75%[10]. On November 21, 2022, the Committee decided to further increase the interest to a rate of 3.25%[11]. Furthermore, inflation in the past 12 months has exceeded the top target limit and is at 5.1%; it is noted that the inflation rate in Israel during this period was lower than the rate in most developed countries[12].

The Company has loans and bonds linked to the index. Therefore, the increase in the Consumer Price Index (CPI) led to an increase in the Company's financing costs. Conversely, the Company's income-producing real estate in Israel, whose current value is approx. NIS 31 billion, is leased under index-linked rental agreements and from an economic point of view, the Company sees this as long-term inflationary protection. As a result, the increase in the index resulted in an increase in the Company's revenues from renting properties in Israel and an increase in the fair value of these properties, accordingly. Furthermore, most rental contracts in Norway in the Data Centers sector are fully or partially linked to the Norwegian CPI.

The Company funds its operations mainly by fixed-interest loans, and the amount of variable-interest loans is negligible. As a result, exposure to changes in short-term interest is low.

The Company determines the fair value of its properties, inter alia, using the cash flow discounting method, in which the future cash flows from the properties are discounted using a cap rate. The cap rate can be affected, inter alia, by the market risk-free interest rate. It is noted that the margin between the weighted cap rate and the weighted cost of debt or the current marginal financing cost of the Company remains high, also compared to previous periods.

The Residential and the Retail and Offices Construction Input Indices increased as well in the Report Period by

[6] 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 a rate of 0.35%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/11-04-22.aspx

[7] 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 a rate of 0.75%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/23-05-22.aspx

[8] Bank of Israel – press release of July 4, 2022 – On July 4, 2022, the Monetary Committee decided to increase the interest by 0.5 percentage points to a rate of 1.25%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/4-7-2022.aspx.

[9] Bank of Israel – press release of August 22, 2022 – On August 22, 2022, the Monetary Committee decided to increase the interest by 0.75 percentage points to a rate of 2%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/22-08-2022.aspx

[10] Bank of Israel – press release of October 3, 2022 – On October 3, 2022, the Monetary Committee decided to increase the interest by 0.75 percentage points to a rate of 2.75%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/03-10-2022.aspx

[11] Bank of Israel – press release of November 21, 2022 – On November 21, 2022, the Monetary Committee decided to increase the interest by 0.5 percentage points to a rate of 3.25%. Bank of Israel website: https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/03-10-2022.aspx

[12] See *supra*, Footnote 11.

the steep rate of approx. 4.9% and 5.1%, respectively. The increase in the Construction Input Indices causes a rise in the Company's construction costs in the various projects across the country, because the agreements in which the Company engages with the performance contractors, are linked to these indices.

The Company cannot assess the future effects of all of the above factors, if any, on the Israeli economy, the income-producing real estate industry in general and the Company's business in particular. However, at this time the Company estimates that they will not have a material effect on the results of its operations.

*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.

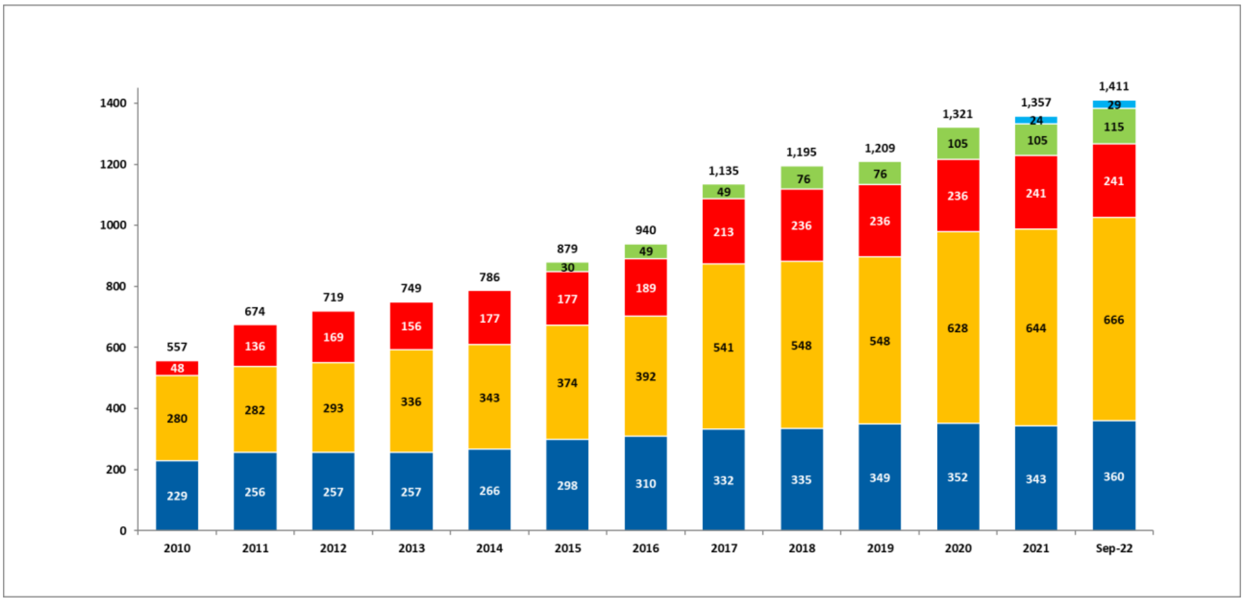
The aforesaid notwithstanding, despite the outbreak of the fifth wave (which waned towards the end of February 2022), and despite the renewed surge in morbidity in June and July 2022, the effect of the restrictions and the increasing morbidity on the economic activity was smaller, because the economy had adapted to the realities of Covid, along with improved vaccination rates and patient treatments, and thus the Israeli economy appears to have fully returned to normal. Further to the aforesaid, in the Report Period and by the date of its release, most of the restrictions imposed due to the Covid pandemic have been cancelled. 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.

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 September 30, 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 September 30, 2022:

- Retail centers and malls in Israel – approx. 99%;[13]
- Leasable office and other space in Israel – approx. 97%;[9]
- Income-producing properties in the U.S. – approx. 72%;
- Senior housing in Israel – approx. 98%;
- Data centers – approx. 96%.[14]

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[15]. In addition, after deduction of the current maintenance expenses incurred to preserve

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

[14] The average occupancy rate was calculated based on the figures of the lease agreements according to a weighted average of GM and Compass, with Compass presented according to the rate of the Company's holdings in Compass as of the report date (approx. 32.4%). The occupancy rate does not include areas under construction.

[15] 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.

the property's condition, NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property.

We wish to emphasize that these parameters do not present cash flows from current operations according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's 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.

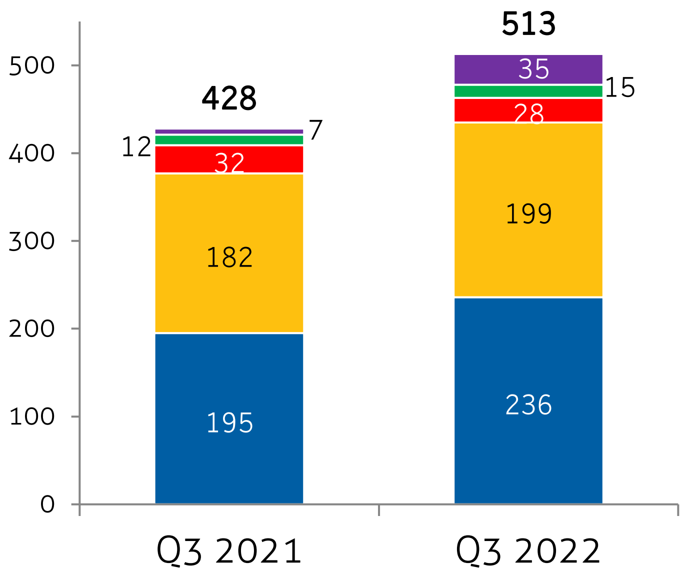
2.5.1. NOI Data

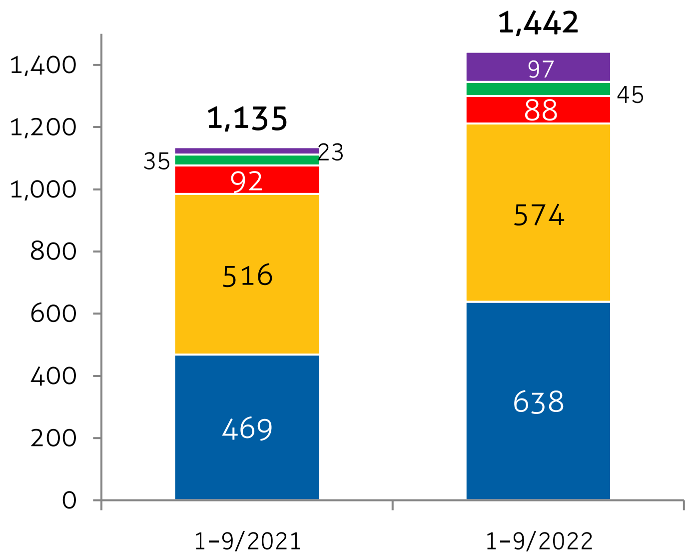
For the purpose of calculating the NOI, on the revenues side – all proceeds from tenants are taken into account (including rent, management fees and other payments), and for the purpose of calculating the costs – all operating expenses in respect of the properties are taken into account (including management, maintenance and other costs).[16]

The NOI figures for the income-producing real estate portfolio are as follows:[17]

[16] The Group prepares its financial statements based on international standards, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment property, 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.
[17] 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.

NOI





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

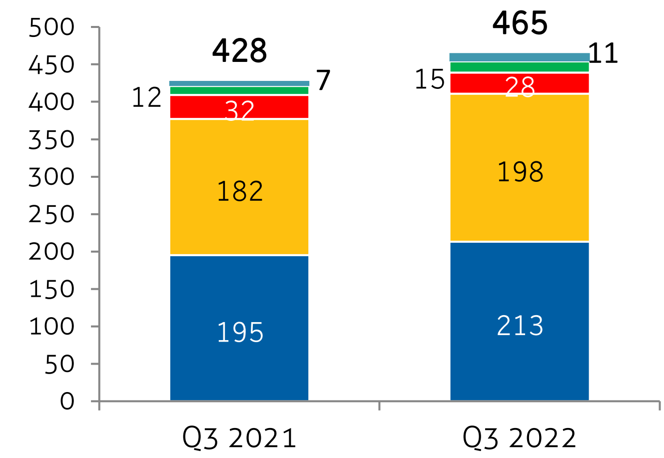
Figures are presented in millions of NIS.

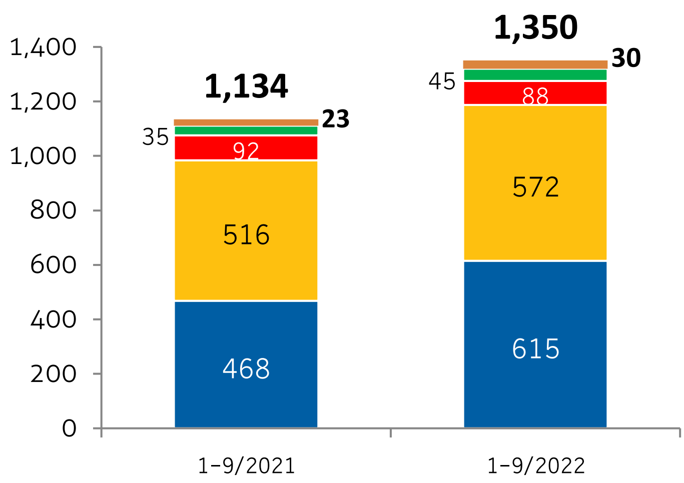
For explanations with respect to the change in the NOI, see Sections 2.9, 2.10, 2.11, 2.12 and 2.13 below.

2.5.2. Same-Property NOI Data

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

Same-Property NOI





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

Figures are presented in millions of NIS.

The increase in Same-Property NOI was mainly affected by the increase in the segment of retail centers and malls in Israel due to the closure of malls to visitors according to the Government's decisions and in view of the concessions to tenants of the Company's malls in part of the same period last year as specified in Section 2.2 above and by an increase in the office segment in view of the lease-up of the former offices of Bezeq in Azrieli Towers, by the effect of the rise in the index on rent and by a real increase in rent.

