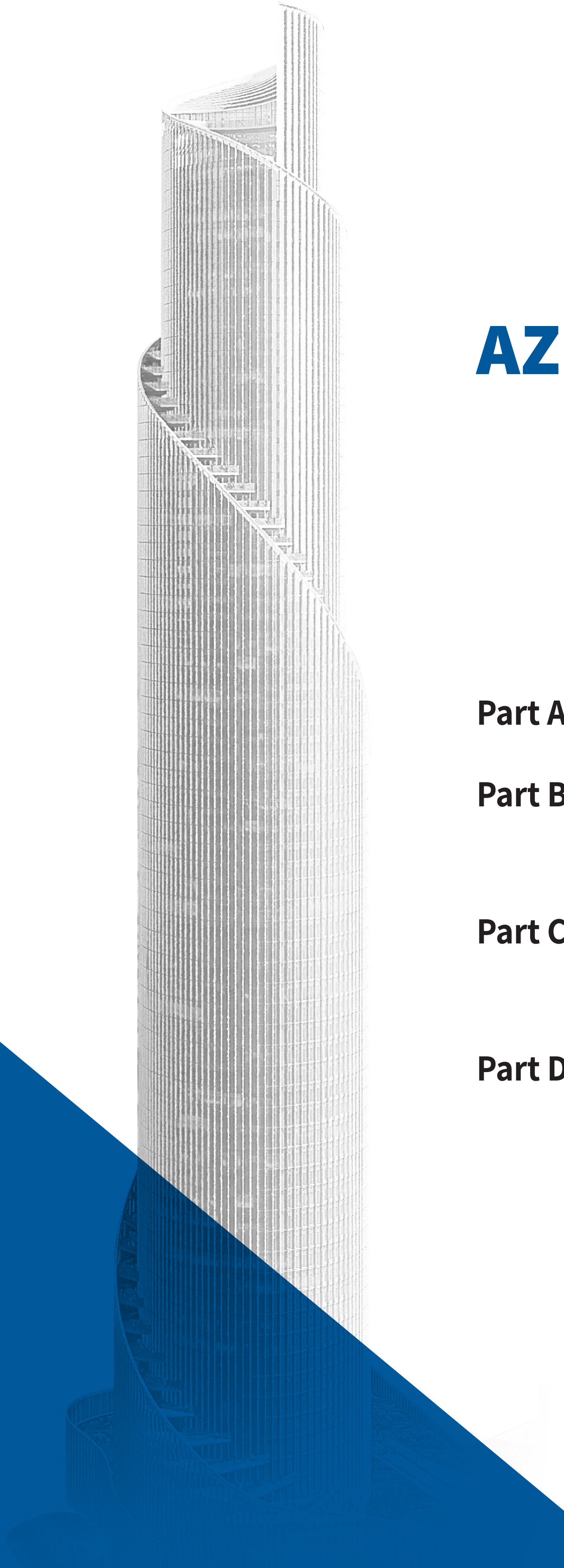
AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q1/2023

Dated 31 March 2023



AZRIELI GROUP LTD.

Quarterly Report Q1/2023
Dated 31 March 2023

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 Tel Aviv mall, Azrieli Ayalon mall, and Azrieli 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. The Company also operates in the senior housing sector, and as of the report date manages four active senior homes. In the residential rental sector, in 2022 the Company commenced occupancy of the ~210-apartment residential tower at Azrieli Town built by the Company; and after the report period, the Company won a tender for construction of a project in Herzliya, as detailed in Section 1.2.3.7 below. In the United States, the Company holds several office buildings, mainly in Houston and Austin, Texas. The Company holds full ownership of Green Mountain, a company operating in the Data Center industry in Norway. During the report period, the Company completed the acquisition of a company operating in this industry in London, as detailed in Section 1.2.3.2 below. The Company also has a holding of approx. 32.5% in a company operating mainly in the Data Centers industry in North America. In addition, the Company holds the Mount Zion Hotel in Jerusalem, and after the report period the Company acquired the Red Rock hotel in Eilat, as detailed in Section 1.2.3.6 below.

Azrieli Group has an extraordinary pipeline of hundreds of thousands of square meters of office, retail, residential rental 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 35%. 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 5.6 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 49 billion

Shareholders Equity NIS 21.7 billion

98% occupancy rate* on average in Israel

21 MALLS

360 thousand sqm | 99% Occupancy*

15 OFFICE BUILDINGS

632 thousand sqm | 98% Occupancy*

4 SENIOR HOMES

115 thousand sqm | 97% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

241 thousand sqm | 68% Occupancy

DATA CENTERS COMPANIES OVERSEAS

COMPASS datacenters ~32.5%

Green Mountain 100%

2 RESIDENTIAL FOR RENT PROPERTIES

29 thousand sqm | 100% Occupancy*

DEVELOPMENT PIPELINE – 10 PROJECTS

662 thousand sqm |

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

** GLA (gross leasable area) is based on the Company's share.

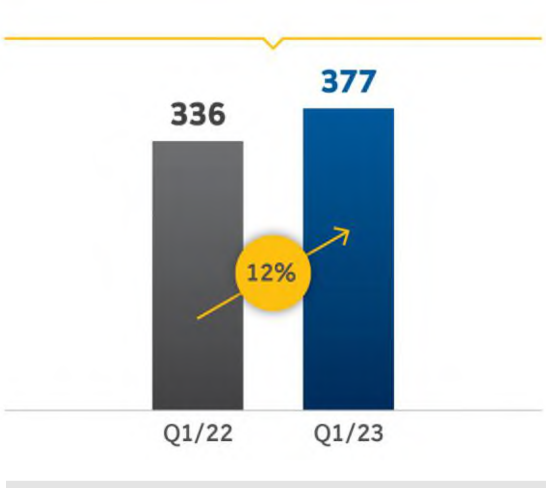
PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

Increase of approx. 15% in Q1 2023 NOI to NIS 525 million compared with NIS 456 million in Q1 2022

NOI

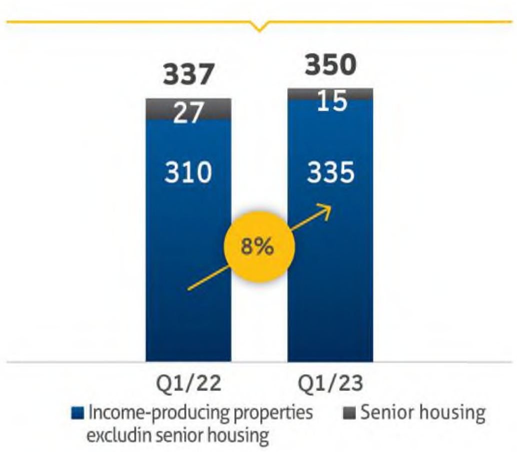
increase of 12% in net profit totaled NOI 377 in the report period compared with NIS 336 million in the same period last year

Net Profit



Increase of approx. 8% in Q1 2023 FFO excluding senior housing to NIS 335 million compared with NIS 310 million in Q1 2022

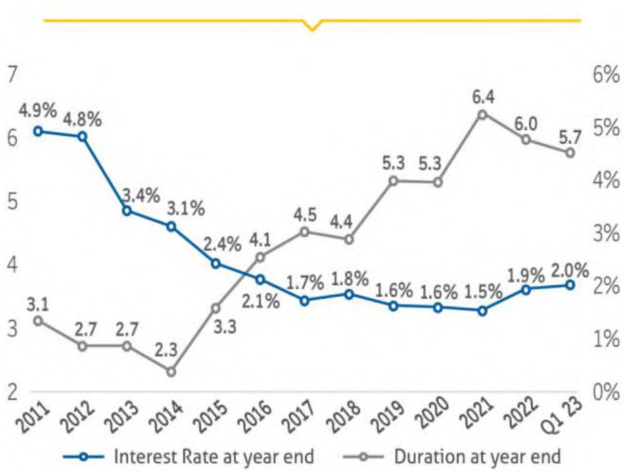
FFO from income-producing real estate business



* According to the ISA, the FFO is NIS 181 million, compared with NIS 159 million in Q1 2022.

Average debt duration extended while reducing the interest rate

Average interest vs. average duration



In May 2023, the Company distributed a NIS 700 million dividend

This is a translation of Azrieli Group's Hebrew-language Board of Directors' Report as of March 31, 2023. 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**") hereby respectfully submits the board of directors' report for the three months ended March 31, 2023 (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 as of December 31, 2022, 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 "**2022 Periodic Report**"), the update to the Corporation's Business chapter and the financial statements as of March 31, 2023.

Unless otherwise stated herein, the terms defined in Chapter A of the 2022 Periodic Report shall have the meanings set forth alongside them.

The information in the board of directors' report is based on the consolidated financial statements as of March 31, 2023[2]. The Company's financials and results of operations are affected by the financials and results of operations of the companies held thereby. In some cases, we present details of events that occurred subsequently to the date of the financial statements as of March 31, 2023 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 22, 2023 (Ref. 2023-01-029847), which is included herein by reference.

[2] The attached financial statements are prepared according to the International Financial Reporting Standards (IFRS). For further details, see Note 2 to the financial statements as of March 31, 2023.

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

1.2.1. Summary of Reported Operating Segments for the Three Months Ended March 31, 2023

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.), the data centers segment and the rental housing in Israel segment. The Company also holds the Mount Zion Hotel in Jerusalem. The Company has additional e-commerce operations through its holding in the Azrieli.com website and has minority interests in Bank Leumi Le-Israel Ltd. ("**Bank Leumi**").

The Group's primary growth engine is the development of income-producing real estate projects: malls, offices, senior housing, data centers and rental housing in Israel. As of the report date, the Company has 10 projects in Israel at various development stages, the planned area of which is approx. 662 thousand sqm, as well as land for development. Below is a brief description of the Group's six reported operating segments, as well as the additional operations ("**Others**"):

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 15 income-producing office properties in Israel;

3. **Income-producing properties in the U.S.** – The Group has 8 office properties overseas, mainly in the U.S.;

4. **Senior housing** – The Group has 4 active senior homes in Israel;

5. **Data centers –** The Company owns (indirectly) 100% of the issued and paid-up share capital of GM which operates in Norway, as well as (indirect) holdings of approx. 32.5% in Compass which operates in North America and EMEA. In addition, in the Report Period, a transaction was closed for the acquisition of all of the share capital (100%) of two companies that operate in the data centers segment in England. For further details, see Section 1.2.3.2 of this report.

6. **Rental housing in Israel –** The Group has 2 income-producing projects in the rental housing in Israel segment. In addition, after the Report Period, the Company won a tender for the construction of a rental housing project in Herzliya. For further details, see Section 1.2.3.7 of this report.

Additional operations – As of the Report Release Date, the Group has e-commerce operations through Azrieli E-Commerce which holds and operates the Azrieli.com website, operations in the hospitality sector, and a holding of approx. 2.3% of Bank Leumi shares.

In addition, the Company holds the Mount Zion Hotel in Jerusalem, and after the Report Period it engaged with a third party in an agreement for the acquisition of the Red Rock Hotel in Eilat. For further details, see Sections 2.15.1 and 1.2.3.6 below.

1.2.2. Breakdown of Asset Value by Operating Segment

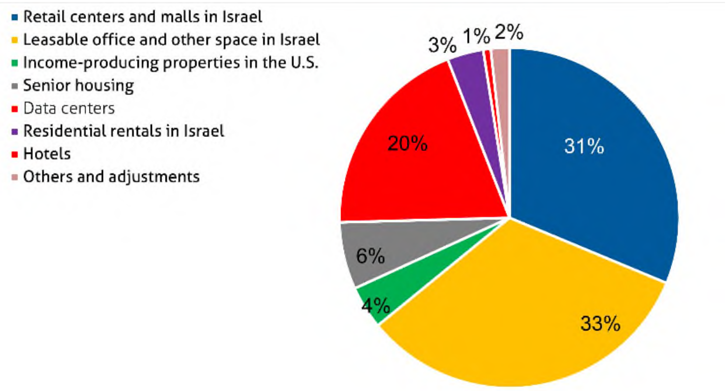
Below is a breakdown of the total balance sheet assets by operating segment:[3]

Breakdown of Total Balance Sheet Assets by Operating Segments

Comparison of Segment Assets		
As of	31.3.2023	31.12.2022
Retail centers and malls in Israel	15,321	15,121
Leasable office and other space in Israel	16,091	15,875
Income-producing properties in the U.S.	2,006	1,945
Senior housing	3,128	3,122
Data centers	9,552	8,033
Rental housing in Israel	1,691	1,666
Hospitality	346	335
Others and adjustments	868	2,377
Total	**49,003**	**48,474**

Percentage of Segment Assets out of Total Assets

31.12.2022



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 33% of the total balance sheet assets and the retail centers and malls segment assets constitute approx. 31%. The other income-producing real estate segments, in the aggregate, constitute approx. 34% of the total balance sheet assets.