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[18], excluding the data centers[19] and excluding the Mount Zion Hotel[20] of the Group as of September 30, 2022:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment property in the statement	**38,118**
Net of value attributed to investment property under construction	**(2,456)**
Net of value attributed to land reserves	**(286)**
Net of value attributed to income-producing senior housing	**(2,693)**
Net of value attributed to data centers properties	**(1,668)**
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	**(2,789)**
Total value of income-producing investment property (including the fair value of vacant space)	**28,226**
Actual NOI in the quarter ended September 30, 2022 (excluding senior housing, data centers)	**463**
Additional future quarterly NOI (1)	**12**
Total standardized NOI	**475**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers)	**1,900**
Weighted cap rate derived from income-producing investment property (including vacant space) (2)	**6,73%**

Financials are presented in millions of NIS.

(1) The figure includes adjustment to NOI as included in the update to the valuations as of September 30, 2022, 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 property (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.

[18] 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%.

[19] 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.

[20] 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 in respect of the Group's income-producing real estate business.

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

FFO from the Income-Producing Real Estate Business

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Net profit for the period attributable to shareholders	330	187	1,468	679
Net of the loss from Azrieli E-Commerce and from GES (until the sale thereof) attributable to shareholders (including a deduction of excess cost)	10	11	29	39
Adjustments[1]				
Decrease (increase) in the value of investment property and fixed assets, net	(174)	14	(1,027)	(240)
Depreciation and amortizations	3	3	10	10
Net non-cash flow financing and other expenses (income)	8	(10)	4	(19)
Tax expenses	61	3	232	100
Net of a dividend received from financial assets available for sale	(9)	(19)	(31)	(19)
Effect of profits of an associate	(186)	(11)	(460)	(12)
One-time expenses	59	29	79	29
Cash flow from the receipt of residents' deposits net of deposits returned to residents [2]	15	47	71	139
Net of revenues from the forfeiture of residents' deposits	(13)	(10)	(35)	(29)
Total profit adjustments	(236)	46	(1,157)	(41)
Plus interest paid for real investments [3]	1	**1**	3	2
Total FFO attributed to the income-producing real estate business [4] [5]	105	245	343	679
Total cash flow of financing of development pipeline [6]	10	9	24	25
Total nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline	115	254	367	704
Linkage differentials and rate differentials on assets and liabilities (net of tax effect)	215	103	631	252
Total FFO attributed to the income-producing real estate business, according to the management's approach	**330**	**357**	**998**	**956**

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) 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 they appear in the cash flow report.

(3) Calculated according to the Group's weighted interest rate in respect of the real investments in Azrieli E-Commerce, for 65% of the cost of the investments.

(4) Attributable to the shareholders only.

(5) Including FFO from the senior housing segment in the sum of approx. NIS 58 million and approx. NIS 9 million, in the nine and three months ended September 30, 2022, respectively (approx. NIS 127 million and approx. NIS 42 million in the nine and three months ended September 30, 2021, respectively) and approx. NIS 166 million in 2021.

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

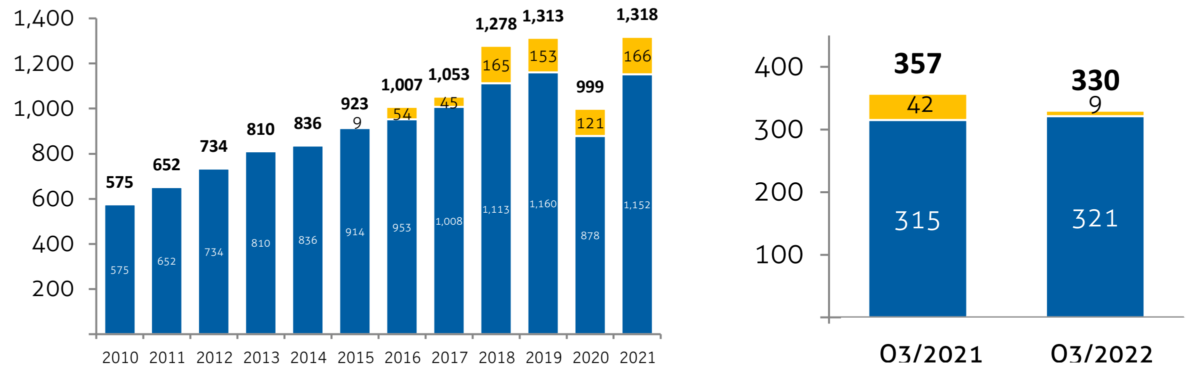
In the Report Period, the figure was adversely affected by a decrease in the amount of senior housing deposits in view of the high-occupancy rates of the homes which, in the previous periods, were still at the initial marketing stage.

Furthermore, the report includes the financial costs and G&A expenses for data center companies, whereas the revenues from contracts signed in these companies will be reflected in the coming quarters.

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) Indices

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 indicators calculated according to such position paper follows.

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

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

2.8.1. EPRA NRV

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

EPRA NRV		
	30.9.2022	**30.9.2021**
Equity attributable to the Company's shareholders in the financial statements	21,643	18,509
Goodwill created against a reserve for deferred taxes	(227)	(64)
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	4,778	3,682
EPRA NRV	26,194	22,127
EPRA NRV per share (NIS)	216	182

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		
	30.9.2022	**30.9.2021**
Equity attributable to the Company's shareholders in the financial statements	21,643	18,509
Goodwill created against a reserve for deferred taxes	(227)	(64)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	(1,312)	(1,628)
Other intangible assets	(26)	(16)
Plus 50% of the tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	2,389	1,840
EPRA NTA	22,467	18,641
EPRA NTA per share (NIS)	185	154

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		
	30.9.2022	**30.9.2021**
Equity attributable to the Company's shareholders in the financial statements	21,643	18,509
Goodwill created against reserve for deferred tax	(227)	(64)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	(1,312)	(1,628)
Adjustment of the value of financial liabilities to fair value	937	(1,119)
EPRA NDV	21,041	15,698
EPRA NDV per share (NIS)	174	129

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 Eilat 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
Azrieli TOWN

OFFICES & OTHERS in Israel

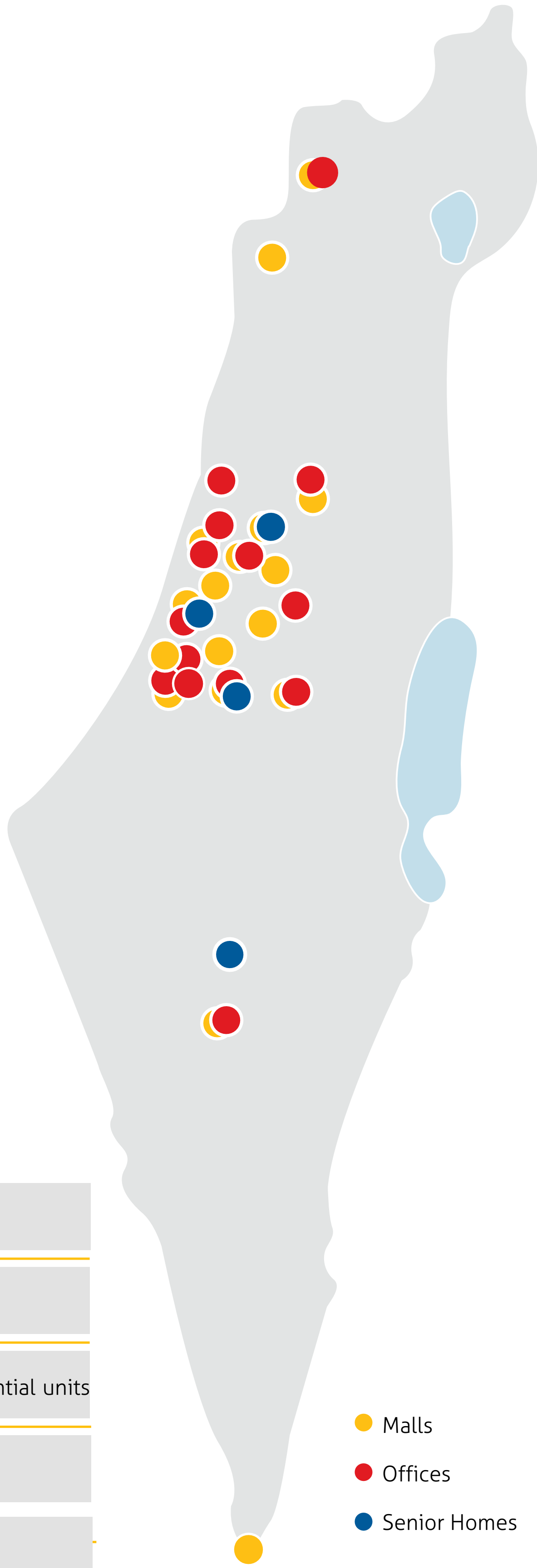
Azrieli Towers
Azrieli Sarona
Azrieli Holon Business Center
Azrieli Caesarea
Azrieli Herzliya Center
Azrieli Modi'in
Azrieli Modi'in Residential
Azrieli Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN Building E
Azrieli TOWN
Azrieli Holon Hamanor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

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



21 malls	360 thousand sqm
18 office buildings	666 thousand sqm
4 senior homes	115 thousand sqm 1,142 residential units
8 office buildings overseas	241 thousand sqm
Total	**1,382 thousand sqm**

As of September 30, 2022.
GLA (gross leasable area) is based on the Company's share.

AZRIELI GROUP'S DATA CENTERS IN OPERATION*

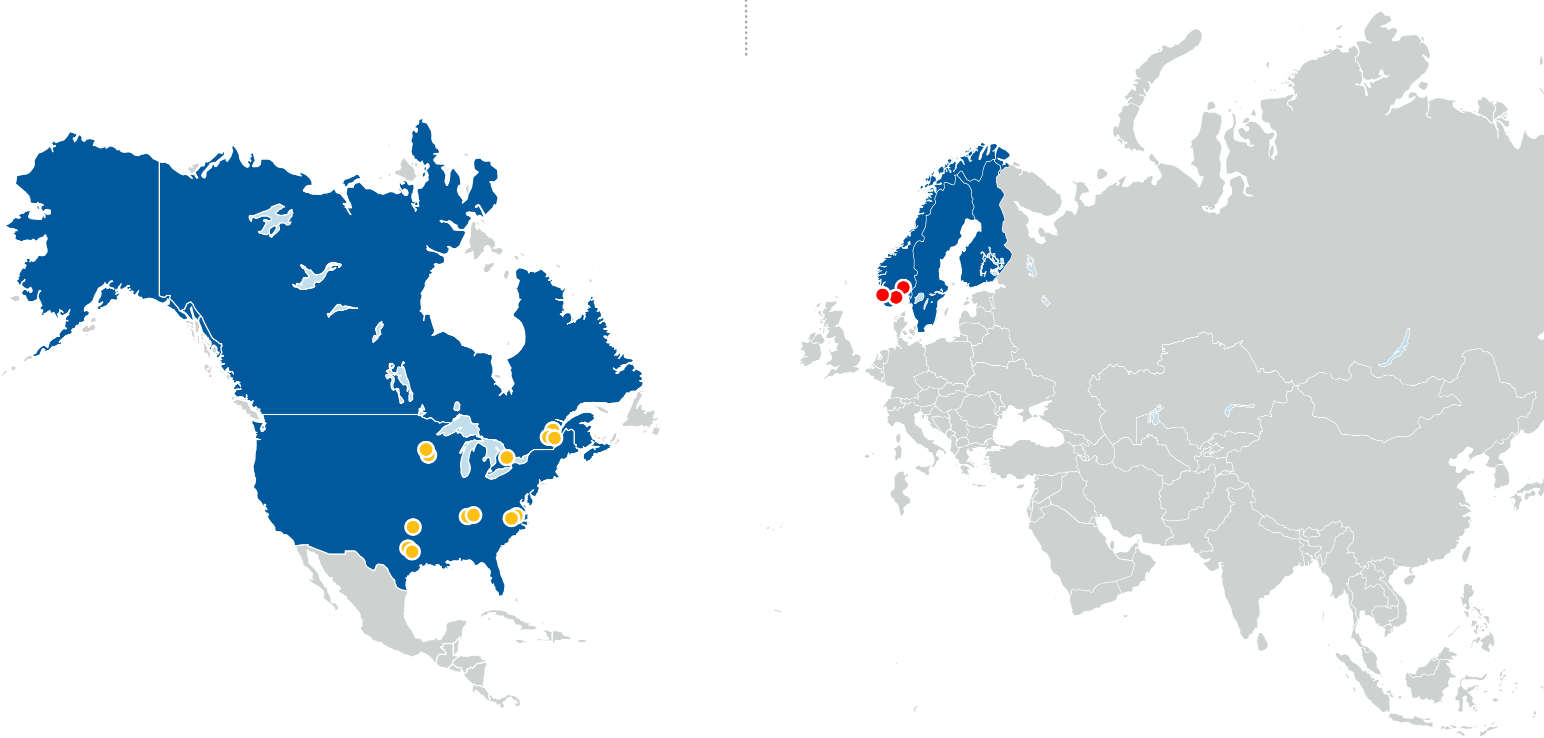
COMPASS datacenters ~32.4%

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	29 thousand sqm

As of Septmber 30, 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 the said lockdowns was characterized by the speedy return of consumers to the Group's malls, and hence, the Company estimates that considering the return to normalcy and the recovery of the Israeli economy, the Group's malls will continue to be a significant part of the Israeli retail market. Further to the aforesaid, during the Report Period the Company closed the acquisition of Mall Hayam in Eilat. For further details, see Section 1.2.3.3 of this report.