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

1.2.3.1. Development pipeline

During the Report Period, the Group continued to invest in the development and construction of new properties as well as 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 companies operating in the data centers segment in England

On June 23, 2022, the Company engaged, through a wholly-owned special purpose subsidiary thereof (the "**Buyer**"), in an agreement with an English company (the "**Seller**"); collectively with the Buyer: the "Parties", for the acquisition of all of the Seller's holdings in two companies (the "**Transaction**"): a company that leases, from a third party, land on which an active data center is built in East London, and another company that owns vacant land which is adjacent to the active data center, in consideration for approx. £52 million (approx. NIS 220 million, according to the representative GBP rate as of the date of the signing of the agreement) (the "**English Companies**"). On December 19, 2022, approval was received from the competent regulator in England for the Transaction, and on January 23, 2023 all of the closing conditions were fulfilled and the Transaction was closed.

For further details, see the Company's immediate reports of June 26, 2022, December 25, 2022 and January 24,

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

2023 (Ref. 2022-01-078271, 2022-01-154633 and 2023-01-010848, respectively).

1.2.3.3. Engagement in an agreement for the provision of DC services

On March 7, 2023, GM, through a company wholly owned thereby, entered into a service agreement with TikTok Norway AS, a Norwegian company which is part of a group of companies with global operations, for the provision of DC services on a campus to be built by GM in Norway.

For further details, see the Company's immediate report of March 8, 2023 (Ref. 2023-01-024873), which is included herein by reference.

1.2.3.4. Changes in the office of senior officers of the Company

On February 26, 2023, Mr. Jonathan Yaari assumed the role of VP Projects at the Company.

On February 26, 2023, Mr. Yair Horesh's role as Chief Controller of Accounts and Financial Statements came to an end, and he entered the role of Deputy CFO. On this date, Mr. Yaakov Danino entered the role of Chief Controller of Accounts and Financial Statements.

On February 26, 2023, Mr. Gideon Avrami's role as Head of Offices came to an end, and he entered the role of Deputy CEO and Head of Properties.

On March 19, 2023, Ms. Michal Alaluf-Tamir was appointed as VP Human Resources at the Company.

On March 21, 2023, Mr. Moshe Cohen stepped down as the Company's internal auditor and Mr. Gali Gana entered the role.

On March 26, 2023, the Company released an immediate report regarding the date of the end of Ms. Irit Sekler-Pilosof's office as Deputy CEO and CFO on May 27, 2023[4]. Accordingly, on the same date, the Company released an immediate report regarding the appointment of Mr. Ariel Goldstein as the Company's CFO, who is expected to assume his role on May 28, 2023. For further details see a supplementary immediate report and an immediate report of the Company of March 26, 2023 (Ref. 2023-01-031230 and 2023-01-031188, respectively).

On November 22, 2022, Dr. Ariel Kor was appointed as a director of the Company. For further details see the immediate report of November 23, 2022 (Ref. 2022-01-140614), which is included herein by reference. On April 27, 2023, the Company's general meeting approved the appointment of Mr. Kor until the date of the next annual general meeting to be convened. For further details regarding the results of the said meeting, see the immediate report of April 30, 2023 (Ref. 2023-01-045594), which is included herein by reference.

For further details regarding the above officers, see Sections 26 and 26A of Chapter D of the 2022 Periodic Report.

1.2.3.5. Engagement in a joint venture for the construction of a DC campus in the Frankfurt region of Germany

On March 30, 2023, GM engaged, through a company owned thereby (indirectly), in a joint venture with a German company that engages in the supply of power and energy ("**KMW**"; and collectively with GM in this section: the "**Parties**") for the construction of a DC campus that shall comprise several buildings in the Frankfurt region of Germany (in this section: the "**Agreement**"). The joint venture will be held and financed in equal shares by the Parties. In accordance with the Agreement, GM will provide the joint venture with various services such as project management, marketing and sales services. KMW will supply the power capacity required for operation of the campus. For further details regarding the Agreement and the joint venture, see the immediate

[4] Ms. Sekler-Pilosof had, on December 5, 2022, given notice of her wish to step down from her office. For further details, see the immediate report released by the Company on December 6, 2022 (Ref. 2022-01-147520), which is included herein by reference.

report released by the Company on April 2, 2023 (Ref. 2023-01-037008), which is included herein by reference.

1.2.3.6. Acquisition of the Red Rock Hotel in Eilat

On April 16, 2023, the Company entered into an agreement with a third party which is not affiliated with the Company and/or its controlling shareholders for the acquisition of the Red Rock Hotel in Eilat (in this section: the "**Transaction**" and the "**Property**", respectively), in consideration for approx. NIS 130 million, and on May 11, 2023 the Transaction was closed. For further details regarding the Transaction, including the Company's plans for the Property, see the immediate reports released by the Company on April 17, 2023 and May 11, 2023 (Ref. 2023-01-041445 and 2023-01-050829, respectively), which are included herein by reference.

1.2.3.7. Winning of a tender for the construction of a rental housing project in Herzliya

On April 27, 2023, the Company won a tender of Dira Lehaskir – The State-Owned Rental Housing Company Ltd. and the Israel Land Authority (the "**Tender**"), for the purchase of leasehold rights in a site located in Herzliya in consideration for approx. NIS 85 million plus VAT. In addition, according to the terms and conditions of the tender, the Company shall bear payment of development expenses in the sum of approx. NIS 19 million. For further details regarding the Tender, see the immediate report released by the Company on April 30, 2023 (Ref. 2023-01-045585), which is included herein by reference.

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Total Dividend
Azrieli Group	March 21, 2023	May 11,2023	NIS 700 million[5]

On March 21, 2023, the Company's board of directors resolved to approve a dividend distribution of NIS 700 million. For further details see the Company's immediate report of March 22, 2023 (Ref. 2023-01-029916), which is 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 13, 2023	April 4,2023	Approx. NIS 698 million	Approx. NIS 16 million

[5] As of March 31, 2023, the Company has distributable retained earnings in the sum of approx. NIS 18.7 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 2022 Periodic Report, which is included herein by reference. The April 2023 macroeconomic forecast by the Research Division of the Bank of Israel analyzes the main macroeconomic variables (GDP, inflation and interest rates) based on two scenarios: (a) resolution of the conflict surrounding legislative changes in the legal system in a manner that does not affect economic activity ("**Scenario A**"); (b) a scenario which presents an analysis of the possible economic repercussions if changes deriving from promotion of the legislation result in a rise in the country's risk premium, damage to export, a decrease in domestic investments and a decrease in the demand for private consumption ("**Scenario B**"). According to Scenario A, the GDP is expected to grow by 2.5% and 3.5% in 2023 and 2024 (respectively), the inflation rate is expected to be 3.9% and 2.3% in 2023 and 2024 (respectively), and the monetary interest rate is expected to be 4.75% on average in Q1/2024.

In view of the considerable uncertainty surrounding Scenario B, its effect on the GDP is presented within a broad three-year range that reflects the extent of the impact of the legislative changes on the GDP. Thus, in a case where the effect of the legislative changes subsides relatively quickly, the impact on the GDP is estimated at an average rate of 0.8% *per annum* over the next three years. Conversely, in a case where the effect of the legislative changes persists, the impact on the GDP is estimated at an average rate of 2.8% *per annum* over the next three years[6].

The Company has loans and bonds linked to the CPI. The rise in the CPI which characterized 2022 continued also during the Report Period in which the CPI rose by 1.08% and led to an increase in the Company's financing costs. Conversely, the Company's income-producing real estate in Israel, which as of the report date is estimated at approx. NIS 31.4 billion, is leased under index-linked lease agreements, and from an economic point of view, the Company sees this as long-term inflationary protection. Consequently, as a rule, a rise in the CPI results in an increase in the Company's revenues from the lease of properties in Israel and an increase in the fair value of these properties accordingly. Furthermore, a majority of the lease contracts in Norway in the data centers sector are fully or partially linked to the Norwegian CPI.

Due to the said rise in inflation, the Bank of Israel raised the interest rate several times during 2022-2023, such that as of the Report Release Date, the interest rate is 4.75%[7]. 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 also rose in the Report Period by 1.26% and 1.45%, 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 construction contractors are linked to these indices.

[6] Bank of Israel – press release of April 3, 2023 – the macroeconomic forecast of the Research Division, April 2023. Bank of Israel website: https://www.boi.org.il/publications/pressreleases/61249/.

[7] Bank of Israel – press release of May 22, 2023, the Monetary Committee decided, on May 22, 2023, to raise the interest rate by 0.25% to 4.75%. Bank of Israel website: https://www.boi.org.il/publications/pressreleases/63121/.

The Company cannot assess the future effects, if any, of all the above factors 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.

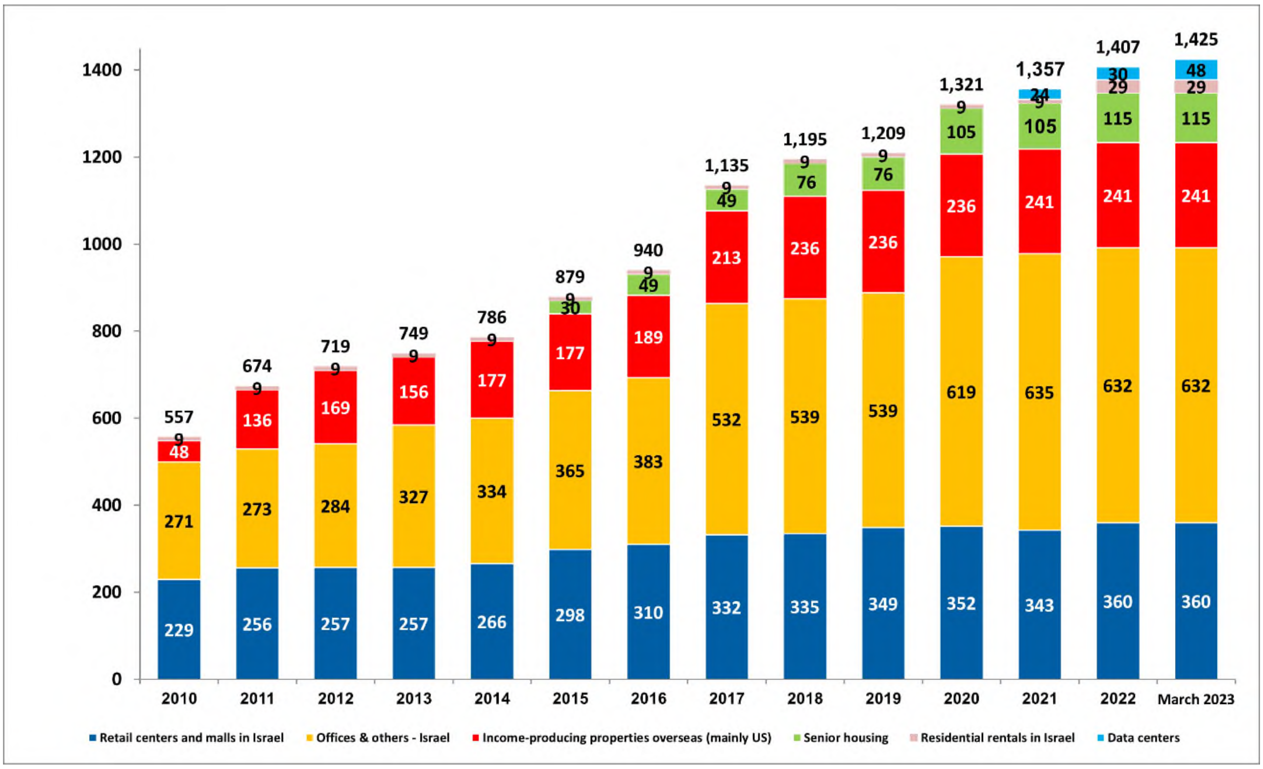
*The Group's aforesaid estimations with regards to the changes in the income-producing real estate sector in Israel and their effect on the Group's results are merely subjective estimations and constitute forward-looking information as defined in the Securities Law, 5728-1968 (the "**Securities Law**"). 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, various effects of legislative changes, and insofar as the Covid pandemic shall have additional future repercussions.*

2.2. The Covid Pandemic

In early May 2023, the World Health Organization determined that the Covid pandemic is no longer defined as an international health emergency due to the decline in mortality from the pandemic. In accordance with the aforesaid, at present, the impact of morbidity on economic activity is insignificant.