Store sales reported by the Group's mall tenants in Q3/2022 were approx. 8.1% higher than those in the same quarter last year (excluding Mall HaYam).

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 1,900 tenants.

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

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

As of the report date, Azrieli Group has 21 malls and retail centers in Israel with a total GLA of approx. 360 thousand sqm.

Balance of the properties of the retail centers and malls in Israel segment – totaled approx. NIS 15.1 billion on September 30, 2022 , compared with approx. NIS 13.1 billion on December 31, 2021. The change mainly derives from the closing of the acquisition of Mall HaYam in Eilat and from revaluation profits because of the rise in the index.

Change due to adjustment of the fair value of the segment's investment property and investment property under construction – the profit from such adjustment in the Report Period totaled approx. NIS 472 million and derived mainly from the effect of the increase in the index on the properties' value, compared with a profit of approx. NIS 89 million in the same period last year. The properties are presented according to valuations prepared by an independent appraiser as of June 30, 2022, which were adjusted to the rise in the index up to the date of the report.

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

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

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	**30.9.2022**	**30.9.2021**	**Rate of Change**	**30.9.2022**	**30.9.2021**	**31.12.2021**
Revenues	**20%**	**300**	251	**31%**	**807**	615	866
NOI	**21%**	**236**	195	**36%**	**638**	469	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. Furthermore, the increase in revenues and in NOI was partly affected by the closing of the acquisition of Mall HaYam in Eilat in July 2022, as noted above.

The table below presents the segment's NOI development:

Development of the NOI of the Retail Centers and Malls in Israel Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
NOI from segment properties owned by the Company as of the beginning of the period	**213**	195	**615**	**468**
NOI from properties acquired in 2022	**23**	-	**23**	-
NOI from properties sold in 2021	**-**	-	**-**	**1**
Total NOI from all properties	**236**	195	**638**	**469**

Figures are presented in millions of NIS.

Same-Property NOI in the retail centers and malls in Israel segment was chiefly affected by rent increases upon tenant replacement and by the rise in the index as the lease contracts are linked to the CPI.

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. During 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, and which as of the report release date are leased in full.

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 facilitates operational efficiency which is reflected, *inter alia*, in the ability to implement technological improvements and infrastructure upgrades, including the installation of complex communication networks and energetic efficiency (LEED certification), enabling large international companies that require compliance with rigorous standards to lease space in the Company's properties. Thus, for example, in recent months, existing assets in the Tel Aviv Azrieli Towers have been awarded the strict LEED O&M Gold certification.
- **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 780 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 18 income-producing properties in this segment in Israel, with a total GLA of approx. 666 thousand sqm.

Balance of the Group's investment properties in the leasable office and other space in Israel Segment – totaled approx. NIS 16.4 billion on September 30, 2022, compared with approx. NIS 15 billion on 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 676 million and mainly derived from the effect of the index increase on the properties' value and from the increase in rent, compared with a profit of approx. NIS 148 million in the same period last year which mainly derived from an increase in rent. The properties are presented according to valuations prepared by an independent appraiser as of June 30, 2022, which were adjusted to the rise in the index up to the date of the report.

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

Summary of the Business Results of the Leasable Office and Other Space in Israel Segment

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2022	30.9.2021	Rate of Change	30.9.2022	30.9.2021	31.12.2021
Revenues	**12%**	**245**	218	**13%**	**693**	612	834
NOI	**9%**	**199**	182	**11%**	**574**	516	702

Figures are presented in millions of NIS.

The NOI was mainly affected by the lease-up of the former offices of Bezeq in Azrieli Towers, by rent increases at tenant replacement and by the rise in the index, as the lease contracts are linked to the CPI.

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**
NOI from segment properties owned by the Company as of the beginning of the period	**198**	182	**572**	516
NOI from properties, that were purchased or the construction of which was completed in 2021-2022	**1**	-	**2**	-
Total NOI from all properties	**199**	182	**574**	516

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 the former offices of Bezeq in Azrieli Towers and by increases in rent at tenant replacement and the rise in the index, as the lease contracts are linked to the CPI.

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, Phase A of which is approaching full occupancy and construction of Phase B of which has been completed with resident move-ins launched in September 2022. 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. 115 thousand sqm (excluding areas which are attributed to the LTC unit and to retail areas), which consist of approx. 1,142 senior housing units. In addition, the Company is building another project in Rishon LeZion, of approx. 275 residential units with a total area of approx. 31 thousand sqm (excluding areas designated for the LTC unit and for retail space). 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 properties in the senior housing segment –totaled approx. NIS 2.9 billion on September 30, 2022, compared with approx. NIS 2.8 billion on 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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2022	30.9.2021	Rate of Change	30.9.2022	30.9.2021	31.12.2021
Revenues	**16%**	**57**	49	**16%**	**164**	141	192
NOI	**25%**	**15**	12	**29%**	**45**	35	48

Figures are presented in millions of NIS.

The increase in revenues and in NOI 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		For the Nine Months Ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
NOI from segment properties owned by the Company as of the beginning of the period	**15**	12	**45**	35
NOI from properties construction of which was finished in 2021	-	-	-	-
Total NOI from all properties	**15**	12	**45**	35

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 the first three quarters of 2022, albeit to a lesser degree than in 2021, primarily due to a negative trend in the global debt and capital markets and the war in Ukraine which led to a slowdown on the part of potential tenants in engaging in new lease agreements. Note further that the increase in oil prices that occurred in 2021 and continued in H1/2022 as well was not reflected in increased demand for office space in Houston.

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 130 tenants.[21]

Balance of the Group's investment properties in the segment –totaled approx. NIS 2.3 billion on September 30, 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 September 30, 2022, compared with December 31, 2021.

Change due to adjustment of the fair value of the segment's investment properties – Loss from adjustment of the fair value of the segment's investment properties totaled approx. NIS 64 million in the Report Period and chiefly derived from an increase in the cap rate and from an increase in the investments expected in some of the properties, compared with a profit of approx. NIS 3 million recorded in the same period last year. Some of the properties are presented according to valuations prepared by an independent appraiser as of June 30, 2022 and others are presented according to valuations prepared by independent appraisers 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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2022	30.9.2021	Rate of Change	30.9.2022	30.9.2021	31.12.2021
Revenues	**-**	**59**	59	**-**	**175**	175	231
NOI	**(13%)**	**28**	32	**(4%)**	**88**	92	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		For the Nine Months Ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
NOI from segment properties owned by the Company as of the beginning of the period	**28**	32	**88**	92
NOI from properties purchased in 2021	**-**	-	**-**	-
Total NOI from all properties	**28**	32	**88**	92

Figures are presented in millions of NIS.

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

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

2.13. Data centers

In 2019, after studying the market and the key players in the 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. 32.4% 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 a possibility for increasing its holdings in Compass in scopes that may be material for the Company. According to an agreement signed between the unit holders in Compass, the period of lock-up on the sale of holdings to third parties expires in January 2023. In this context, the agreement stipulates separation mechanisms which provide, *inter alia*, for a right of first offer and a right of first refusal to an offeree, drag-along rights vis-à-vis the other unit holders and tag-along rights, which apply in cases of sale of holdings, as stipulated in the agreement.

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. In addition, in order to expand the activity in the Data Centers segment in Europe, during the Report Period the Company, through a wholly-owned special purpose subsidiary, entered into an agreement with an English company for the acquisition of all of its holdings in a company which leases from a third party land on which an active data center is built which is located in East London, and another company which owns vacant land adjacent to the active data center. For further details, see Section 1.2.3.6 above.

The Company estimates that the data centers operating segment is expected to grow at a significant rate and could constitute a significant growth engine for the Group's business. The Company 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 and the Company's plans for development in this 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. 32.4% 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 –totaled approx. NIS 7.4 billion on September 30, 2022, compared with approx. NIS 5 billion on December 31, 2021. The change mainly derives from investments in the segment's properties, revaluation profit, and increase in the rate of holdings in Compass and an increase in the exchange rates.

Change due to adjustment of the fair value of the segment's investment properties – The profit from adjustment of the fair value of the segment's investment properties in the Report Period totaled approx. NIS 322 million, compared to a profit of approx. NIS 22 million recorded in the same period last year. Some of the properties are presented according to valuations prepared by independent appraisers as of September 30, 2022, other properties are presented according to valuations prepared by independent appraisers as of June 30, 2022 and others are presented according to valuations prepared 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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2022	30.9.2021	Rate of Change	30.9.2022	30.9.2021	31.12.2021
Revenues	**400%**	**60**	12	**379%**	**163**	34	82
NOI	**400%**	**35**	7	**322%**	**97**	23	53

Figures are presented in millions of NIS.

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

Development of the NOI of the Data Centers Segment

	For the Three Months Ended		For the Nine Months Ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
NOI from segment properties owned by the Company as of the beginning of the period	**11**	7	**30**	**23**
NOI from properties purchased in 2021	**24**	-	**67**	**-**
Total NOI from all properties	**35**	7	**97**	**23**

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.

From the acquisition closing date and up to 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 has planned the Hotel's renovation and is acting for the exercise of the building rights for its expansion, 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, and the work has begun. After the Hotel's renovation and expansion, the Hotel will be reopened.

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[22]. 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	(120)
Investment	-
Total investment as of September 30, 2022 (2)	**1,162**
Fair value of the investment as presented in the financial statements as of September 30, 2022	**1,071**
Change in fair value during the Report Period	(91)
Revenues from dividends recorded in the Report Period	**31**

Figures are presented in millions of NIS.

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

[22] 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 10 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						
Modi'in land (Lot 21)	Retail, offices, residence and hospitality	31,000(5)	2023	**261**	**245**	**445-475**
Check Post Haifa	Retail	13,000	2023	**40**	**33**	**130-140**
Total		**44,000**		**301**	**278**	**575-615**
Development Projects in the Medium-Term						
Senior housing land Rishon LeZion	Senior housing and retail	37,300	2024	**164**	**138**	**470-490**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residence	150,000(4)	2026	**1,169**	**715**	**2,550-2,750**
Mount Zion Hotel	Hospitality	34,000(9)	2025	**322**	**320**	**900-930**
SolarEdge Campus	Offices	38,000	2025	**388**	**399**	**790-810**
Total		**259,300**		**2,043**	**1,572**	**4,710-4,980**
Total		**303,300**		**2,344**	**1,850**	**5,285-5,595**
Development Projects in Planning Stages						
Azrieli Town Building E (6)	Offices	21,000	**TBD**	**247**	**342**	**TBD**
Holon 3 – Holon Industrial Zone (7)	Retail and offices	250,000	**TBD**	**571**	**507**	**TBD**
Petach Tikva land	Offices and retail	53,000(8)	**TBD**	**96**	**100**	**TBD**
Modi'in land (Lot 10)	Offices and retail	37,000	**TBD**	**96**	**100**	**TBD**
Total		**361,000**		**1,010**	**1,049**	
Total		**664,300**				

Cost and value figures are presented in millions of NIS.

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

1. With respect to uses of the senior housing and/or leasable apartments, the figure represents building rights in sqm.
2. As of September 30, 2022.
3. Without capitalizations and tenant fit-outs, as of September 30, 2022.
4. 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.
5. The Group increased the building rights in the project to 31,000 sqm.
6. The building rights were purchased in the context of acquisition of the income-producing property in May 2018.
7. 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).
8. 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.
9. 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

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, and the permit was received in June 2022.

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. In August 2022, the full building permit was received and work on construction of the frame has begun.

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 and the work has begun.

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. In June 2022, a shoring and excavation permit was received and the work has begun. 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 (which was not included in the original transaction for its acquisition) which is located on the property and whose activity has been stopped.

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. In April 2022, the zoning plan was discussed at the Local Committee and conditionally approved, and the Company is working to fulfill the conditions.

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 and the work has begun.

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	Under Construction

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.

SOLAREDGE CAMPUS HERZLIYA

Use	Offices	**Estimated completion**	2025
GLA	38,000 sqm	**Status**	Under Construction

MODI'IN LAND (LOT 10)

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

PETACH TIKVA LAND

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

AZRIELI TOWN BUILDING E

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

4.1.2. Betterment of income-producing properties

Another growth engine of the Company is the betterment of its existing properties. The Company also examines, from time to time, options to promote zoning plans for additional building rights in its properties. For details with respect to the Company's activities for the betterment of its existing properties, see Section 4.1.2 of the board of directors' report for the Periodic Report for 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 September 30, 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

	30.9.2022	30.9.2021	31.12.2021
Current assets	**3,998**	3,151	**3,271**
Non-current assets	**43,622**	36,346	**39,100**
Current liabilities	**3,168**	3,230	**3,289**
Non-current liabilities	**22,774**	17,724	**18,310**
Equity attributable to the Company's shareholders	**21,643**	18,509	**20,742**
Equity attributable to the Company's shareholders out of total assets (in %)	**45%**	47%	**49%**
Net debt to assets (in %)	**33%**	32%	**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. During the Report Period, the Company issued three bond series (Series D, F and H) by way of expansion of these bond series. For further details, see Section 1.2.3.7 above.

The Group's financial soundness, which is characterized by a low leverage ratio and considerable unencumbered assets, affords the Group available sources for the obtainment of financing on convenient terms[23]. 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 in times of crisis, which is illustrated by the Company's issue in April 2020, in the midst of the Covid crisis, by the issuance of the Company's two new bond series in July 2021, and by the issuance of three bond series by way of expansion thereof in July 2022.

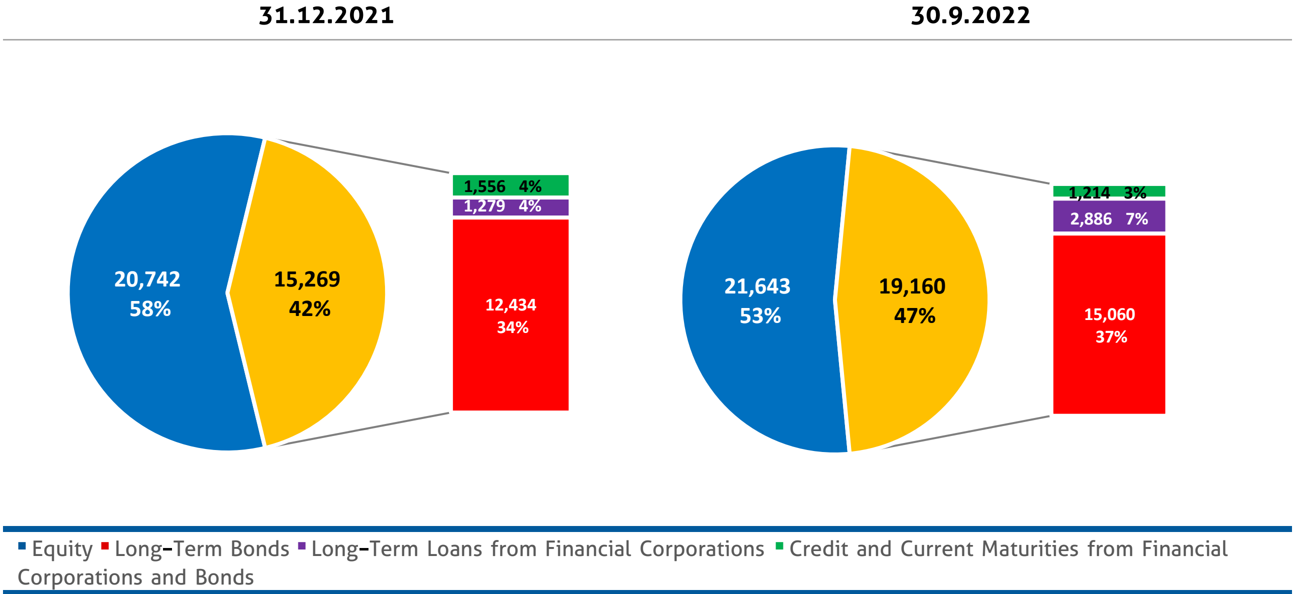
[23] For further details, see Section 20 of Chapter A of the Periodic Report for 2021, which is included herein by reference.

5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group



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

The increase of approx. NIS 3,891 million in total debt in the Report Period chiefly results from an issue by way of expansion of three bonds series in July 2022, refinancing at GM, an increase in loans in the context of acquisition of Mall HaYam in Eilat and the effect of the rise in the index on indexed debt.

The Group estimates that if it decides to raise debt at any time, it will be able to do so, given its financial strength and/or the value of its unencumbered assets.

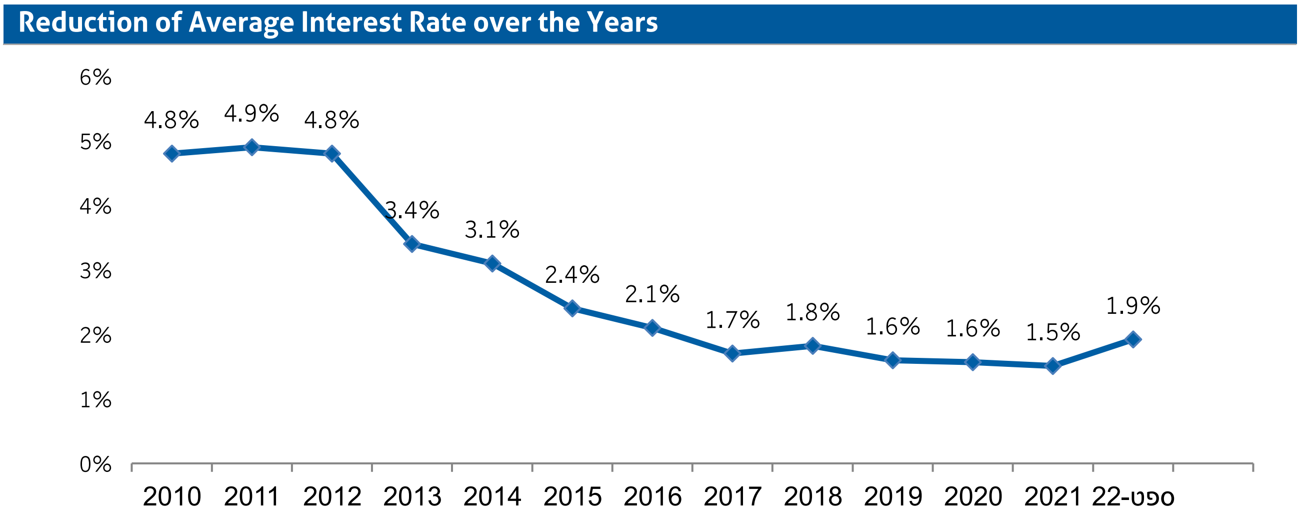
The Group's assessments in this Section 5.2 above in connection with its liquidity and the availability of its financing sources are forward-looking information, within the definition thereof in the Securities Law, which is based on the Company's assessments with respect to developments in the markets, inflation levels and projected cash flows and on the conditions and options for obtaining credit on the Report Date. Such assessments may not materialize, in whole or in part, or may materialize in a manner that materially differs from the Company's assessments. The principal factors that may affect this are: Changes in the capital market, which affect the conditions and options for obtaining credit, changes in the Company's plans, including the use of readily-available balances that shall exist for the purpose of seizing business opportunities, changes in the advantageousness of holding various investment channels or the advantageousness of use of various financing avenues, deterioration of the economic condition in Israel or in the U.S. and entry into severe recession, and the Company or any of the companies of the Group encountering financing or other difficulties, in a manner affecting the Company's cash flow.

5.3. Financing Transactions

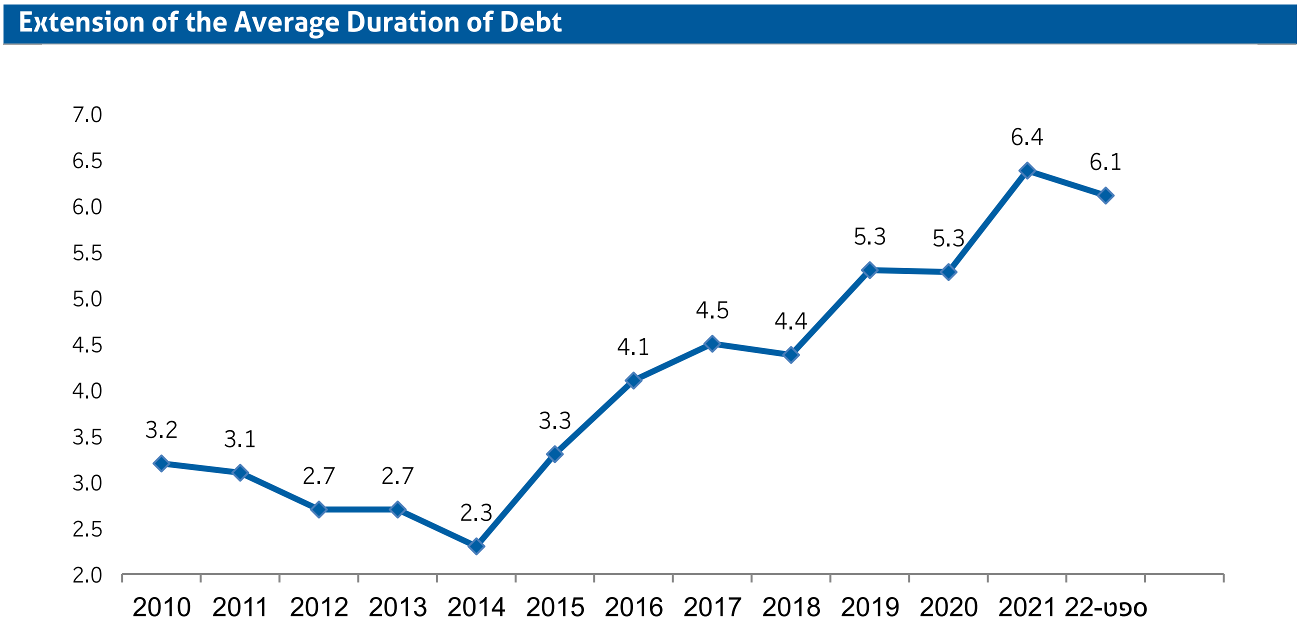
In recent years, the Company has been working to reduce the average interest rate on the debt and to extend the debt duration. The Company worked during the Report Period to raise debt through the offering of Series D, F and H bonds by way of expansion of these bond series, in the sum of approx. NIS 3 billion. For details regarding the debt raising, see Section 1.2.3.7 above.

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

1. Interest Rate as of the End of the Period



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, and Section 6 of Chapter B of this Report.