2.3. Consolidated GLA (Gross Leasable Area) Data

As of March 31, 2023



The figures are in thousands of sqm. The areas are according to the Company's share.

2.4. Average Occupancy Rates in the Income-Producing Properties

Below are the average occupancy rates in the Group's income-producing properties by operating segments as of March 31, 2023:

- Retail centers and malls in Israel – approx. 99%;[8]
- Leasable office and other space in Israel – approx. 98%;[8]
- Income-producing properties in the U.S. – approx. 68%;
- Senior housing in Israel – approx. 97%;[8]
- Data centers – approx. 97%;[9]
- Rental housing in Israel – approx. 100%.[8]

2.5. NOI of the Properties

Net Operating Income (NOI) is a measure that presents the net operating income of the properties: income after the deduction of the property's operating expenses and prior to the deduction of taxes and interest. It serves as one of the important parameters in the valuation of income-producing real estate companies, as its division by the appropriate cap rate for the properties provides an indication for the determination of the value of income-producing properties[10]. In addition, after deduction of the current maintenance expenses incurred to preserve the property's condition, NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property.

We wish to emphasize that these parameters do not present cash flows from current operations according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's 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).[11]

The NOI figures for the income-producing real estate portfolio are as follows:[12]

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

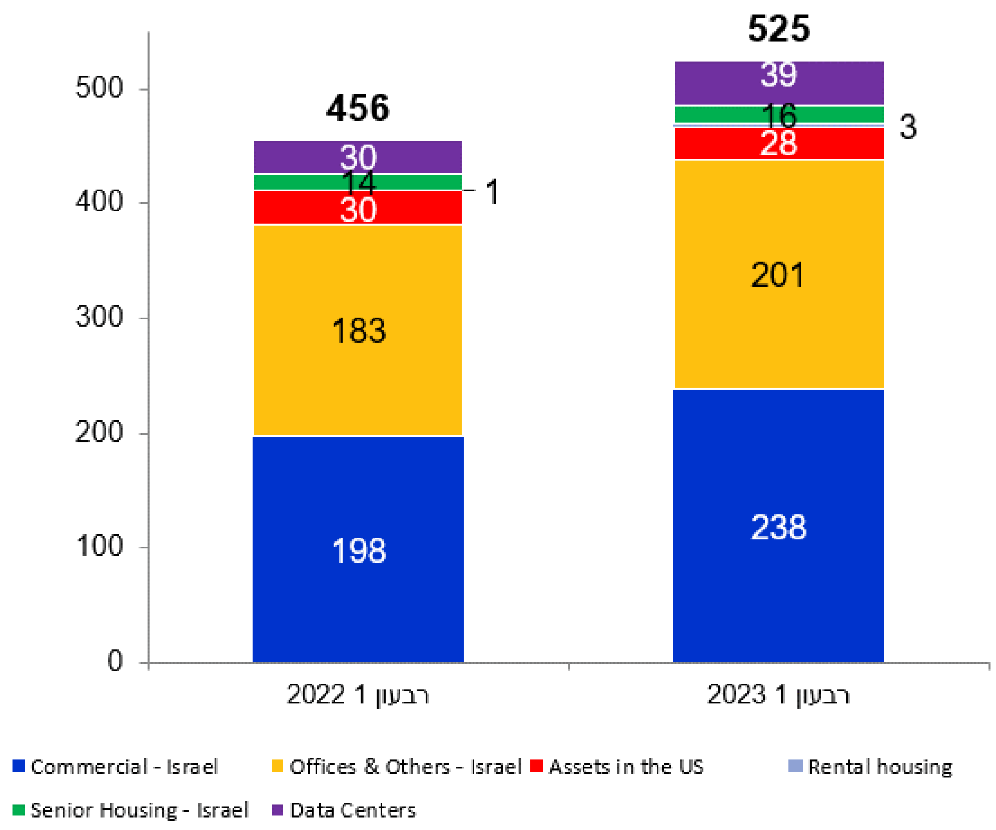
[9] The average occupancy rate was calculated based on the figures of the lease agreements according to a weighted average of GM, the English Companies that were acquired and Compass, with Compass presented according to the rate of the Company's holding in Compass (approx. 32.5%). The occupancy rate does not include areas under construction.

[10] 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.

[11] 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.

[12] 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; data centers and rental housing in Israel.

NOI



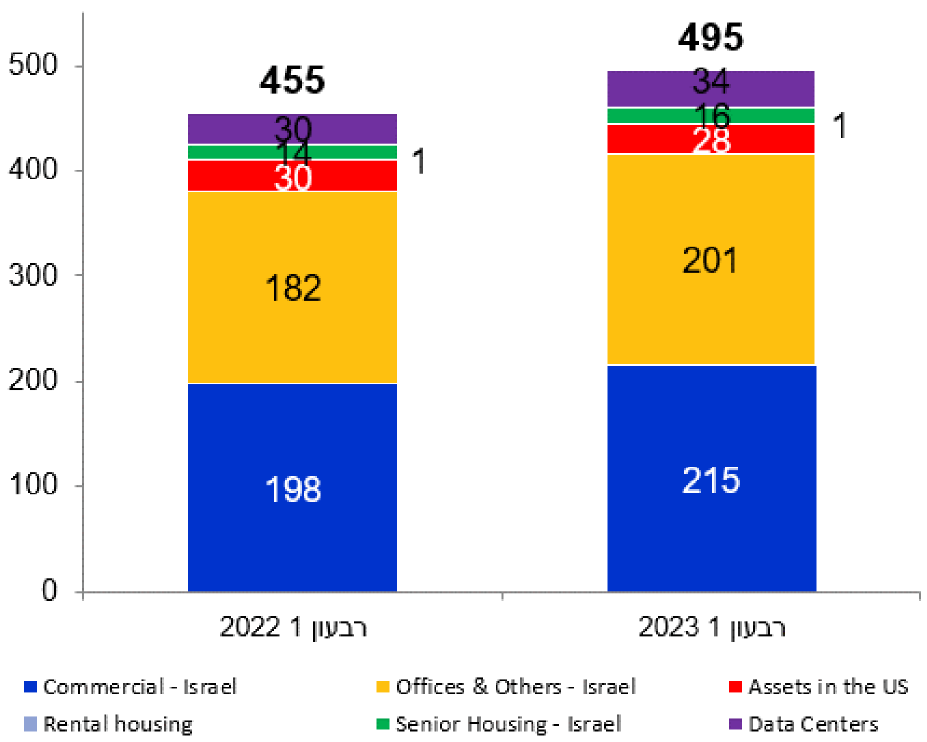
Figures are presented in millions of NIS.

For explanations with respect to the change in the NOI, see Sections 2.9, 2.10, 2.11, 2.12, 2.13 and 2.14 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



Figures are presented in millions of NIS.

The increase in the Same-Property NOI was mainly affected by the increase in the retail centers and malls in Israel segment and the leasable office and other space in Israel segment, which derived from rent increases upon tenant changes and from rises in the CPI because the lease contracts are linked to the CPI.

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[13], excluding data centers[14], excluding rental housing[15] and excluding the Mount Zion Hotel[16] as of March 31, 2023:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment property in the statement	**40,981**
Net of value attributed to investment property under construction	**1,027**
Net of value attributed to land reserves	**233**
Net of value attributed to income-producing senior housing	**2,913**
Net of value attributed to DC properties	**2,958**
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	**3,926**
Total value of income-producing investment property (including the fair value of vacant space)	**29,924**
Actual NOI in the quarter ended March 31, 2023 (excluding senior housing, data centers and rental housing)	**467**
Additional future quarterly NOI (1)	**42**
Total standardized NOI	**509**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers, and rental housing)	**2,036**
Weighted cap rate derived from income-producing investment property (including vacant space) (2)	**6.81%**

Financials are presented in millions of NIS.

(1) The figure includes adjustment to NOI as included in the valuations as of December 31, 2022 (adjusted to the rise in the CPI in the Report Period), and therefore includes, *inter alia*, additional NOI for vacant space not yet fully occupied and space that was and shall be occupied during 2023 for a full year (the main amounts in this item are in respect of the Group's overseas properties, Sarona mall, the office building in Holon on HaManor street, the office building in Petach Tikva and a period of tenant replacements in some of the malls 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 2023 and its entire purpose is to reflect the NOI assuming full occupancy for a full year of all of the 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.

[13] 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%.
[14] 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 investment property.
[15] Since the value of the rental housing properties is derived from comparable transactions and not from the NOI metric, these properties were not included in this calculation.
[16] Presented as fixed assets and is not measured at fair value since it is not included in the definition of investment property.

2.7. Real Estate Business FFO

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

This report presents the FFO 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.

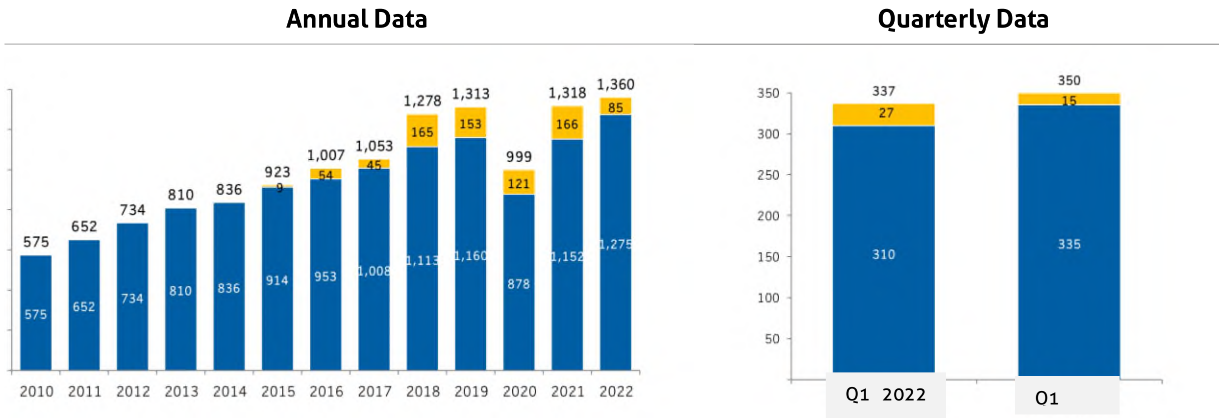
FFO from the Income-Producing Real Estate Business			
	For the Three Months Ended March 31, 2023	**For the Three Months Ended March 31, 2022**	**For the Year Ended Dec. 31, 2022**
Net profit for the period attributable to shareholders	377	336	1,797
Net of the net loss from Azrieli E-Commerce (including deduction of excess cost)	22	14	51
Adjustments to profit:(1)			
(Increase) in the value of investment property and fixed assets, net	(362)	(252)	(1,486)
Depreciation and amortizations	4	3	14
Net non-cash flow financing and other income	(22)	(60)	(59)
Tax expenses	93	106	240
Net of a dividend received from financial assets available for sale	(16)	(15)	(39)
Effect of losses (profits) of an associate	40	16	(125)
One-time expenses (2)	32	3	114
Total profit adjustments	(231)	(199)	(1,341)
Plus interest paid for real investments (4)	1	1	4
Total FFO attributed to the income-producing real estate business (5)	169	152	511
Total cash flow of financing of development pipeline (7)	12	7	37
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	181	159	548
FFO of associate	(19)	(7)	(40)
Linkage differentials and rate differentials on assets and liabilities (net of tax effect)	184	165	798
Cash flow from incoming resident deposits net of outgoing resident deposits (3)	16	31	102
Net of income from forfeiture of resident deposits	(12)	(11)	(48)
Total FFO attributed to the income-producing real estate business, according to the management's approach (6)	350	337	1,360

Financials are presented in millions of NIS.

(1) The below profit adjustments do not include adjustments in respect of Azrieli E-Commerce, since the company's results have been fully discounted.
(2) In 2022, mainly in respect of payment of purchase tax on Mall Hayam and deduction of a loan to partners. In the present quarter, consulting and legal costs of transactions and acquisitions.
(3) Senior housing residents' deposits will be deemed as incoming or outgoing on the date on which the agreement is signed or terminated, as applicable, and not as they are presented in the cash flow report.
(4) Calculated according to the Group's weighted interest rate in respect of the investment in Azrieli E-Commerce, for 65% of the cost of the investment.
(5) Attributable to the shareholders only.
(6) Including FFO from the senior housing segment in the sum of approx. NIS 15 million in the three months ended March 31, 2023, (approx. NIS 27 million in the three months ended March 31, 2022, and approx. NIS 85 million in Y2022).
(7) Calculated based on real credit costs in respect of development pipeline.