5.5. Liabilities and Financing

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

Breakdown of Financial Liabilities

	Fixed Interest			Variable Interest		Total		Total
	Index-linked	USD-linked	Unlinked	Foreign Currency -linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	17	59	-	76	76
Long-term loans	16,998	1,086	-	1,000*	-	18,084	1,000	19,084
Total	16,998	1,086	-	1,017	59	18,084	1,076	19,160

Figures are presented in millions of NIS, as of September 30, 2022.
* Most of the loan, which is a margin above the Norwegian LIBOR, is protected by interest rate hedging.

As of September 30, 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	**1,214**	**386**	**1,600**
2	**1,569**	**358**	**1,927**
3	**1,126**	**335**	**1,461**
4	**1,582**	**318**	**1,900**
5 forth	**13,669**	**1,236**	**14,905**
Total	**19,160**	**2,633**	**21,793**

Figures are presented in millions of NIS, as of September 30, 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 1,311 million in the nine months ended September 30, 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 September 30, 2022, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to approx. NIS 2 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 32 billion, in addition to the aforesaid liquid assets of approx. NIS 4 billion) 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.[24] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the prevailing economic conditions.

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

Assets	Value of Assets as of September 30, 2022
Real estate of the retail centers and malls in Israel segment	**12,542**
Real estate of the leasable office and other space in Israel segment	**16,024**
Other real estate (mainly hospitality)	**668**
The Company's holdings in Compass and Azrieli E-Commerce	**2,108**
The Company's holdings in Bank Leumi	**1,071**
Total	**32,413**

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 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.

[24] 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.

5.9. Financial Position

Financial Position, Liquidity and Financing Sources		
Item	**30.9.2022**	**31.12.2021**
Total assets (1)	**47,620**	42,371
Current assets (2)	**3,998**	3,271
Investment properties (3)	**37,964**	34,137
Short-term credit (4)	**1,214**	1,556
Loans from banking corporations and other credit providers (5)	**2,886**	1,279
Net bonds (6)	**15,060**	12,434
Total equity (7)	**21,678**	20,772

Figures are presented in millions of NIS.

(1) The increase mainly results from an increase in investment properties, primarily as a result of investments and a change in the fair value.

(2) The increase mainly results from an increase in cash arising from the issue of bonds net of the cash used for investments.

(3) The increase mainly results from closing of the acquisition of Mall HaYam in Eilat and the land in the Glilot North site in the Report Period, from progress in the investments in projects under construction and in income-producing properties and from a change in the fair value of the properties.

(4) The decrease mainly results from repayment of the short-term loan of GM.

(5) The increase mainly results from refinancing of a loan of GM and from an increase in loans in the context of the acquisition of Mall HaYam in Eilat.

(6) The increase results from the issue of bonds by way of series expansion net of current maturities in the Report Period.

(7) The increase results mainly from the comprehensive income in the Report Period offset by a dividend distribution.

6 | BUSINESS RESULTS AT A GLANCE

6.1. Summary of Business Results

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

Analysis of the Consolidated Net Profit					
	For the Three Months Ended		For the Nine Months Ended		For the Year Ended
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**	**31.12.2021**
Net profit for the period attributable to the shareholders	**330**	187	**1,468**	679	2,889
Net profit attributable to the shareholders and to non-controlling interests	**330**	187	**1,469**	680	2,889
Basic earnings per share (NIS)	**2.72**	1.54	**12.10**	5.6	23.82
Basic earnings per share from continued operations (NIS)	**2.72**	1.54	**12.10**	5.6	23.85
Comprehensive income to shareholders and to non-controlling interests	**208**	273	**1,535**	1,007	3,235

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 1,469 million, compared with NIS 680 million in the same period last year. The increase in profit in the Report Period was affected mostly by an increase in NOI in the amount of NIS 301 million mainly as a result of the impact of the Covid crisis on the same period last year, an increase in profit from a fair value adjustment in the amount of NIS 787 million and an increase in the Company's share in the results of companies accounted for by using the equity method in the sum of NIS 232 million, offset against an increase in net financing expenses in the amount of NIS 459 million mainly due to the 4.4% rise in the index in the Report Period compared with the 2.2% rise in the index in the same quarter last year and an increase in tax expenses primarily due to the increase in 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 nine-month period ended September 30, 2022 mostly derives from profit from translation differences from foreign operations in the amount of NIS 205 million offset by a decrease in the fair value of financial assets net of tax in the sum of NIS 66 million and a share in other comprehensive loss of an investment accounted for by the equity method in the sum of NIS 73 million. As compared with the three-month period ended September 30, 2022, it mainly derives from loss from translation differences from foreign operations in the amount of NIS 70 million, a decrease in the fair value of financial assets net of tax in the sum of NIS 10 million and a share in other comprehensive loss of an investment accounted for by the equity method in the sum of NIS 42 million.

6.3. Results of Operations

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

Results of Operations	For the Three Months Ended		For the Nine Months Ended	
	30.9.2022	**30.9.2021**	**30.9.2022**	**30.9.2021**
Marketing, general and administrative expenses (1)	**65**	51	**182**	127
Net other revenues (expenses)(2)	**132**	(10)	**134**	(13)
Net financing expenses(3)	**289**	143	**824**	365
Income tax expenses(4)	**90**	24	**325**	161

Figures are presented in millions of NIS.

(1) The increase in expenses in the present quarter compared with the same quarter last year mainly derives from the consolidation of GM's results and from an increase in corporate governance expenses. The increase in expenses in the Report Period compared with the same period last year mainly derives from the consolidation of GM's results, an increase in consulting expenses and an increase in corporate governance expenses.
(2) Other revenues in the present quarter and in the Report Period mainly consist of an increase in the rate of holdings in Compass as well as dividends from Bank Leumi, net of impairment of a loan that was provided and expenses in relation to the acquisition of companies. In the corresponding quarter and period, mostly consist of expenses in relation to the acquisition of companies, offset against dividends from Bank Leumi.
(3) The increase in net financing expenses in the present 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 1.2% increase in the known index in the present quarter compared with an 0.8% increase in the same quarter last year and from an increase in interest expenses due to the increase in total debt. The increase in net financing expenses in the Report Period compared with the same period last year mainly results from an increase in linkage expenses on loans, bonds and senior housing residents' deposits due to an increase of approx. 4.4% in the known index in the Report Period compared with an increase of approx. 2.2% in the same period last year and from an increase in interest expenses due to the increase in total debt .
(4) The increase in tax expenses in the present quarter and in the Report Period mainly derives from an increase in deferred tax expenses due to an increase in profit from adjustment of the fair value of the real estate.

6.4. Cash Flows

The following table shows the Group's cash flows in Q3/2022, compared with the same quarter in 2021:

Quarterly Cash Flows		
Quarter	**Q3/2022**	**Q3/2021**
Net cash flows generated by the Group from current operations (1)	**448**	**319**
Net cash flows used by the Group for investment activities (2)	**(1,447)**	**(2,618)**
Net cash flows generated by the Group from financing activities (3)	**2,688**	**3,165**

Figures are presented in millions of NIS.

(1) The cash flow in Q3/2022 and in the same quarter last year resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 502 million (excluding Compass) (approx. NIS 421 million in the corresponding period) plus net senior housing deposits and net of income taxes paid.
(2) Most of the cash flow in Q3/2022 was used for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 685 million, for the acquisition of a company consolidated for the first time in the amount of NIS 358 million and the investment of NIS 473 million in a company accounted for by the equity method. Most of the cash flow in the same period last year was used for the acquisition of GM in the sum of NIS 2,380 million, investment in investment properties and investment properties under construction in the sum of approx. NIS 309 million, offset by proceeds received from the sale of Bank Leumi shares in

the amount of NIS 64 million.

(3) Most of the change relative to the same quarter last year resulted from a decrease in total bonds issued in the amount of NIS 644 million.

The following table shows the Group's cash flows in the nine-month period ended September 30, 2022, compared with the same period last year:

Cash Flows for the Period	For the Nine-Month Period ended 30.9.2022	For the Nine-Month Period ended 30.9.2021
Net cash flows generated by the Group from current operations (1)	1,311	912
Net cash flows used by the Group for investment activities (2)	(2,225)	(2,821)
Net cash flows generated by the Group from financing activities (3)	1,709	1,985

Figures are presented in millions of NIS.

(1) Most of the cash flow in the nine-month period ended September 30, 2022 and in the same period last year resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 1,412 million (excluding Compass) (approx. NIS 1,112 million in the corresponding period) plus net senior housing deposits and net of income taxes paid.

(2) Most of the cash flow in the Report Period was used for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 1,398 million, for the acquisition of companies consolidated for the first time in the sum of NIS 477 million, for the investment of NIS 432 million in a company accounted for by the equity method and for payment of taxes in respect of properties, offset by proceeds received from the sale of Bank Leumi shares in the amount of NIS 120 million. Most of the cash flow in the same period last year was used for the acquisition of GM in the sum of NIS 2,380 million, for acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 836 million, offset by proceeds received from the sale of Leumi Card, Bank Leumi shares and the proceeds from the sale of the Kiryat Ata property.

(3) Most of the change relative to the same period last year resulted from an increase in net loans, primarily due to refinancing of the GM loan, offset by a decrease in total bonds issued in the amount of NIS 644 million and from an increase in current bond maturities.

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 of May 31, 2022 (Ref.: 2022-01-067546), included herein by reference.

7.2. Changes in the Office of Officers of the Company

See Section 1.2.3.4 above.

7.3. D&O Insurance Policy

During the Report Period, the Company's Board and Compensation Committee approved an engagement for the purchase of a policy to insure the liability of directors and officers of the Company and the Company's subsidiaries from July 1, 2022 until June 30, 2023, with limits of liability of U.S. $100 million per occurrence and in the aggregate, while determining that the engagement is at market conditions and is not material to the Company.

7.4. Approval of Current Compensation Policy and Approval of Update to and Extension of the Terms of the Management Agreement with the Active Chair of the Company's Board

On August 10, 2022, the general meeting of the Company's shareholders approved, *inter alia*, a revised compensation policy for the Company's officers for a period of three years, and an update to and extension of the terms of the management agreement with the active Chairwoman of the Board, Ms. Danna Azrieli. For further details, see the immediate report of July 4, 2022 on the calling of the general meeting (Ref.: 2022-01-083125) and the amendments thereto of July 20, 2022 and July 25, 2022 (Ref.: 2022-01-092491 and 2022-01-094888, respectively), and the immediate report regarding the results of the meeting of August 11, 2022 (Ref.: 2022-01-101728), which are included herein by reference.

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of September 30, 2022 and Note 3 to the financial statements as of September 30, 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 September 30, 2022 due to the effect of the rise in the index during 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. Financials attributable to the Company as a Parent Company

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

8.5. Note on Forward-Looking Information

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

Such estimations may not materialize, in whole or in part, or materialize in a manner that materially differs from the Company's estimations. The principal factors that may affect the above are: changes in the capital market that will affect the conditions and possibilities of obtaining credit, changes in the Company's plans, including use of future available liquid balances for the purpose of seizing business opportunities, changes in the advantageousness of holding various investment channels or the advantageousness of use of various financing channels, delays in the obtainment of permits or approvals required for the progress of projects under construction, changes in the regulation related to the Company's business, including planning and building regulation, an increase in the prices of construction materials, changes in the CPI, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a *manner affecting the Company's cash flow, and the effects of the 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 September 30, 2022.

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

Date: November 22, 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	**452.9**	**484.1**	**1.6**	**478.9**	**482.0**	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	**3,534.2**	**3,827.6**	**12.4**	**3,807.7**	**3,758.6**	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											
	July 13, 2022	625.6											
Series E	Jan. 22, 2019	1,215.9	**3,000.1**	**3,207.4**	**14.3**	**3,286.4**	**3,203.2**	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	**3,294.5**	**3,522.1**	**22.0**	**3,729.7**	**3,578.5**	Fixed	2.48	On December 31 of each of the years 2025 through 2032	From June 30, 2019, twice a year on June 30 and December 31 of each of the years 2019 through 2032	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	932.6											
	April 20, 2020	761.9											
	July 13, 2022	1,336.5											
Series G	July 20, 2021	1,903.6	**1,903.6**	**2,005.0**	**4.3**	**1,986.9**	**1,755.1**	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	**2,677.9**	**2,820.5**	**11.4**	**2,698.8**	**2,511.6**	Fixed	1.69	January 2 of each of the years 2032 through 2041	From January 2, 2022, twice a year on January 2 of each of the years 2022 through 2041 and July 2 of each of the years 2022 through 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
	July 13, 2022	926.4											
Total		**17,741.9**	**14,863.2**	**15,866.7**	**66.0**	**15,988.4**	**15,289.0**						

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

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

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

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

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

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

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

   2.4. With respect to the Series G Bond indenture and the Series H Bond indenture, 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	July 12, 2022(**)	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 July 12, 2022
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	July 12, 2022(**)	ilAa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020 December 30, 2021 July 12, 2022

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 12, 2022 (*****)	AA+/stable outlook	July 1, 2021 July 12, 2022

* 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 reference.