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

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



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

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

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

In view thereof, the Group has decided to adopt the position paper published by EPRA with the purpose of improving the transparency, uniformity and comparability of financial information reported by real estate companies listed in the index. A report regarding three financial 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		
	31.3.2023	**31.3.2022**
Equity attributable to the Company's shareholders in the financial statements	**21,702**	20,578
Goodwill created against a reserve for deferred taxes	**(233)**	(243)
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	**4,998**	4,526
EPRA NRV	**26,467**	24,861
EPRA NRV per share (NIS)	**218**	205

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

2.8.2. EPRA NTA

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

EPRA NTA		
	31.3.2023	**31.3.2022**
Equity attributable to the Company's shareholders in the financial statements	**21,702**	20,578
Goodwill created against a reserve for deferred taxes	**(234)**	(243)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	**(1,366)**	(1,436)
Other intangible assets	**(26)**	(19)
Plus 50% of the tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	**2,499**	2,263
EPRA Notwithstanding the aforesaid	**22,575**	21,143
EPRA NTA per share (NIS)	**186**	174

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

2.8.3. EPRA NDV

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

EPRA NDV

	31.3.2023	31.3.2022
Equity attributable to the Company's shareholders in the financial statements	**21,702**	20,578
Goodwill created against reserve for deferred tax	**(234)**	(243)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	**(1,366)**	(1,436)
Adjustment of the value of financial liabilities to fair value	**1,418**	(471)
EPRA NDV	**21,520**	18,428
EPRA NDV per share (NIS)	**177**	152

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 Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN
Azrieli Holon Hamanor
Mikve-Israel Tel Aviv
Azrieli Akko

OVERSEAS

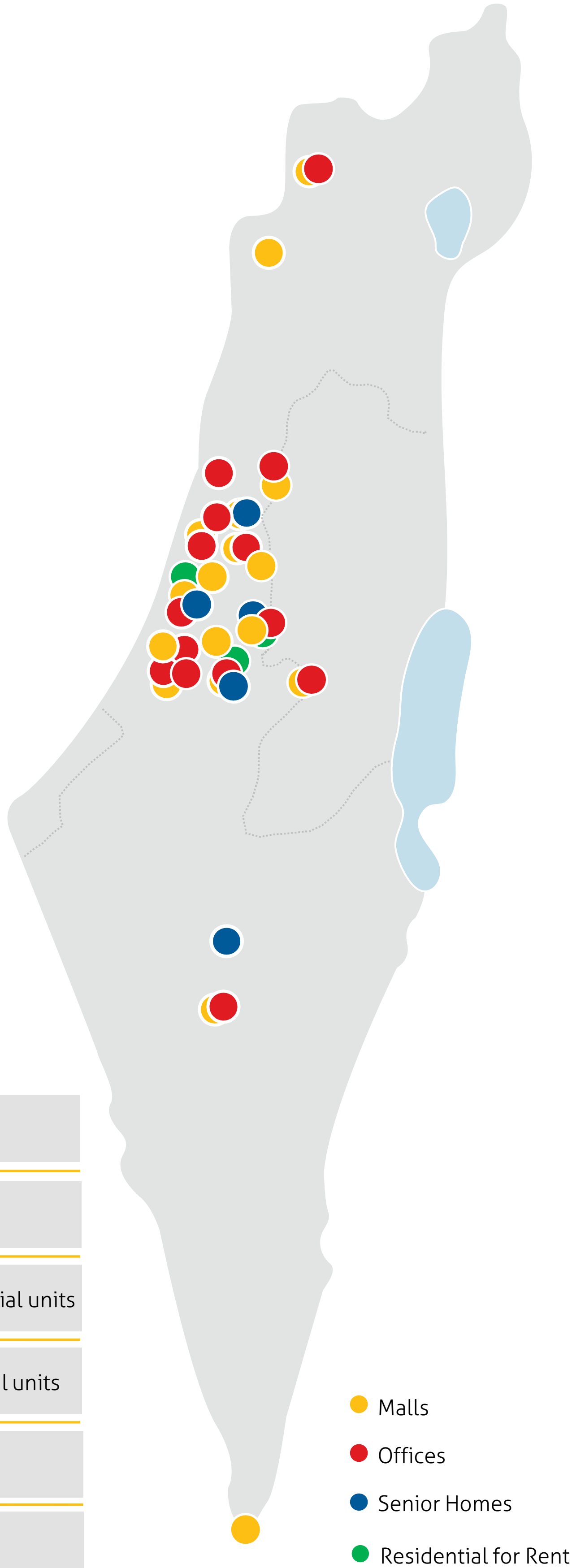
Galleria
1 Riverway
3 Riverway
Plaza
8 West
Aspen Lake II
San Clemente
Leeds

SENIOR HOMES

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

RESIDENTIAL FOR RENT

Azrieli TOWN
Azrieli Modi'in



21 malls	360 thousand sqm	
15 office buildings	632 thousand sqm	
4 senior homes	115 thousand sqm	1,142 residential units
2 Residential for rent properties	29 thousand sqm	277 residential units
8 office buildings overseas	241 thousand sqm	
Total	**1,377 thousand sqm**	

As of March 31, 2023.
GLA (gross leasable area) is based on the Company's share.

AZRIELI GROUP'S DATA CENTERS INVESTMENTS

COMPASS datacenters ~32.5%

Green Mountain 100%

As of December 31, 2022.

2.9. Retail Centers and Malls in Israel Segment

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

Store sales reported by the Group's mall tenants in January to March 2023 were 14.2% higher than the same period last year.

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

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

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

The retail areas in Azrieli Group's malls and retail centers are leased to some 1,940 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>

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 15.3 billion on

March 31, 2023, compared with approx. NIS 15.1 billion on December 31, 2022. The change mainly derives from revaluation profits due to the rise in the CPI and from investments in the segment assets. The properties are presented according to valuations prepared by an independent appraiser as of December 31, 2022 which have been adjusted to the rise of the Index during the Report Period.

Change due to fair value adjustment of the segment's investment property and investment property under construction – the profit from such adjustment in the Report Period totaled approx. NIS 140 million and derived from the effect of the rise in the CPI on the properties' value, compared with a profit of approx. NIS 131 million in the same period last year.

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

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

	For the Three Months Ended			For the Year Ended
	Rate of Change	**31.3.2023**	**31.3.2022**	**31.12.2022**
Revenues	**18%**	**296**	**250**	1,106
NOI	**20%**	**238**	**198**	876

Figures are presented in millions of NIS.

The NOI in the retail centers and malls in Israel segment was affected mainly by the acquisition of Mall Hayam, by the raising of rent in changeovers and by the rise in the CPI since the lease contracts are linked to the CPI.

The table below presents the segment's NOI development:

Development of the NOI of the Retail Centers and Malls in Israel Segment

	For the Three Months Ended	
	31.3.2023	**31.3.2022**
NOI from segment properties owned by the Company	**215**	198
NOI from properties that were purchased or whose construction was completed in 2022	**23**	-
Total NOI from all properties	**238**	198

Figures are presented in millions of NIS.

The Same-Property NOI in the retail centers and malls in Israel segment was mainly affected by rent increases in tenant changeovers and by the rise in the index since 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.

The Company's leasable office 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 works to locate, develop 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 Group’s office areas in Israel are leased to some 820 different tenants. In each one of the Group's properties, there is a mix of tenants coming from various sectors. Some of the Company's office tenants are domestic or international mega-companies.

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

Azrieli Group has 15 income-producing properties in this segment in Israel, with a total GLA of approx. 632 thousand sqm.

Balance of the Group's investment property in the leasable office and other space in Israel Segment – totaled approx. NIS 16.1 billion on March 31, 2023, compared with approx. NIS 15.9 billion on December 31, 2022. The change mainly derives from investments in and appreciation of the value of the segment’s properties. The properties are presented according to valuations prepared by an independent appraiser as of December 31, 2022 which have been adjusted to the rise of the Index during the Report Period.

Change due to fair value adjustment of the segment’s investment property and investment property under construction – the profit from such adjustment in the Report Period totaled approx. NIS 125 million and mainly derived from the effect of the rise in the CPI on the properties’ value, compared with a profit of approx. NIS 121 million in the same period last year which mainly derived from the effect of the rise in the CPI on the properties’ value.

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

Summary of the Business Results of the Leasable Office and Other Space in Israel Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	**31.3.2023**	**31.3.2022**	**31.12.2022**
Revenues	**13%**	**245**	216	933
NOI	**10%**	**201**	183	769

Figures are presented in millions of NIS.

The NOI in the office and other space in Israel segment was mainly affected by rent increases in tenant changeovers and by the rise in the CPI, since 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	
	31.3.2023	**31.3.2022**
NOI from segment properties owned by the Company as of the beginning of the period	**201**	**182**
NOI from properties slated for demolition	**-**	**1**
Total NOI from all properties	**201**	**183**

Figures are presented in millions of NIS.

The same-property NOI in the office and other space in Israel segment was primarily affected by rent increases in tenant changeovers and by the rise in the CPI, since 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, followed by the acquisition in 2015 of an operating senior home – Palace Tel Aviv, one of the most luxurious senior homes in Israel. Since the acquisition of Palace Tel Aviv, the Group has operated under the "Palace" brand in this segment and owns four running 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.

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 attributed to the LTC unit and to retail areas), which comprise approx. 1,142 senior housing units. The Company is also building another project in Rishon LeZion with approx. 274 residential units of a total area of approx. 31 thousand sqm (excluding areas attributed to the LTC unit and to retail areas). In addition, during 2022, approval was received for 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 2022 Periodic Report, which is included herein by reference.

Balance of the Group's properties in the senior housing segment – totaled approx. NIS 3.1 billion on March 31, 2023, similar to the balance on December 31, 2022. The properties are presented according to an update to valuations prepared by an independent appraiser as of December 31, 2022.

Change due to fair value adjustment of the segment's investment property and investment property under construction – There has been no change in the fair value of investment property and investment property under construction of the segment in the Report Period and in the same period last year.

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

Summary of the Business Results of the Senior Housing Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2023	31.3.2022	31.12.2022
Revenues	13%	59	52	221
NOI	14%	16	14	60

Figures are presented in millions of NIS.

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

The following table presents the segment's NOI development:

Development of the NOI of the Senior Housing Segment		
	For the Three Months Ended	
	31.3.2023	31.3.2022
NOI from segment properties owned by the Company as of the beginning of the period	**16**	14
NOI from properties whose construction was completed in 2022	-	-
Total NOI from all properties	**16**	14

Figures are presented in millions of NIS.

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

2001 marked the beginning of Azrieli Group's diversification of its investments in income-producing real estate overseas. 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 vacant space in the Houston office market continued in 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. The increase in oil prices during 2021, which continued also in 2022, was not reflected in increased demand for office space in Houston. In addition, there was a deterioration in the availability of credit for office properties in view of negative developments in the banking sector.

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 140 tenants.[17]

Balance of the Group's investment property in the segment – totaled approx. NIS 2 billion on March 31, 2023,

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

compared with approx. NIS 1.9 billion on December 31, 2022. The change mainly derives from an increase in the dollar exchange rate as of March 31, 2023, compared with December 31, 2022. The properties are presented according to valuations prepared by an independent appraiser as of December 31, 2022.

Change due to fair value adjustment of the segment's investment property – profit from a NIS 1 million property value adjustment compared with no value adjustment in the same period last year.

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

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

	For the Three Months Ended			For the Year Ended
	Rate of Change	**31.3.2023**	**31.3.2022**	**31.12.2022**
Revenues	**(2%)**	**57**	58	231
NOI	**(7%)**	**28**	30	111

Figures are presented in millions of NIS.

The following table presents the segment's NOI development:

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

	For the Three Months Ended	
	31.3.2023	**31.3.2022**
NOI from segment properties owned by the Company as of the beginning of the period	**28**	30
NOI from properties purchased in 2022	-	-
Total NOI from all properties	**28**	30

Figures are presented in millions of NIS.

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

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 an 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. 32.5% of Compass. For further details, see the Company's immediate report of July 18, 2019 (Ref. 2019-01-073885) and Section 1.3.2 of Chapter A of the Company's Periodic Report for 2020, which are included herein by reference.