** For Midroog's rating report on the Series D and F Bonds, see the Company's immediate report of July 12, 2022 (Ref.: 2022-01-088156), which is included herein by reference.

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

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

***** For Ma'alot's rating report on the Series H Bonds, see the Company's immediate report of July 12, 2022 (Ref.: 2022-01-087970), which is included herein by reference.

AZRIELI GROUP

PART B

Update of the Description of the Corporation's Business

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 nine- and three-month periods ended September 30, 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**" – November 23, 2022; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – September 30, 2022; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the nine- and three-month periods ended September 30, 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 closing of the acquisition of ownership in "Mall Hayam", Eilat; (4) changes in the position of officers of the Company; (5) the shelf prospectus; (6) the engagement in an agreement for the acquisition of companies operating in the Data Centers field; (7) financing transactions; and (8) 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

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

with options for extension up to a total period of 24 years and 11 months. From the date of handover of possession of the campus, the lessee will be responsible for the management, maintenance and upkeeping of the campus. In June 2022, an excavation and shoring permit was received, and work has begun. For further details, see the Company's immediate reports of May 11, 2021 (Ref.: 2021-01-082779) and January 18, 2022 (Ref.: 2022-01-007851), which are included herein by way of reference.

Azrieli Town Tel Aviv – In July 2022, a Form 4 was received for the residence tower and occupation thereof has commenced.

"Palace Lehavim" Senior Home – In July 2022, a Form 4 was received for Stage B of the project and in September 2022 residents began to move in.

Land in Modi'in (Lot 21) – In June 2022, an above-ground building permit was received for the remaining project (the offices and residence towers).

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 B Bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series B Bonds in circulation is approx. NIS 453 million.

Series D Bonds of the Company

On July 12, 2022, the Company released a shelf prospectus report for the issuance and listing for trade at the stock exchange of up to approx. NIS 625,591 thousand par value of Series D Bonds of the Company by way of expansion, by virtue of the 2022 Shelf Prospectus. On July 13, 2022, the Company announced that in accordance with the issue results, approx. NIS 625,591 thousand of Series D Bonds have been issued for the consideration of approx. NIS 671 million (approx. NIS 667 million net of the issue expenses).

Furthermore, in the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series D Bonds in circulation is approx. NIS 3,534 million.

Series E 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 outstanding par value of the Company's Series E Bonds in circulation is approx. NIS 3,000 million.

Series F Bonds of the Company

On July 12, 2022, the Company released a shelf prospectus report for the issuance and listing for trade at the stock exchange of up to approx. NIS 1,336,503 thousand par value of Series F Bonds of the Company by way of expansion, by virtue of the 2022 Shelf Prospectus. On July 13, 2022, the Company announced that in accordance with the issue results, approx. NIS 1,336,503 thousand of Series F Bonds have been issued for the consideration of approx. NIS 1,460 million (approx. NIS 1,445 million net of the issue expenses).

Furthermore, in the report period, interest was paid in accordance with the payment schedule. As of the Report Date, the outstanding par value of the Company's Series F Bonds in circulation is approx. NIS 3,295 million.

Series G Bonds of the Company

In the report period, interest was paid in accordance with the payment schedule. As of the Report Date, the outstanding par value of the Company's Series G Bonds in circulation is approx. NIS 1,904 million.

Series H Bonds of the Company

On July 12, 2022, the Company released a shelf prospectus report for the issuance and listing for trade at the stock exchange of up to approx. NIS 926,416 thousand par value of Series H Bonds of the Company by way of expansion, by virtue of the 2022 Shelf Prospectus. On July 13, 2022, the Company announced that in accordance with the issue results, approx. NIS 926,416 thousand of Series H Bonds have been issued for the consideration of approx. NIS 870 million (approx. NIS 857 million net of the issue expenses).

Furthermore, in the report period, interest was paid in accordance with the payment schedule. As of the Report Date, the outstanding par value of the Company's Series H Bonds in circulation is approx. NIS 2,678 million.

6. Credit rating

On July 12, 2022, Ma'alot S&P confirmed an updated rating for the expansion of the Series H Bonds in the scope of up to NIS 3 billion in the ilAA+ rating with a stable outlook. For a review of Ma'alot S&P's full report of July 12, 2022, see the Company's immediate report of July 12, 2022 (Ref.: 2022-01-087970), which is included herein by way of reference.

On July 12, 2022, Midroog confirmed an updated rating for the expansion of the Series D and F Bonds in the scope of up to NIS 3 billion in the il.Aa1 rating with a stable outlook. For a review of Midroog's full report of July 12, 2022, see the Company's immediate report of July 12, 2022 (Ref.: 2022-01-088156), which is included herein by way of reference.

AZRIELI GROUP

PART C

Consolidated Financial Statements

Dated 30 September 2022

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of September 30, 2022

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements

As of September 30, 2022

C o n t e n t s

Auditors' review report to the shareholders of

<u>Azrieli Group Ltd</u>.

Introduction

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of September 30, 2022 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the nine- and three-month periods then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, November 22, 2022

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
ASSETS			
Current assets			
Cash and cash equivalents	3,681	2,721	2,886
Short-term investments and deposits	4	16	1
Trade accounts receivable	75	89	83
Other receivables	163	170	150
Inventory	9	14	11
Current tax assets	66	141	140
Total current assets	3,998	3,151	3,271
Non-current assets			
Investment in a company accounted for on the equity method	2,063	821	1,094
Loans and receivables	382	377	382
Financial assets	1,076	1,124	1,288
Investment property and investment property under construction	37,964	31,782	34,137
Fixed assets	572	534	548
Intangible and other assets	1,565	1,708	1,651
Total non-current assets	43,622	36,346	39,100
Total assets	47,620	39,497	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 September 30		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	1,214	1,589	1,556
Trade payables	353	332	383
Payables and other current liabilities	324	215	221
Deposits from customers	1,275	1,091	1,126
Current tax liabilities	2	3	3
Total current liabilities	3,168	3,230	3,289
Non-current liabilities			
Loans from financial corporations	2,886	1,344	1,279
Bonds	15,060	12,418	12,434
Other liabilities	103	87	91
Deferred tax liabilities	4,725	3,875	4,506
Total non-current liabilities	22,774	17,724	18,310
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	373	366	356
Retained earnings	18,734	15,607	17,850
Total equity attributable to the shareholders of the Company	21,643	18,509	20,742
Non-controlling interests	35	34	30
Total capital	21,678	18,543	20,772
Total liabilities and capital	47,620	39,497	42,371

November 22, 2022			
Date of approval of the financial statements	**Danna Azrieli** **Chairwoman of the Board**	**Eyal Henkin** **CEO**	**Irit Sekler-Pilosof** **CFO and Deputy CEO**

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues:					
From rent, management, maintenance and sales fees, net	1,982	1,583	711	591	2,210
Net profit (loss) from fair value adjustment of investment property and investment property under construction	1,027	240	174	(14)	2,441
Share in results of companies accounted for on the equity method, net of tax	235	3	(32)	9	310
Financing	57	20	13	12	31
Other	237	25	212	21	62
Total revenues	3,538	1,871	1,078	619	5,054
Costs and expenses:					
Cost of revenues from rent, management, maintenance and sales fees	578	480	211	171	669
Sales and marketing	61	58	24	26	80
G&A	121	69	41	25	106
Financing	881	385	302	155	479
Other	103	38	80	31	48
Total costs and expenses	1,744	1,030	658	408	1,382
Income before income taxes	1,794	841	420	211	3,672
Taxes on income	(325)	(161)	(90)	(24)	(780)
Income from continuing operations for the period	1,469	680	330	187	2,892
Loss from discontinued operations (after tax)	-	-	-	-	(3)
Net profit for the period	1,469	680	330	187	2,889

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Continued)

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Other comprehensive income (loss):					
Amounts that will not be carried in the future to the income statement, net of tax:					
Change in fair value of financial assets, net of tax	(66)	299	(10)	90	476
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Share in other comprehensive income (loss) of an investment accounted for using the equity method	(73)	1	(42)	(7)	2
Translation differences from foreign operations	205	27	(70)	3	(132)
Cash flow hedge for a projected business combination transaction	-	(69)	-	(69)	(69)
Cash flow hedge for a projected business combination transaction	-	69	-	69	69
Total	132	28	(112)	(4)	(130)
Other comprehensive income (loss) for the period, net of tax	66	327	(122)	86	346
Total comprehensive income for the period	1,535	1,007	208	273	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 nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Net income for the period attributable to:					
Shareholders of the Company	1,468	679	330	187	2,889
Non-controlling interests	1	1	-	-	-
	1,469	680	330	187	2,889
Total comprehensive income for the period attributable to:					
Shareholders of the Company	1,530	1,005	207	273	3,237
Non-controlling interests	5	2	1	-	(2)
	1,535	1,007	208	273	3,235
	NIS	NIS	NIS	NIS	NIS
Basic and diluted earnings (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:					
Continuing operations	12.10	5.6	2.72	1.54	23.85
Discontinued operations	-	-	-	-	(0.03)
	12.10	5.6	2.72	1.54	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	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

	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
	For the nine-month period ended September 30, 2022 (unaudited)								
	NIS in millions								
Balance as of January 1, 2022	18	2,518	689	(337)	4	17,850	20,742	30	20,772
Net profit for the period	-	-	-	-	-	1,468	1,468	1	1,469
Change in fair value of financial assets, net of tax	-	-	(66)	-	-	-	(66)	-	(66)
Share in comprehensive loss of an investment accounted for on the equity method	-	-	-	(73)	-	-	(73)	-	(73)
Translation differences from foreign operations	-	-	-	201	-	-	201	4	205
Total comprehensive income for the period	-	-	(66)	128	-	1,468	1,530	5	1,535
Dividend to shareholders of the Company	-	-	-	-	-	(650)	(650)	-	(650)
Funds from investee companies	-	-	-	-	21	-	21	-	21
Total transactions with shareholders of the Company	-	-	-	-	21	(650)	(629)	-	(629)
Carried to retained earnings as a result of disposition of financial assets	-	-	(66)	-	-	66	-	-	-
Balance as of September 30, 2022	18	2,518	557	(209)	25	18,734	21,643	35	21,678

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

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

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the three-month period ended September 30, 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 July 1, 2022	18	2,518	567	(96)	19	18,404	21,430	34	21,464
Net profit for the period	-	-	-	-	-	330	330	-	330
Change in fair value of financial assets, net of tax	-	-	(10)	-	-	-	(10)	-	(10)
Share in comprehensive loss of an investment accounted for on the equity method	-	-	-	(42)	-	-	(42)	-	(42)
Translation differences from foreign operations	-	-	-	(71)	-	-	(71)	1	(70)
Total comprehensive income for the period	-	-	(10)	(113)	-	330	207	1	208
Funds from investee companies	-	-	-	-	6	-	6	-	6
Total transactions with shareholders of the Company	-	-	-	-	6	-	6	-	6
Balance as of September 30, 2022	18	2,518	557	(209)	25	18,734	21,643	35	21,678