According to an agreement signed between the unit holders in Compass, the period of lock-up on the sale of holdings to third parties ended in January 2023, and to the best of the Company's knowledge, its partners in Compass are exploring the possibility of liquidating their holdings in Compass. In this context, it is noted that as stated in previous reports of the Company[18], the agreement between the unit holders in Compass stipulates separation mechanisms which apply upon the sale of holdings to third parties after the end of the lock-up period, all in accordance with the terms and conditions of the agreement. As of the Report Release Date, the Company is exploring alternatives in relation to its holdings in Compass, at rates which may be material to the Company.

Further to the aforesaid, and as part of the Company's strategy to launch data center operations in Europe, in 2021, the Company closed an (indirect) acquisition of 100% of the share capital of GM, which operates in the sector in Norway. For further details, see Section 1.3.8 of Chapter A of the Company's 2021 periodic report, as released on March 23, 2022 (Ref. 2022-01-033196), which is included herein by reference. In addition, during the Report Period, the Company, through a wholly-owned special purpose subsidiary, closed the acquisition of all of the holdings in the English Companies. For further details, see Section 1.2.3.2 above. In addition, in the Report Period, GM, through a wholly-owned subsidiary, entered into a service agreement with TikTok Norway AS, a Norwegian company which is part of a group of companies with global operations, for the provision of DC services on a campus to be built by GM in Norway, as well as into an agreement for the establishment of a joint venture with a German company for the construction of a DC campus to comprise several buildings in the Frankfurt region of Germany. For further details, see Sections 1.2.3.3 and 1.2.3.5 above (respectively).

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

The Company's estimates in this section regarding the growth potential that exists in the data centers sector are forward-looking information, as 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 companies held by the Group and operating in this segment have 19 income-producing properties, 15 of which are properties of Compass (as of the report date, the Company's holding in Compass is approx. 32.5%) that are situated in the U.S. and Canada, 3 properties in Norway through the Company's holdings in GM, and a running data center in East London.

Balance of the Group's properties in the segment – totaled approx. NIS 9.6 billion on March 31, 2023, compared with approx. NIS 8 billion on December 31, 2022. The change mainly derives from investments in the segment properties, the acquisition of the English Companies. Some of the properties are presented according to valuations prepared by independent appraisers as of March 31, 2023, whereas others are presented according to valuations prepared by independent appraisers as of December 31, 2022.

Change due to fair value adjustment of the segment's investment property – The profit from such adjustment in the Report Period totaled approx. NIS 92 million, compared with a loss of approx. NIS 4 million in the same quarter last year.

The table below presents a summary of the business results of the data centers segment (the amounts relating

[18] See the Company's immediate report of January 22, 2023 (Ref. 2023-01-010098) and Section 2.13 of Chapter B of the 2022 Periodic Report, which are included herein by reference.

to Compass were included in the financial statements in the 'share in results of companies accounted for on the equity method, net of tax' item):

Summary of the Business Results of the Data Centers Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2023	31.3.2022	31.12.2022
Revenues	46%	**73**	**50**	227
NOI	30%	**39**	**30**	133

Figures are presented in millions of NIS.

The increase in revenues and NOI in the data centers segment in the Report Period mainly derived from growth in Compass's business and an increase in the holding rate in Compass.

Development of the NOI of the Data Centers Segment		
	For the Three Months Ended	
	31.3.2023	31.3.2022
NOI from segment properties owned by the Company as of the beginning of the period	**34**	**30**
NOI from properties whose construction was completed in 2022 and 2023	**5**	**-**
Total NOI from all properties	**39**	**30**

Figures are presented in millions of NIS.

2.14. Rental Housing in Israel Segment

The Group's operations in the rental housing in Israel segment focus mainly on the development, purchase, lease, management and maintenance of projects designated for long-term rental housing, as well as the operation and provision of high-standard related services (community management, security, sports complexes, apartment fit-out, business services, and so forth). The Company deems the segment of rental housing in Israel as synergetic with its other businesses, while using the know-how accumulated by the Group's head office in its areas of business in income-producing real estate and the operating experience accumulated by the Company in senior housing. The Company intends to work on building a platform for long-term rentals while distinguishing its product and providing high-standard services. For details regarding the winning of a tender for the construction of a rental housing project in Herzliya, see Section 1.2.3.7 above.

2.14.1.Performance of the rental housing in Israel segment and changes in value

As of the report date, Azrieli Group has 2 income-producing properties in this segment in Israel, with a GLA of approx. 29 thousand sqm.

The balance of the Group's investment property in the rental housing in Israel segment – As of March 31, 2023, the balance amounted to NIS 1.7 billion, similar to the balance on December 31, 2022.

Change from fair value adjustment of investment property and investment property under construction in the segment – There was no change in the fair value of investment property and investment property under construction of the segment in the Report Period or in the same period last year. The properties are presented according to valuations carried out by an independent appraiser as of December 31, 2022.

The table below presents a summary of the business results of the rental housing in Israel segment:

Summary of the Business Results of the Rental Housing in Israel Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	31.3.2023	31.3.2022	31.12.2022
Revenues	300%	4	1	7
NOI	200%	3	1	4

Figures are presented in millions of NIS.

The increase in revenues in the Report Period derives from continued resident move-ins in the residential tower in the Azrieli Town Tel Aviv project.

The following table presents the rental housing in Israel segment's NOI development:

Development of the NOI of the Rental Housing in Israel Segment		
	For the Three Months Ended	
	31.3.2023	31.3.2022
NOI from segment properties owned by the Company as of the beginning of the period	1	1
NOI from properties whose construction was completed in 2022	2	-
Total NOI from all properties	3	1

Figures are presented in millions of NIS.

2.15. Income-Producing Real Estate – Additional Operations

2.15.1. 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 the Mount Zion Hotel, in view of the encumbering directives imposed on the operation of hotels due to the Covid pandemic. As of the Report Release Date, the Hotel is closed and the Company is acting for the planning of the Hotel's renovation and 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.

In addition, after the Report Period, the Company acquired the Red Rock Hotel in Eilat. For further details, see Section 1.2.3.6 above.

3 | NON-REAL ESTATE BUSINESS

3.1. Additional Activities

3.1.1. Investments in Financial Corporations

Azrieli Group has holdings in the financial sector by means of an investment in Bank Leumi[19]. Below is a summary of changes in the investments in the Report Period:

Changes in Investments in Financial Companies	Bank Leumi (1)
Investment value in the financial statements as of December 31, 2022	1,025
Sale proceeds	-
Investment	-
Total investment as of March 31, 2023 (2)	1,025
Fair value of the investment as presented in the financial statements as of March 31, 2023	944
Change in fair value during the Report Period	(81)
Income from dividends recorded in the Report Period	16

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 on the Tel Aviv Stock Exchange (TASE) as of March 31, 2023.
(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 16 of Chapter A of the 2022 Periodic Report, which is included herein by reference.

[19] The Company has also made negligible investments in investment funds, as specified in Section 16.2.2 of Chapter A of the 2022 Periodic Report, 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

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

Summary of Information on 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 (Lot 21)	Retail, offices, residences and hospitality	31,000(5)	2023	342	312	**445-475**
Check Post Haifa	Retail	10,500	2024	10	53	**140-150**
Senior housing Rishon LeZion	Senior housing and retail	37,300	2024	198	172	**470-490**
Total		**78,800**		550	537	**1,055-1,115**
Development Projects in the Medium-Term						
Mount Zion Hotel	Hospitality	34,000(9)	2025	345	334	**900-930**
SolarEdge Campus	Offices	38,000	2025	316	296	**790-810**
Modi'in (Lot 10)	Offices and retail	37,000	2026	107	110	**570-580**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residences	150,000(4)	2027	1,724	976	**2,550-2,750**
Total		259,000		2,492	1,716	**4,810-5,070**
Total		**337,800**		3,042	2,253	**5,865-6,185**
Development Projects in Planning Stages						
Azrieli Town Building E (6)	Offices	21,000	TBD	381	344	**TBD**
Holon 3 – Holon Industrial Zone (7)	Retail and offices	250,000	TBD	573	509	**TBD**
Petach Tikva land	Offices and retail	53,000(8)	TBD	97	100	**TBD**
Total		**324,000**		**1,051**	**953**	
Total		**661,800**		**4,093**	**3,206**	

Cost and value figures are presented in millions of NIS.

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

1. With respect to uses of the senior housing and/or rental apartments, the figure represents rights in sqm.
2. As of March 31, 2023.
3. Without capitalizations and tenant fit-outs as of March 31, 2023.
4. In April 2018, a zoning plan was validated which increases the building rights of the fourth tower and expansion of the mall by approx. 80 thousand sqm, to total building rights of approx. 150 thousand sqm.
5. The Group has 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) that was originally purchased in the framework of an ILA tender and was part of the Holon HaManor land. In the context of consolidation of parcels, the building rights in the lot 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 for 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, since the Company intends to expand and renovate the entire Hotel.

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

<u>Description of the properties under construction and land reserves</u>

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, and 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 increasing the building rights in the lot and connection thereof to the existing project. In November 2019, the District Committee discussed the plan and decided on its conditional deposit. In June 2020, the Company published the plan for objections and during November 2020, a discussion was held on the objections at the District Committee. 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. As of the Report Release Date, the project is at advanced stages of construction.

Land in the Check Post Intersection – Land of an 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 retail and office space and approx. 350 parking spaces with a GLA of approx. 37 thousand sqm.

In Phase A, a 2-floor building of an area of approx. 10.5 thousand sqm and approx. 340 parking spaces, whose ground floor will be used as a supermarket, is planned 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 and an events hall. 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. In addition, in December 2021 the Company submitted an application for a full building permit that was conditionally approved by the Local Committee and the Company is working on fulfilling the 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 in the HaRakafot neighborhood in East Rishon LeZion, of 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 rights in the land. The project is in stages of construction. On the land, the Company plans to build a senior home which is expected to comprise around 274 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 in 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 early 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, which was received in January 2023, and the work for construction of the project is ongoing.

Mount Zion Hotel – On February 9, 2020, the Company closed a transaction for the acquisition of Mount Zion Hotel in Jerusalem. The Company is working on planning a renovation of the hotel and exercise of the building rights for expansion of the hotel to 350 rooms and a parking garage with around 250 parking spaces. The renovation and expansion of the hotel are subject to receipt of a building permit. In November 2021, an excavation and shoring permit was received and the work began. A building permit for the entire hotel has been conditionally approved and the Company is working on fulfillment of the conditions.

SolarEdge campus – On January 17, 2022, a transaction was closed for the acquisition of a company which holds leasehold rights in land located in the North Glilot site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("**SolarEdge**"). The project will include 38,000 sqm aboveground and 950 parking spaces. The Company engaged in an agreement with SolarEdge for the lease of the campus for 15 years, with extension options up to a total period of 24 years and 11 months. From the date of handover of possession of the campus, SolarEdge will be responsible for the management and maintenance of the campus. In June 2022, an excavation and shoring permit was received, and the work is ongoing. In April 2023, a full building permit was conditionally approved for the project, and the Company is working on fulfillment of the conditions. 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.

Land in Modi'in (Lot 10) – On October 6, 2019, the Company won a tender held by the ILA for the acquisition of leasehold rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut, the area of which is approx. 17,000 sqm, designated for the construction of a retail and office project, with rights for approx. 37,000 sqm aboveground, in consideration for approx. NIS 51 million. According to the terms of the tender, the Company paid, in addition to the cost of the 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 working to promote a plan for the project to be built on the land, and in October 2020 it submitted to the Local Committee a zoning plan for additional usages on the lot. In April 2021, a discussion was held on the plan, and it was decided on the conditional deposit thereof. In June 2021, the plan was deposited for objections. In October 2021, the plan was discussed and conditionally approved. In January 2022, the Local Committee finally approved the plan.

In addition, the Company submitted a building plan to the Local Committee which was conditionally approved, and also submitted an application for an excavation and shoring permit which was received in March 2022, and the work has begun.

Expansion of Azrieli Tel Aviv Center (Spiral Tower) – The land, of an area of 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 aboveground building permit. The Company also undertook to allocate from the said rights in the project a public floor for the Tel Aviv-Jaffa Municipality, and 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 on the land. In July 2021, the Company filed an application for an aboveground building permit for the entire project, and in December 2021, the Local Committee's decision, conditionally approving the permit, was received.

Azrieli Town Building E – On May 14, 2018, the Company closed a transaction for the acquisition of rights in land located on Menachem Begin Road in Tel Aviv, on which a four-story building is built above a retail ground floor, of a total area of approx. 5,500 sqm and basement floors, which until recently was leased in its entirety. 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, aboveground, and additional rights. In July 2021, the Company purchased the land of the gas station which is located on the property (which was not included in the original transaction for its acquisition) which is located on the property and whose activity has been stopped. In December 2022, the Company deposited, for objections, a zoning plan, comprising 87,000 sqm gross, including commercial and office areas.

Holon 3 - Holon Industrial Zone – The land is of an area of approx. 57,500 sqm, and the purchase thereof was closed 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, work began 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 the plan is to build a very large commercial and retail project, which will comprise 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 a shoring, excavation and basement permit. 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.

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, and changes in construction input prices.*

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 about 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**	2027
GLA	150,000 sqm	**Status**	Under Construction

AZRIELI HOLON 3

Use	Retail and offices
GLA	250,000 sqm
Estimated completion	TBD
Status	In planning

MOUNT ZION HOTEL JERUSALEM

Building rights	34,000 sqm
No. of Rooms	350
Estimated completion	2025
Status	Under Construction

MODI'IN (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 (LOT 10)

Use	Retail and offices
GLA	37,000 sqm
Estimated completion	2026
Status	Under Construction

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 2022 Periodic Report, which is included herein by reference, and Section 4 of Chapter B of this report – updates to the Description of the Corporation's Business chapter as of March 31, 2023.

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 2022 Periodic Report, which is included herein by reference.

5 | FUNDING OF THE BUSINESS

5.1. Leverage Ratio of the Group

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

Summary of Balance Sheet Figures out of the Consolidated Statements

	31.3.2023	31.3.2022	31.12.2022
Current assets	2,687	3,492	3,677
Non-current assets	46,316	39,905	44,797
Current liabilities	4,810	3,466	4,628
Non-current liabilities	22,461	19,323	21,744
Equity attributable to the Company's shareholders	21,702	20,578	22,073
Equity attributable to the Company's shareholders out of total assets (in %)	44%	47%	46%
Net debt to assets (in %)	35%	29%	33%

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.

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[20]. 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.

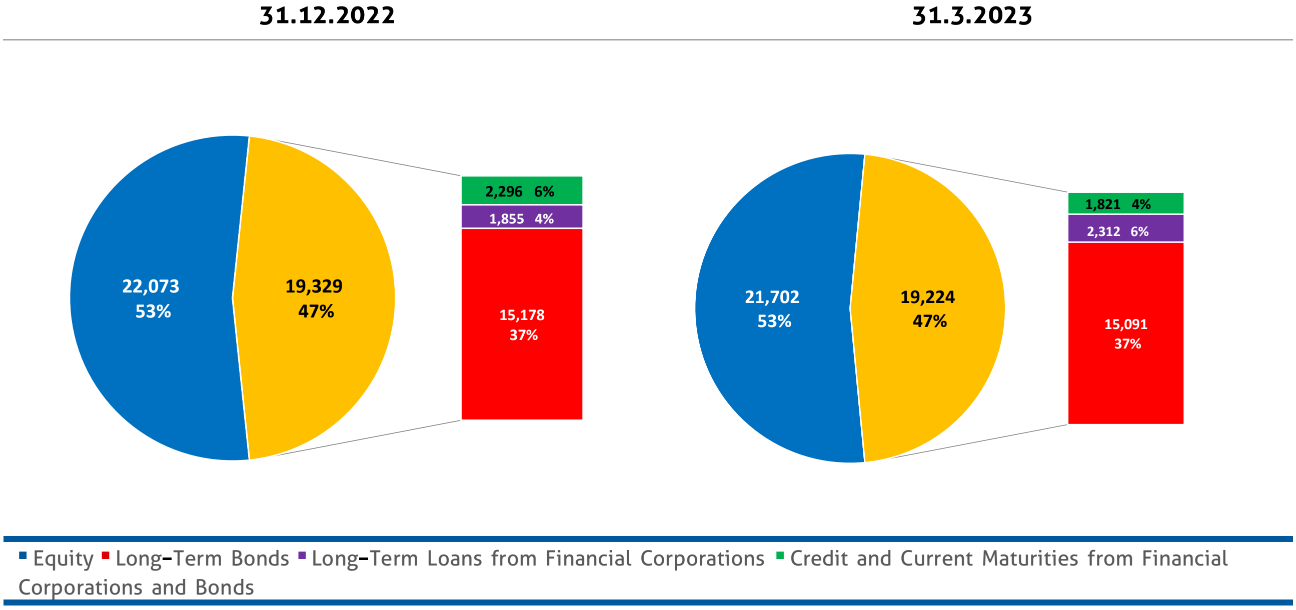
[20] For further details, see Section 21 of Chapter A of the 2022 Periodic Report, which is included herein by reference.

5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group



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

The decrease of 41approx. NIS 105 million in the total debt in the Report Period mainly derives from repayment of bond principal and loans, net of the effect of the rise in the CPI on the linked debt.

As of the report date, the Group has, on a consolidated and standalone basis, a working capital deficit of NIS 2,123 million and NIS 441 million, respectively.

The Group estimates that if it decides to raise debt at any point, it will be able to do so, given its financial strength and/or the value of its unencumbered assets, and therefore, the Company's board determined, at its meeting on May 23, 2023, after examining the Group's financing and cash flow sources, that the said working capital deficit does not indicate any problem with the Company's liquidity or its ability to pay its liabilities as they become due.

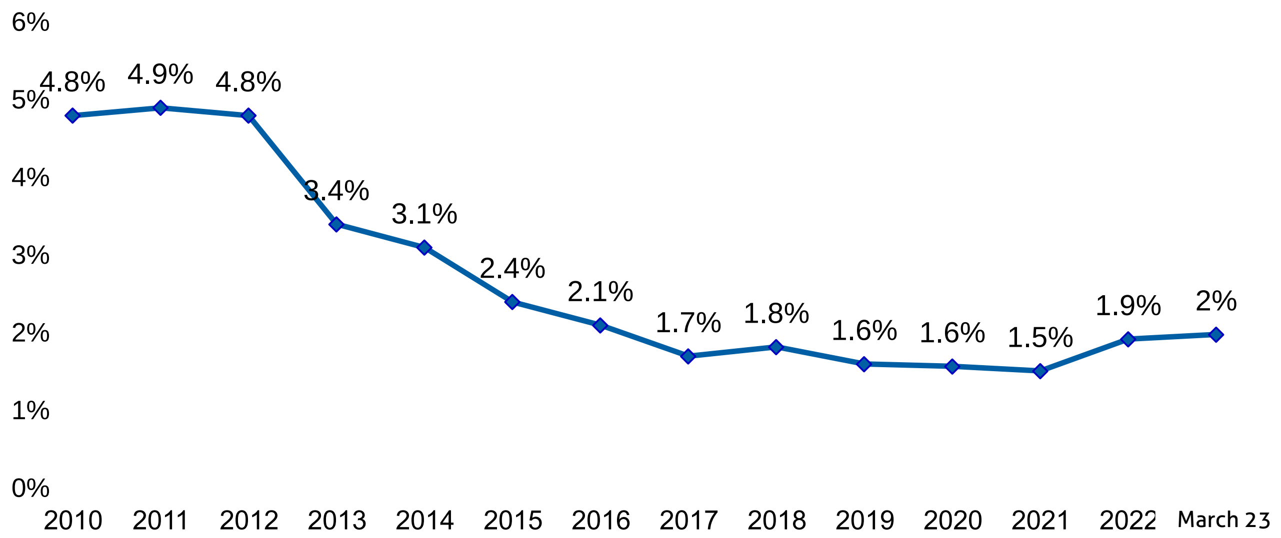
The Group's assessments in this Section 5.2 in connection with its liquidity and the availability of its financing sources are forward-looking information, within the definition thereof in the Securities Law, which is based on the Company's assessments with respect to developments in the markets, inflation 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.

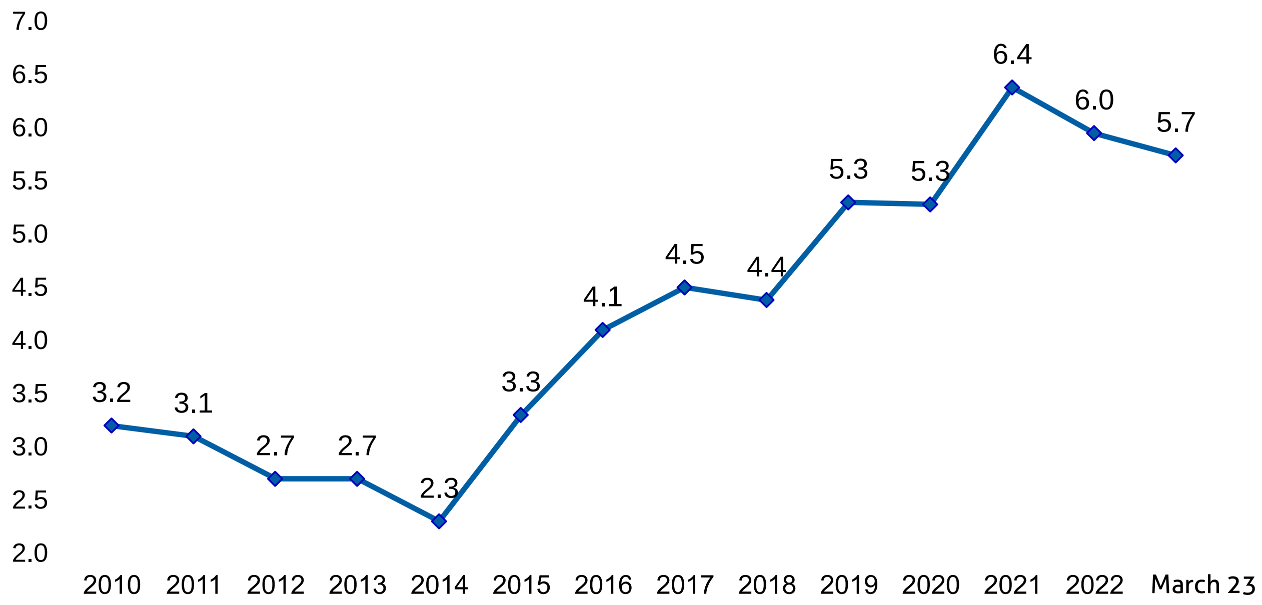
1. Interest Rate as of the End of the Period

Reduction of Average Interest Rate over the Years



2. Average Duration as of the End of the Period

Extension of the Average Duration of Debt



5.4. Rating

The Company has a high credit rating that reflects its financial strength, the quality of its assets and its low leverage ratio. As of the report date, the Company's credit rating is ilAA+/Stable/ilA-1+ by Ma'alot and Aa1 by Midroog. For details with respect to the rating of the bonds, the commercial paper and private loans of the Company, see Section 21.12 of Chapter A of the 2022 Periodic Report, which is included herein by reference.

5.5. Liabilities and Financing

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

Breakdown of Financial Liabilities

	Fixed Interest			Variable Interest		Total		Total
	Index-linked	USD-linked	Unlinked	Foreign Currency -linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	**19**	**60**	-	**79**	**79**
Long-term loans	17,003	1,095	-	**1,047***	-	**18,098**	**1,047**	**19,145**
Total	**17,003**	1,095	-	**1,066**	**60**	**18,098**	**1,126**	**19,224**

Figures are presented in millions of NIS, as of March 31, 2023.
* Most of the loan is protected by interest rate hedging.

As of March 31, 2023, 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	**1,821**	**392**	**2,213**
2	**1,149**	**357**	**1,506**
3	**1,071**	**338**	**1,409**
4	**2,746**	**306**	**3,052**
5 forth	**12,437**	**1,105**	**13,542**
Total	**19,224**	**2,498**	**21,722**

Figures are presented in millions of NIS, as of March 31, 2023.

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

- Positive cash flow from operating activities, which totaled approx. NIS 301 million in the three months ended March 31, 2023.
- Liquid assets and unencumbered assets.
- The Group has mortgaged income-producing properties, the fair value of which significantly exceeds the loan undertaken therefor.
- Refinancing of debts in the capital market and/or institutional bodies and/or banking institutions.

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

As of March 31, 2023, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 2.3 billion. The Company deems its liquid assets, the considerable cash flow from its operating activities and its unencumbered assets (in the total value of approx. NIS 33.9 billion, in addition to the aforesaid liquid assets of approx. NIS 2.3 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.[21] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the prevailing economic conditions.