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

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

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the 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 nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – Operating Activities					
Net profit for the period	1,469	680	330	187	2,889
Depreciation and amortization	11	16	3	4	20
Forfeiture of senior housing residents' deposits	(35)	(29)	(13)	(10)	(40)
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(1,027)	(240)	(174)	14	(2,441)
Net financing and other expenses	848	353	326	127	420
Share in results of associates accounted for on the equity method	(235)	(3)	32	(9)	(310)
Profit from increase in rate of holding of associate	(204)	-	(204)	-	-
Taxes recognized in the income statement	325	161	90	24	780
Income taxes paid, net	(9)	(52)	(24)	(40)	(82)
Erosion of financial assets designated at fair value through profit and loss	16	-	14	-	(6)
Change in inventory	2	-	-	1	2
Change in trade and other receivables	13	(42)	1	(35)	(23)
Change in trade and other payables	(2)	(24)	31	13	11
Receipt of deposits from senior housing residents	175	137	48	54	204
Return of deposits from senior housing residents	(36)	(46)	(12)	(11)	(68)
Change in employee provisions and benefits	-	1	-	-	1
Net cash – operating activities	1,311	912	448	319	1,357

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows - Investment Activity					
Proceeds from disposition of fixed assets	-	1	-	1	2
Proceeds from disposition of investment property	3	59	3	-	59
Purchase of and investment in investment property and investment property under construction	(1,398)	(705)	(685)	(178)	(982)
Purchase of and investment in fixed and intangible assets	(43)	(24)	(21)	(9)	(32)
Down-payments paid on account of investment property	-	(131)	-	(131)	(138)
Investment in and granting of loans to companies accounted for on the equity method	(433)	(2)	(432)	-	(2)
Change in short-term deposits	(3)	2	-	2	18
Proceeds from disposition of financial assets designated at fair value through profit and loss	-	-	-	-	1
Provision of long-term loans	(13)	(45)	(5)	-	(45)
Collection of long-term loans	2	1	1	1	1
Interest and dividend received	48	25	20	19	62
Proceeds from disposition of financial assets, net	120	349	-	64	416
Proceeds from disposition of investment in investee companies, net (Annex A)	53	36	-	-	36
Acquisition of companies consolidated for the first time (Annex B)	(477)	(2,380)	(358)	(2,380)	(2,380)
Taxes paid for assets	(84)	(7)	-	(7)	(7)
Proceeds from institutions for purchase of real estate	-	-	30	-	-
Net cash – investment activity	(2,225)	(2,821)	(1,447)	(2,618)	(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 nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – Financing activity					
Dividend distribution to shareholders	(650)	(600)	-	(150)	(600)
Repayment of bonds	(796)	(522)	(195)	(187)	(522)
Issuance of bonds net of issue expenses	2,969	3,613	2,969	3,613	3,613
Receipt of long-term loans from financial corporations	1,095	290	45	-	290
Repayment of long-term loans from financial corporations	(104)	(646)	(42)	(72)	(661)
Short-term credit from financial corporations, net	(562)	-	-	-	(9)
Repayment of other long-term liabilities	(2)	(2)	-	-	(3)
Repayment of deposits from customers	(2)	(4)	(1)	(1)	(5)
Received deposits from customers	3	5	2	1	9
Paid interest	(242)	(149)	(90)	(39)	(220)
Net cash – financing activity	1,709	1,985	2,688	3,165	1,892
Increase in cash and cash equivalents	795	76	1,689	866	258
Cash and cash equivalents at beginning of period	2,886	2,646	1,995	1,858	2,646
Effect of exchange rate changes on cash balances held in foreign currency	-	(1)	(3)	(3)	(18)
Cash and cash equivalents at end of period	3,681	2,721	3,681	2,721	2,886

(*) Non-cash transactions, for the nine- and three-month periods ended September 30, 2022, included an increase in other payables in respect of acquisitions on credit of non-current assets in the sum of NIS 18 million and NIS 6 million, respectively.

In addition, non-cash transactions included, in 2021 and for the nine-month period ended September 30, 2021, a change in “other receivables in respect of the sale of investment property” balances in the sum of approx. NIS 32 million.

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Annex A –					
Proceeds from disposition of an investment in investee companies:					
Receivables due to sale of the investment	53	36	-	-	36

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended December 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Annex B –					
Acquisition of companies consolidated for the first time (see Notes 3F and 3G):					
Working capital (excluding cash and cash equivalents)	31	582	20	582	582
Fixed assets and intangible assets	-	(1,580)	-	(1,580)	(1,580)
Investment property	(814)	(1,576)	(682)	(1,576)	(1,576)
Long-term liabilities including current maturities	306	194	304	194	194
	(477)	(2,380)	(358)	(2,380)	(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 September 30, 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 September 30, 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.), (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 September 30, 2022, the Group has updated the value of its properties in Israel, which are estimated using the DCF method and which are affected by the rise in the index in 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				
September 30, 2022	0.3323	3.543	239.21	238.76
September 30, 2021	0.3672	3.229	228.70	228.26
December 31, 2021	0.3525	3.110	229.37	228.70
	%	%	%	%
Rates of change:				
For the nine-month period ended				
September 30, 2022	(5.73)	13.92	4.29	4.40
September 30, 2021	(2.52)	0.44	2.50	2.20
For the three-month period ended				
September 30, 2022	(5.49)	1.23	1.04	1.23
September 30, 2021	(3.52)	(0.95)	0.90	0.80
For the year ended				
December 31, 2021	(6.42)	(3.27)	2.80	2.40

Note 2 – Significant Accounting Policies (Cont.)

D. Amendments to financial reporting standards and interpretations that were released:

Amendments to standards that were released and are not in effect, and were not pre-adopted by the Group, that are expected to or may have an effect on future periods:

Amendment to IAS 1 "Presentation of Financial Statements" (regarding classification of liabilities with financial covenants):

Further to the amendment to IAS 1 "Presentation of Financial Statements" regarding classification of liabilities as current or non-current which was released in 2020 (the "2020 Amendment"), in October 2022 another amendment was released (the "2022 Amendment") which clarifies that only financial covenants with which the entity is required to comply at the end or before the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting period, even if compliance therewith is actually examined after the reporting period.

The 2022 Amendment prescribes that if the entity's right to defer settlement of the liability is subject to the entity's complying with financial covenants within 12 months after the reporting period, the entity is required to disclose information that enables users of the financial statements to understand the risk therein.

The other amendments that were released in the context of the 2020 Amendment remained unchanged. The commencement date of the 2020 Amendment and the 2022 Amendment was determined for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted provided that the two amendments are applied at the same time.

Note 3 – Material Events during the Report Period

A. On March 22, 2022, the Company's Board 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. 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**" and the "**Lessee**", respectively).

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

B. (Cont.)

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.

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.

C. 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.

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

C. (Cont.)

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 capital raising 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 September 30, 2022, GM is in compliance with the above covenants.

D. On June 23, 2022, the Company engaged, through a designated subsidiary, in an agreement with an English company (in this section: the "**Seller**") for the acquisition of the full holdings of the Seller in two companies:

A company that is leasing, from a third party, a land on which an active data center is located in eastern London and another company that is the owner of vacant land adjacent to the active data center.

The overall consideration in the transaction is in the sum of approx. £52 million (approx. NIS 210 million).

The closing of the transaction is contingent, *inter alia*, on receipt of approval by the authorized regulator in England, which has not yet been received as of the report date.

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

E. Further to Note 26G to the Annual Financial Statements, with respect to a VAT assessment received by a subsidiary, during the report period a settlement was reached in an amount immaterial to the Company.

F. During the report period the Company closed an acquisition of a company having a long-term lease agreement for 6 office floors in the Azrieli Sarona Tower. The Company thereby regained possession of these floors for the purpose of leasing them, in whole or in part, to third parties. As of the report release date, the said floors are fully leased-up.

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

G. Further to Note 11F to the Annual Financial Statements, on May 3, 2022, approval was received from the Competition Commissioner for the performance of a transaction for the acquisition of 100% of the issued and paid-up share capital of Mall Hayam (1978) Ltd., and for the acquisition of all of the rights in the land on which Mall Hayam in Eilat is built (in this section: the "**Transaction**"). In addition, on May 23, 2022, approval was received from the ILA.

On July 3, 2022, all of the Transaction's closing conditions were fulfilled and the Transaction was closed.

H. In July 2022, the Company issued to the public NIS 625.6 million par value of additional Series D bonds at a price of 107.2 agorot per NIS 1 par value (a premium of approx. 0.17% relative to the adjusted value thereof) with an effective interest rate of approx. 1.4%, and NIS 1,336.5 million par value of additional Series F bonds at a price of 109.2 agorot per NIS 1 par value (a premium of approx. 3.31% relative to the adjusted value thereof) with an effective interest rate of approx. 2.2%, and NIS 926.4 million par value of additional Series H bonds at a price of 93.9 agorot per NIS 1 par value (a discount of approx. 9.8% relative to the adjusted value thereof) with an effective interest rate of approx. 2.6%, by way of expansion of the bond series, based on the Company's shelf prospectus. The gross issue proceeds totaled approx. NIS 3,000 million and after attribution of issue expenses, the net proceeds totaled approx. NIS 2,971 million.

I. On August 10, 2022, the Company's general meeting approved, after approval by the Compensation Committee and the Board, an update to the terms and conditions of the management agreement with the Company's Chairwoman of the Board, through a company controlled by her (in this section: the "**Management Company**"), for a three-year period from August 11, 2022, as follows:

(1) Update to the fixed component:

The annual management fees will be NIS 3.96 million (which constitute monthly management fees of NIS 330 thousand), linked to the increase in the CPI for the month of May 2022 (the consideration will not be reduced in the event of a decrease in the CPI in a given month, but the reduction will be deducted from future increases in the CPI), and a 5% increase each year (over and above the linkage to the CPI). The fixed management fees will be paid in each current calendar month.

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

I. (Cont.)

(2) Update to the annual bonus of the Company's Chairwoman of the Board:

The Chairwoman of the Board will be entitled to an annual bonus, according and subject to the following provisions, in an amount of up to 9 times the monthly management fees for each calendar year. The Compensation Committee and the Company's Board will set measurable targets for the bonus for the Management Company, which are based on figures in the financial statements (including by way of calculation) from among: meeting FFO targets, meeting NOI targets, return on equity, current cash flow, adjusted profit and/or balance sheet ratios, uniformly applicable to the Management Company and to at least 2 other officers (the "**Other Officers**"), provided that all of the following are met:

(a) The potential bonus that may be derived for all the Other Officers, jointly, is at least 2 times higher than the potential bonus that may be derived for the Management Company from the same targets.

(b) The cost of the Management Company's annual bonus, together with the bonuses of the Other Officers, when multiplied by the holding rate of the Company's controlling shareholders, will be at least 2 times higher than the annual bonus to which the Management Company will be entitled in the event of meeting the targets.

(c) The annual bonuses of the Management Company and the Other Officers shall be subject to the same target/s in practice, and not only to the same type/s of target/s, and no targets shall apply to the Other Officers that do not equally apply to the Management Company. The aforesaid does not derogate from the fact that the cap on the annual bonuses for each of the Management Company and the Other Officers may be different.

The aforesaid notwithstanding, in relation to the 2022 annual bonus - the bonus cap, i.e. 9 times the monthly management fees, and the targets set at the beginning of the year for the Company's CEO, Mr. Eyal Henkin, and for other officers, will apply for the whole of 2022. Accordingly, below is a breakdown of the measurable targets for the 2022 bonus for the Management Company:

(a) **Meeting the FFO target** – An operational parameter based on meeting the FFO target set forth in the Company's annual work plan for 2022, as approved by the Compensation Committee and the Board in Q1/2022 (the "**FFO Target**").

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

I. (Cont.)

(2) Update to the annual bonus of the Company's Chairwoman of the Board: (Cont.)

(a) (Cont.)

A prerequisite for receiving this component of the bonus is meeting 90% of the FFO Target. The Chairwoman of the Board's entitlement to the bonus for 2022 shall be calculated in a linear manner in accordance with the extent to which the FFO Target is met, while for fully meeting the FFO Target the Chairwoman of the Board shall be entitled to a bonus in the sum of 3 times the cost of the monthly management fees.

(b) **Meeting the NOI target** – An operational parameter based on meeting the NOI target set forth in the Company's annual work plan for 2022, as approved by the Compensation Committee and the Board of the Company in Q1/2022 (the "**NOI Target**").