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

Assets	Value of Assets as of March 31, 2023
Properties in the retail centers and malls in Israel segment	12,870
Properties in the leasable office and other space in Israel segment	15,652
Properties in the rental housing in Israel segment	1,691
Other properties (mainly hospitality and data centers)	793
The Company's holdings in Compass and Azrieli E-Commerce	1,945
The Company's holdings in Bank Leumi	944
Total	**33,895**

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, in a manner which affects the Company's ability to obtain financing on convenient terms.

[21] For details with respect to additional matters related to the Group's financing activities, see Section 21 of Chapter A of the 2022 Periodic Report, which is included herein by reference.

5.9. Financial Position

Financial Position, Liquidity and Financing Sources		
Item	**31.3.2023**	**31.12.2022**
Total assets (1)	**49,003**	48,474
Current assets	**2,687**	3,677
Investment property (2)	**40,840**	39,380
Short-term credit (3)	**1,821**	2,296
Loans from banking corporations and other credit providers (4)	**2,312**	1,855
Net bonds (5)	**15,091**	15,178
Total equity (6)	**21,732**	22,102

Figures are presented in millions of NIS.

(1) The increase mainly results from an increase in investment property as a result of investments and a change in the fair value, net of a decrease in the cash balances.

(2) The increase mainly results from the closing of the acquisition of the English Companies and from progress of the investments in projects under construction and in the income-producing properties in the Report Period and from a change in the fair value of the properties.

(3) The decrease mainly results from a change in the classification of the GM long-term loan, net of a current maturity of the loan in Mall Hayam.

(4) The increase mainly results from a change in the classification of the GM long-term loan, net of a transfer to current maturity of the loan in Mall Hayam.

(5) The decrease results from current repayments in the Report Period.

(6) The decrease mainly results from a dividend distribution, offset by an increase due to the comprehensive income in the period.

6 | BUSINESS RESULTS AT A GLANCE

6.1. Summary of Business Results

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

Analysis of the Consolidated Net Profit			
	For the Three Months Ended		For the Year Ended
	31.3.2023	**31.3.2022**	**31.12.2022**
Net profit for the period attributable to the shareholders	**377**	336	1,797
Net profit attributable to the shareholders and to non-controlling interests	**377**	336	1,792
Basic earnings per share (NIS)	**3.11**	2.77	14.82
Comprehensive income to shareholders and to non-controlling interests	**330**	484	1,964

Figures are presented in millions of NIS.

The net profit in the Report Period totaled NIS 377 million, compared with NIS 336 million in the same period last year. The increase in profit in the Report Period was mainly affected by an increase in the NOI in the sum of NIS 69 million, an increase in profit from a fair value adjustment in the sum of NIS 110 million compared with the corresponding quarter, offset against an increase in net other expenses in the sum of NIS 33 million, in net financing expenses in the sum of NIS 28 million, and an increase in tax expenses 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 three-month period ended March 31, 2023 mainly derives from profit from translation differences from foreign operations in the sum of NIS 25 million and from a decrease in the fair value of financial assets net of tax in the sum of NIS 61 million.

6.3. Results of Operations

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

Results of Operations		
	For the Three Months Ended	
	31.3.2023	**31.3.2022**
Marketing, general and administrative expenses (1)	**66**	62
Net other income (expenses)(2)	**(21)**	14
Net financing expenses(3)	**(239)**	(211)
Income tax expenses(4)	**117**	84

Figures are presented in millions of NIS.

(1) The increase in expenses in the Report Period compared with the same period last year mainly derives from an increase in marketing expenses.
(2) The decrease in other income in the quarter mainly derives from one-time expenses and expenses in connection with acquisitions of properties.
(3) The increase in net financing expenses in the present quarter compared with the same quarter last year mainly derives from an increase in the amount of the debt.
(4) The increase in tax expenses in the Report Period mainly derives from an increase in deferred tax expenses due to the increase in profit from the fair value adjustment of the real estate.

6.4. Cash Flows

The following table shows the cash flows generated by the Group in Q1/2023, compared with the same quarter in 2022:

Quarterly Cash Flows		
Quarter	**Q1/2023**	**Q1/2022**
Net cash flows generated by the Group from operating activities (1)	**301**	**373**
Net cash flows used by the Group for investment activities (2)	**(1,057)**	**(320)**
Net cash flows that the Group generated from (used for) financing activities (3)	**(378)**	**161**

Figures are presented in millions of NIS.

(1) The cash flow in Q1/2023 and in the same quarter last year mainly derived from the operating profit of the income-producing real estate in the sum of approx. NIS 506 million (excluding Compass) (47approx. NIS 447 million in the corresponding period) plus net senior housing deposits net of income taxes paid. The decrease in the present quarter compared with the same quarter last year results from the payment of one-time taxes.
(2) The cash flow in Q1/2023 was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 601 million, plus an additional investment in Compass in the sum of NIS 144 million and from the acquisition of the English Companies in the sum of NIS 228 million. The cash flow in the same period last year was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 447 million, net of proceeds received from the sale of Leumi shares and the sale of GES in the sum of NIS 139 million.
(3) The change relative to the same quarter last year mainly resulted from an increase in net loans, mainly due to refinancing of the GM loan.

7 | CORPORATE GOVERNANCE ASPECTS

During and after the Report Period, no material changes occurred in the Company's corporate governance aspects, as specified in Chapters D-E of the 2022 Periodic Report, which is included herein by reference.

7.1. Approval of extension of letters of indemnity and exemption from liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli, who are controlling shareholders of the Company and hold office as directors thereof

On April 27, 2023, the general meeting of the Company's shareholders approved the extension of the letters of indemnity and exemption from liability that were granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli as directors of the Company, who are controlling shareholders of the Company, for an additional three-year period from the date of the said approval. For further details, see the immediate report of March 22, 2023 regarding the calling of a meeting (Ref. no.: 2023-01-029988) and an immediate report on meeting results of April 30, 2023 (Ref. 2023-01-045594), which is included herein by reference.

7.2. Changes in the office of officers of the Company

See Section 1.2.3.4 above.

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of March 31, 2023 and Note 3 to the financial statements as of March 31, 2023.

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 report date, there has been no change in the parameters for disclosure and attachment of valuations, as published in the 2022 Periodic Report. The Company has updated some of the valuations of its properties as of March 31, 2023 due to the effect of the rise in the index in the period, as well as the valuations of some of its properties in the data centers segment for which new material contracts were signed in the Report Period.

As specified in Section 9.3 of the board of directors' report included in the 2022 Periodic Report, which is included herein by reference, and after an examination of the relevant parameters according to ISA Staff Legal Position 105-23 on the parameters for examination of the materiality of valuations, it transpires that the Company has no highly material valuation that is required to be attached to the report.

8.4. Subsequent events

See Note 7 to the financial statements as of March 31, 2023.

8.5. Financials attributable to the Company as a Parent Company

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

8.6. Note on Forward-Looking Information

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

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

The Company's board of directors and management wish to express their high regard for the Company's officers, the managements of the various companies of the Group and their employees, for their welcome contribution to the Group's achievements in the quarter ended March 31, 2023.

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

Date: May 23, 2023

Annex A

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 issue	Par value on the date of issue	Par value on the report date	Par value on the report date, including linkage	Amount of Interest accrued by the report date	Fair value of the series in the financial statements as of the report date	Market cap as of the report date	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**	**493.5**	**1.6**	**489.3**	**485.6**	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	**313.3**	**3,657.8**	**11.4**	**3,641.7**	**3,488.6**	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**	**3,269.4**	**14.3**	**3,338.9**	**3,173.5**	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 issue	Par value on the date of issue	Par value on the report date	Par value on the report date, including linkage	Amount of Interest accrued by the report date	Fair value of the series in the financial statements as of the report date	Market cap as of the report date	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**	**3,590.2**	**22.0**	**3,785.5**	**3,518.8**	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**	**2,043.7**	**4.4**	**2,026.7**	**1,732.3**	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**	**2,875.1**	**11.7**	**2,754.5**	**2,437.4**	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 to 2041 and July 2 of each of the years 2022 to 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
	July 13, 2022	926.4											
Total		**17,741.9**	**14,642.3**	**15,929.7**	**65.4**	**16,036.6**	**14,836.2**						

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

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

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

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

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

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

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

   2.4. With respect to the Series G Bond indenture and the Series H Bond indenture, 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 Company's publicly-held bonds:

Series	Name of rating agency	Rating set on the date of issue	Rating set as of the report release date	Date of issuance of the current rating	Additional ratings set between the date of issue and the report date	
					Rating	Date of rating
Series B	Ma'alot	AA+ stable	AA+ stable	February 7, 2021(*)	AA+ stable	June 21, 2015 March 28, 2017 February 2, 2020 February 7, 2021
Series D	Midroog	Aa1/stable outlook	ilAa1/stable outlook	December 29, 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 December 29, 2022
Series E	Midroog	ilAa1/stable outlook	Aa1/stable outlook	December 29, 2022(**)	ilAa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019 April 19, 2020 December 27, 2020 December 30, 2021 December 29, 2022
Series F	Midroog	ilAa1/stable outlook	ilAa1/stable outlook	December 29, 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 December 29, 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, E and F Bonds, see the Company's immediate report of December 29, 2022 (Ref.: 2022-01-157669), 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.

PART B

Update of the Description of the Corporation's Business

AZRIELI GROUP LTD.

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of December 31, 2022 (the "**Periodic Report**")[1]

In accordance with Section 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, specified below are material developments that occurred in the Company's business during the three months ended March 31, 2023 and until the Report Release Date, with respect to which no disclosure has 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. The terms in this chapter shall bear the meaning afforded thereto in the Periodic Report, unless explicitly stated otherwise.

In this chapter: the "**Report Release Date**" – May 24, 2023; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – March 31, 2023; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the three months ended March 31, 2023.

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 regarding: (1) the development pipeline; (2) the acquisition of companies operating in the data centers segment in England; (3) engagement in an agreement for the provision of DC services; (4) changes in the office of senior officers of the Company; (5) engagement in a joint venture for the construction of a DC campus in the Frankfurt region of Germany; (6) acquisition of the Red Rock Hotel in Eilat; and (7) winning a tender for the construction of a rental housing project in Herzliya.

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2. Dividends

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

On May 11, 2023, the Company paid a dividend to its shareholders in the sum total of approx. NIS 700 million. For details, see Section 1.2.4 of Chapter A hereof.

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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, as well as in the expansion and renovation of existing properties. For further details, see Section 4 of Chapter A hereof. Below are updates in connection with the development pipeline and betterment of existing properties:

Azrieli Eilat mall – A zoning plan was recently approved for the addition of 500 sqm of main areas, and the Company is working on obtaining a permit to exercise the rights.

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[1] As reported by the Company on March 22, 2023 (Ref.: 2023-01-029847), which is incorporated herein by reference.

4. Financing

Non-Bank Financing for the Company

Update to Section 21.5 of the Description of the Corporation's Business chapter:

Series D bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series D bonds in circulation is approx. NIS 3,313 million.

Series G bonds of the Company

In the report period, an interest payment was made 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

In the report period, an interest payment was made 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.

PART C

Consolidated Financial Statements

Dated 31 March 2023

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of March 31, 2023

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements

As of March 31, 2023

C o n t e n t s

Deloitte.

Auditors' review report to the shareholders of
Azrieli Group Ltd.