A prerequisite for receiving this component of the bonus is meeting 90% of the NOI Target. The Chairwoman of the Board's entitlement to the bonus for 2022 shall be calculated in a linear manner in accordance with the extent to which the NOI Target is met, while for fully meeting the NOI Target the Chairwoman of the Board shall be entitled to a bonus in the sum of 6 times the cost of the monthly management fees.

(3) Update to the Definition of Business Arrangement:

In view of the Group's entry into new operating segments and/or expansion of some of its operating segments, the Definition of Business Arrangement was updated to add restrictions in relation to the following segments:

(1) Development, maintenance and/or management of a senior home in Israel with 100 rooms or more; and/or
(2) Development, maintenance and/or management of a hotel in Israel with 100 rooms or more; and/or
(3) Development, maintenance and/or management of a Data Center site in Israel or overseas with a capacity of over 5 MW.

The update to the Definition of Business Arrangement shall apply also to the sisters of Ms. Danna Azrieli, Ms. Sharon Azrieli and Ms. Naomi Azrieli, who hold office as directors of the Company and are controlling shareholders thereof.

For further details on the Chairwoman of the Board's management agreement (prior to the above updates) – see Note 33C(1) to the Annual Financial Statements.

Note 4 – Investments in Investee Companies

A. Further to Note 8C to the Annual Financial Statements, in July and September 2022, additional rounds of investment in Compass were held, in which the Company invested approx. $126 million (approx. NIS 431 million) in accordance with the option it had to increase its holding up to approx. 33% according to the price per unit in the initial investment. In view of the aforesaid, the Company derived a profit from the rise in the holding rate in the sum of NIS 204 million. As of the date of the report, the Company holds approx. 32.44% of Compass's equity.

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

Compass Holdco, LLC:

	As of September 30		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Current assets	742	409	338
Non-current assets	13,531	6,140	8,050
Current liabilities	(1,480)	(349)	(493)
Non-current liabilities	(6,813)	(3,253)	(3,776)
Capital attributed to shareholders	(5,980)	(2,947)	(4,118)
The Company's share in assets, net	1,940	706	986
Adjustments	122	112	108
The book value of the investment in investee company	2,062	818	1,094

	For the nine-month period ended Sept. 30		For the three-month period ended Sept. 30		For the year ended Dec. 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues	188	142	69	51	195
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	1,580	91	(8)	91	1,588
Net profit (loss) for the period	949	23	(138)	43	1,311
The Company's share in the profit (loss)	227	6	(33)	10	314

Note 5 – 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 Sept. 30, 2022		As of Sept. 30, 2021		As of Dec. 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS in millions		NIS in millions		NIS in millions	
	(unaudited)		(unaudited)			
Non-current liabilities:						
Loans from banking corporations and other credit providers (1)	3,099	2,922	2,047	2,096	1,403	1,417
Bonds (1)(2)	16,054	15,289	13,282	14,353	13,294	14,496
	19,153	18,211	15,329	16,449	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 September 30		As of December 31
	2022	2021	2021
	%	%	%
Non-current liabilities:			
Loans from financial corporations	1.30-8.30	(0.93)-4.34	(1.19)-4.9

Note 5 – Fair Value of Financial Instruments (Cont.)

C. Hierarchy of fair value:

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

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

	As of September 30		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Financial assets at fair value through other comprehensive income:			
Marketable shares – Level 1	1,071	1,120	1,282

Note 6 – 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:

Note 6 – Segment Reporting (Cont.)
A. General: (Cont.)

- 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).

- 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 6 – Segment Reporting (Cont.)

B. Operating segments:

	For the nine-month period ended September 30, 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	807	693	175	164	163	27	(47)	1,982
Total segment expenses	169	119	87	119	66	60	(17)	603
Segment profit (loss) (NOI)	638	574	88	45	97	(33)	(30)	1,379
Net profit (loss) from fair value adjustment of investment property and investment property under construction	472	676	(64)	-	322	-	(379)	1,027
Unallocated expenses								(157)
Financing expenses, net								(824)
Other income, net								134
The Company's share in the results of companies accounted for on the equity method, net of tax								235
Income before income taxes								1,794
Additional information:								
Segment assets	15,060	16,430	2,268	2,909	7,358	322	(2,191)	42,156
Unallocated assets (*)								5,464
Total consolidated assets								47,620

(*) Mainly financial assets in the sum of approx. NIS 1.1 billion and cash and short-term deposits in the sum of approx. NIS 3.7 billion.

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

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

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

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

	For the three-month period ended September 30, 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	300	245	59	57	60	9	(19)	711
Total segment expenses	64	46	31	42	25	20	(9)	219
Segment profit (loss) (NOI)	236	199	28	15	35	(11)	(10)	492
Net profit (loss) from fair value adjustment of investment property and investment property under construction	143	99	(2)	-	(67)	-	1	174
Unallocated expenses								(57)
Financing expenses, net								(289)
Other income, net								132
The Company's share in the results of a company accounted for on the equity method, net of tax								(32)
Income before income taxes								420

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

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

Note 6 – 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 companies accounted for on the equity method, 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.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement
as of September 30, 2022

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement
as of September 30, 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 September 30, 2022

(Unaudited)

C o n t e n t s

Deloitte.

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

Dear Sir/Madam,

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

We have reviewed the separate interim financial statement, which is presented according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of **Azrieli Group Ltd.** (the "**Company**") as of September 30, 2022 and for the nine- and three-month periods then ended. The board of directors and management are responsible for the preparation and presentation of this separate interim financial 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 these interim periods, based on our review.

Scope of Review

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

Conclusion

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

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

Tel Aviv, November 22, 2022

Azrieli Group Ltd.
Statement of Financial Position

	As of September 30		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	3,251	2,447	2,597
Trade accounts receivable	13	13	9
Other receivables	261	191	182
Current tax assets	57	84	88
Total current assets	3,582	2,735	2,876
Non-current assets			
Financial assets	1,076	1,124	1,288
Investment property and investment property under construction	16,581	13,590	14,917
Investments in Investee Companies	17,215	14,270	14,139
Loans to Investee Companies	1,972	2,102	3,248
Fixed assets	341	314	318
Other receivables	50	64	60
Total non-current assets	37,235	31,464	33,970
Total assets	40,817	34,199	36,846

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

	As of September 30		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	1,108	982	983
Trade payables	160	158	155
Payables and other current liabilities	153	115	131
Total current liabilities	1,421	1,255	1,269
Non-current liabilities			
Loans from financial corporations	587	354	332
Bonds	15,060	12,418	12,434
Other liabilities	34	27	27
Deferred tax liabilities	2,072	1,636	2,042
Total non-current liabilities	17,753	14,435	14,835
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	413	406	396
Retained earnings	18,734	15,607	17,850
Total capital attributable to shareholders of the Company	21,643	18,509	20,742
Total liabilities and capital	40,817	34,199	36,846

November 22, 2022			
Date of Approval of Separate Financial Statement	**Danna Azrieli Chairwoman of the Board**	**Eyal Henkin CEO**	**Irit Sekler-Pilosof Chief Financial Officer and Deputy CEO**

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

Azrieli Group Ltd.

Statement of Profit or Loss and Other Comprehensive Income

	For the nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues					
From rent and management and maintenance fees, net	630	517	226	197	702
Net profit from adjustment to fair value of investment property and investment property under construction	630	131	102	(10)	1,342
Financing	109	115	19	51	139
Other	237	27	211	21	65
Total Revenues	1,606	790	558	259	2,248
Costs and Expenses					
Cost of revenues from rent and management and maintenance fees	24	29	9	9	37
Sales and marketing	27	29	12	16	39
G&A	87	59	28	21	86
Financing	734	330	245	135	407
Other	79	32	75	30	41
Total Costs and Expenses	951	479	369	211	610
Income before the Company's share in the profits of Investee Companies	655	311	189	48	1,638
Share in profits of Investee Companies, net of tax	915	403	163	129	1,648
Income before income taxes	1,570	714	352	177	3,286
Taxes on income	(102)	(35)	(22)	10	(394)
Income for the period from continued operations	1,468	679	330	187	2,892
Loss from discontinued operations (after tax)	-	-	-	-	(3)
Net income for the period	1,468	679	330	187	2,889
Other comprehensive income (loss):					
Amounts that will not be carried in the future to the income statement, net of tax:					
Change in the fair value of financial assets, net of tax	(66)	299	(10)	90	476
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Translation differences from foreign operations	~~201~~ 175	27	~~(71)~~(97)	6	(120)
Share in the other comprehensive loss of Investee Companies, net of tax	~~(73)~~(47)	-	~~(42)~~(16)	(10)	(8)
Total	128	27	(113)	(4)	(128)
Other comprehensive income (loss) for the period, net of tax	62	326	(123)	86	348
Total comprehensive income for the period	1,530	1,005	207	273	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 nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – current operations					
Net profit for the period	1,468	679	330	187	2,889
Depreciation and amortization	2	2	1	1	2
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	(630)	(131)	(102)	10	(1,342)
Financing and other expenses, net	655	207	292	77	236
Share in profits of Investee Companies, net of tax	(915)	(403)	(163)	(129)	(1,645)
Profit from increase in rate of holding of associate	(204)	-	(204)	-	-
Tax expenses recognized in the income statement	102	35	22	(10)	394
Income tax received (paid), net	33	11	(3)	(15)	3
Change in trade and other receivables	(61)	(18)	(86)	(25)	2
Change in trade and other payables	35	(19)	28	(3)	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	484	364	115	93	543
Cash flows – investment activities					
Purchase and investment in investment property and investment property under construction	(691)	(530)	(475)	(120)	(790)
Purchase of fixed assets	(25)	(13)	(10)	(5)	(17)
Investments in Investee Companies	(873)	(96)	(767)	-	(2,523)
Consideration from financial assets designated at fair value through profit and loss	-	-	-	-	1
Return of long-term loans from Investee Companies, net	382	204	131	94	252
Interest and dividend received	53	33	20	19	76
Recovery of investment in Investee Company	-	-	-	-	19
Proceeds from the disposition of financial assets, net	120	349	-	64	416
Taxes paid for assets	(84)	(7)	-	(7)	(7)
Proceeds from liquidation of fixed assets	-	1	-	1	1
Down-payments paid on account of investment property	-	(131)	-	(131)	-
Proceeds from institutions for acquisition of investment property	-	-	30	-	-
Net cash – investment activities	(1,118)	(2,617)	(1,071)	(2,512)	(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 nine-month period ended September 30		For the three-month period ended September 30		For the year ended Dec. 31
	2022	2021	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – financing activities					
Bond offering net of offering expenses	2,969	3,613	2,969	3,613	3,613
Dividend distribution to shareholders	(650)	(600)	-	(150)	(600)
Repayment of bonds	(796)	(522)	(195)	(187)	(522)
Repayment of long-term loans from financial corporations	(76)	(157)	(30)	(68)	(180)
Short-term credit from financial corporations, net	-	-	-	-	(1)
Deposits from customers, net	2	-	1	-	2
Interest paid	(156)	(111)	(50)	(26)	(168)
Net cash – financing activities	1,293	2,223	2,695	3,182	2,144
Increase (decrease) in cash and cash equivalents	659	(30)	1,739	763	115
Cash and cash equivalents at beginning of period	2,597	2,472	1,527	1,681	2,472
Effect of exchange rate changes on cash balances held in foreign currency	(5)	5	(15)	3	10
Cash and cash equivalents at end of period	3,251	2,447	3,251	2,447	2,597

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 Notes 3 and 4 to the condensed consolidated financial statements published with this separate financial statement.

Date: November 22, 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 November 22, 2022 on condensed consolidated financial information of the Company as of September 30, 2022 and for the nine- and three-month periods then ended.

(2) Special auditors' report of November 22, 2022 on condensed separate financial information of the Company as of September 30, 2022 and for the nine- and three-month periods then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

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

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

For this purpose, the members of management are:

1 | **Eyal Henkin**, CEO

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

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

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

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

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

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

In the quarterly report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended June 30, 2022 (the "**Most Recent Quarterly Report on Internal Control**"), the internal control was found effective.

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

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

STATEMENT OF MANAGERS:

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

I, Eyal Henkin, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q3/2022 (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: November 22, 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 Q3/2022 (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: November 22, 2022

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Irit Sekler-Pilosof | Deputy CEO and CFO