Introduction

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of March 31, 2023 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the three-month period then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, May 23, 2023

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of March 31		As of Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
ASSETS			
Current assets			
Cash and cash equivalents	2,279	3,105	3,404
Short-term investments and deposits	1	4	4
Trade accounts receivable	76	82	78
Other receivables	214	165	170
Inventory	11	10	10
Current tax assets	106	126	11
Total current assets	2,687	3,492	3,677
Non-current assets			
Investments in companies accounted for on the equity method	1,926	1,108	1,751
Loans and receivables	359	366	362
Financial assets	949	1,245	1,030
Investment property and investment property under construction	40,840	34,934	39,380
Fixed assets	615	553	605
Intangible and other assets	1,627	1,699	1,669
Total non-current assets	46,316	39,905	44,797
Total assets	49,003	43,397	48,474

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

Azrieli Group Ltd.
Condensed Consolidated Statements of Financial Position
(Continued)

	As of March 31		As of Dec. 31
	2023	**2022**	**2022**
	NIS in millions	**NIS in millions**	**NIS in millions**
	(Unaudited)		
LIABILITIES AND CAPITAL			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,821	1,018	2,296
Trade payables	579	341	669
Payables and other current liabilities	361	278	308
Deposits from customers	1,312	1,176	1,286
Current tax liabilities	37	3	69
Declared dividend	700	650	-
Total current liabilities	4,810	3,466	4,628
Non-current liabilities			
Loans from financial corporations	2,312	2,281	1,855
Bonds	15,091	12,378	15,178
Other liabilities	381	88	105
Deferred tax liabilities	4,677	4,576	4,606
Total non-current liabilities	22,461	19,323	21,744
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	426	458	474
Retained earnings	18,740	17,584	19,063
Total equity attributable to the shareholders of the Company	21,702	20,578	22,073
Non-controlling interests	30	30	29
Total capital	21,732	20,608	22,102
Total liabilities and capital	49,003	43,397	48,474

May 23, 2023			
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 three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues:			
From rent, management, maintenance and sales fees, net	707	623	2,690
Net profit from fair value adjustment of investment property and investment property under construction	362	252	1,481
Share in results of companies accounted for on the equity method, net of tax	(40)	(17)	(73)
Financing	31	26	83
Other	15	16	245
Total revenues	1,075	900	4,426
Costs and expenses:			
Cost of revenues from rent, management, maintenance and sales fees	209	179	798
Sales and marketing	22	20	95
G&A	44	42	167
Financing	270	237	1,105
Other	36	2	115
Total costs and expenses	581	480	2,280
Income before income taxes	494	420	2,146
Taxes on income	(117)	(84)	(354)
Income for the period	377	336	1,792
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	(61)	36	(101)
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	(11)	5	(48)
Translation differences from foreign operations	25	107	321
Total	14	112	273
Other comprehensive income for the period, net of tax	(47)	148	172
Total comprehensive income for the period	330	484	1,964

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Net income for the period attributable to:			
Shareholders of the Company	377	336	1,797
Non-controlling interests	-	-	(5)
	377	336	1,792
Total comprehensive income for the period attributable to:			
Shareholders of the Company	329	484	1,965
Non-controlling interests	1	-	(1)
	330	484	1,964
	NIS	NIS	NIS
Basic and diluted earnings (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:			
Basic and diluted earnings	3.11	2.77	14.82
Average weighted number of shares used for calculating the basic and diluted earnings per share	121,272,760	121,272,760	121,272,760

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

	For the three-month period ended March 31, 2023								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
	(Unaudited)								
Balance as of January 1, 2023	18	2,518	522	(68)	20	19,063	22,073	29	22,102
Net profit for the period	-	-	-	-	-	377	377	-	377
Change in fair value of financial assets, net of tax	-	-	(61)	-	-	-	(61)	-	(61)
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	(8)	(3)	-	(11)	-	(11)
Translation differences from foreign operations	-	-	-	24	-	-	24	1	25
Total comprehensive income for the period	-	-	(61)	16	(3)	377	329	1	330
Declared dividend to shareholders of the Company	-	-	-	-	-	(700)	(700)	-	(700)
Balance as of March 31, 2023	18	2,518	461	(52)	17	18,740	21,702	30	21,732

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the three-month period ended March 31, 2022								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
	(Unaudited)								
Balance as of January 1, 2022	18	2,518	689	(337)	4	17,850	20,742	30	20,772
Net profit for the period	-	-	-	-	-	336	336	-	336
Change in fair value of financial assets, net of tax	-	-	36	-	-	-	36	-	36
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	5	-	-	5	-	5
Translation differences from foreign operations	-	-	-	107	-	-	107	-	107
Total comprehensive income for the period	-	-	36	112	-	336	484	-	484
Declared dividend to shareholders of the Company	-	-	-	-	-	(650)	(650)	-	(650)
Funds from investee companies	-	-	-	-	2	-	2	-	2
Total transactions with shareholders of the Company	-	-	-	-	2	(650)	(648)	-	(648)
Carried to retained earnings as a result of disposition of financial assets	-	-	(48)	-	-	48	-	-	-
Balance as of March 31, 2022	18	2,518	677	(225)	6	17,584	20,578	30	20,608

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the year ended December 31, 2022								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2022	18	2,518	689	(337)	4	17,850	20,742	30	20,772
Net profit (loss) for the year	-	-	-	-	-	1,797	1,797	(5)	1,792
Change in fair value of financial assets, net of tax	-	-	(101)	-	-	-	(101)	-	(101)
Share in other comprehensive loss of an investment accounted for on the equity method	-	-	-	(48)	-	-	(48)	-	(48)
Translation differences from foreign operations	-	-	-	317	-	-	317	4	321
Total comprehensive income (loss) for the year	-	-	(101)	269	-	1,797	1,965	(1)	1,964
Dividend to shareholders of the Company	-	-	-	-	-	(650)	(650)	-	(650)
Funds from investee companies	-	-	-	-	16	-	16	-	16
Total transactions with shareholders of the Company	-	-	-	-	16	(650)	(634)	-	(634)
Carried to retained earnings as a result of disposition of financial assets	-	-	(66)	-	-	66	-	-	-
Balance as of December 31, 2022	18	2,518	522	(68)	20	19,063	22,073	29	22,102

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – Operating Activities			
Net profit for the period	377	336	1,792
Depreciation and amortization	5	4	16
Forfeiture of senior housing residents' deposits	(12)	(11)	(47)
Net profit from fair value adjustment of investment property and investment property under construction	(362)	(252)	(1,481)
Net financing and other expenses	225	165	1,061
Share in results of associates accounted for on the equity method	40	17	73
Taxes recognized in the income statement	117	84	354
Income taxes paid, net	(148)	(5)	(29)
Revaluation of financial assets designated at fair value through profit and loss	-	3	9
Change in inventory	(1)	2	1
Change in trade and other receivables	11	(12)	42
Change in trade and other payables	26	(9)	9
Receipt of deposits from senior housing residents	41	64	210
Return of deposits from senior housing residents	(19)	(13)	(54)
Profit from increase in holding of an associate	-	-	(204)
Change in employee provisions and benefits	1	-	1
Net cash – operating activities	301	373	1,753
Cash flows - Investment Activity			
Proceeds from disposition of investment property	-	-	3
Purchase of and investment in investment property and investment property under construction	(601)	(417)	(2,003)
Purchase of and investment in fixed and intangible assets	(15)	(9)	(61)
Investments in companies accounted for on the equity method	(174)	-	(433)
Change in short-term deposits	3	(3)	(3)
Provision of long-term loans	-	-	(13)
Collection of long-term loans	1	1	3
Interest and dividend received	17	1	75
Proceeds from disposition of financial assets	-	86	120
Proceeds from disposition of investment in investee companies, net (Annex A)	-	53	53
Acquisition of companies consolidated for the first time (Annex B)	(228)	-	(477)
Taxes paid for assets	(60)	(2)	(84)
Payments to institutions for purchase of real estate	-	(30)	-
Net cash – investment activity	(1,057)	(320)	(2,820)

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – Financing activity			
Dividend distribution to shareholders	-	-	(650)
Repayment of bonds	(241)	(189)	(796)
Issuance of bonds net of issue expenses	-	-	2,969
Receipt of long-term loans from financial corporations	-	1,006	1,099
Repayment of long-term loans from financial corporations	(39)	(30)	(139)
Short-term credit from financial corporations, net	2	(562)	(561)
Repayment of other long-term liabilities	(1)	(1)	(3)
Repayment of deposits from customers	(1)	(1)	(3)
Received deposits from customers	2	-	6
Paid interest	(100)	(62)	(355)
Net cash – financing activity	(378)	161	1,567
Increase (decrease) in cash and cash equivalents	(1,134)	214	500
Cash and cash equivalents at beginning of period	3,404	2,886	2,886
Effect of exchange rate changes on cash balances held in foreign currency	9	5	18
Cash and cash equivalents at end of period	2,279	3,105	3,404

(*) Non-cash transactions include, for the three-month periods ended March 31, 2023 and March 31, 2022, a change in dividend payables in the sum of NIS 700 million and NIS 650 million, respectively.

Non-cash transactions include, in 2022 and for the three-month period ended March 31, 2022, an increase in other payables in respect of acquisitions on credit of non-current assets in the sum of NIS 164 million and approx. NIS 7 million, respectively.

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Annex A –			
Proceeds from disposition of an investment in investee companies:			
Other receivables due to sale of investment	-	53	53

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Annex B –			
Acquisition of companies consolidated for the first time:			
Working capital (excluding cash and cash equivalents)	(10)	-	31
Investment property	(479)	-	(814)
Long-term liabilities	261	-	306
	(228)	-	(477)

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

AZRIELI GROUP LTD.

Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

Note 1 – General

A. Azrieli Group Ltd. (the "**Company**") is a company domiciled and incorporated in Israel and whose registered address is 1 Azrieli Center, Tel Aviv. The Company is listed on TASE and is included, *inter alia*, in the "Tel Aviv 35" Index and in the "Tel Aviv Real Estate" Index. The Company has series of bonds (Series B and D-H) that have been issued to the public. The Group's Consolidated Financial Statements as of March 31, 2023 include those of the Company and of its subsidiaries (jointly, the "**Group**"), as well as the Group's rights in associates and in jointly-controlled entities.

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

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

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

B. These Condensed Consolidated Statements should be reviewed in the context of the Group's annual financial statements as of December 31, 2022, 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, 2022 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, 2022.

(2) As of March 31, 2023, the Group has updated the valuations of some of its properties in Israel, in view of the rise in the CPI in the period, and the valuations of some of its properties in the data centers segment in which new material contracts were signed during the report 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"	"Known"
	(NIS to 1 NOK)	(NIS to $1)	Base 1993	Base 1993
Date of the Financial Statements:				
March 31, 2023	0.3465	3.615	244.33	243.38
March 31, 2022	0.3635	3.176	232.73	231.38
December 31, 2022	0.3572	3.519	241.45	240.77
	%	%	%	%
Rates of change:				
For the three-month period ended:				
March 31, 2023	(2.86)	2.73	1.19	1.08
March 31, 2022	3.12	2.12	1.46	1.17
For the year ended:				
December 31, 2022	1.33	13.15	5.26	5.28

Note 3 – Material Events during the Report Period

A. On March 21, 2023, the Company's Board decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 700 million (reflecting an amount of NIS 5.77 per share), which was paid on May 11, 2023.

B. Further to Note 11H to the Annual Financial Statements, on June 23, 2022, the Company engaged, through a designated subsidiary, in an agreement with English companies (in this section: the "**Sellers**") for the acquisition of the full holdings of the Sellers 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 217 million).

On January 23, 2023, all of the closing conditions were fulfilled and the transaction was closed.

C. Further to Note 17B(6) to the Annual Financial Statements, as of the report date, GM is in compliance with the covenants specified in such note, including the debt coverage ratio. Accordingly, the loan was classified as long-term.

D. On March 30, 2023, GM engaged, through a company wholly-owned thereby, in a joint venture with a German company that engages in the supply of power and energy ("**KMW**"; and jointly with GM, the "**Parties**") for the construction of a data centers campus that shall comprise several buildings in the Frankfurt region of Germany (the "**Agreement**"). The joint venture will be held and financed in equal shares by the Parties.

The Group treats the acquisition as a joint arrangement which constitutes a joint venture and presented accordingly in the Company's financial statements at the equity method.

In accordance with the Agreement, GM will provide the joint venture with various services such as project management, marketing and sales services. KMW will supply the power capacity required for operation of the campus (which is guaranteed immediately), using 100% renewable energy from environmentally-friendly sources.

Three buildings may be built on the land where the campus is to be built, such that the maximum capacity in the campus can reach ~54MW.

As of the report date, the Company intends to finance its share in the joint venture using its internal resources and/or through bank or institutional financing. In addition, the Agreement provides for the possibility of the joint venture obtaining external financing.

Note 4 – Investments in Investee Companies

A. Further to Note 8C to the Annual Financial Statements, in January 2023, an additional round of investment in Compass was held, in which the Company invested approx. $41.5 million (approx. NIS 144 million) such that after such investment, the Company holds approx. 32.5% of Compass's equity.

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

Compass Holdco, LLC:

	As of March 31		As of Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Current assets	651	420	434
Non-current assets	16,070	8,961	14,255
Current liabilities	(1,841)	(1,026)	(1,875)
Non-current liabilities	(9,429)	(4,189)	(7,792)
Capital attributed to shareholders	(5,451)	(4,166)	(5,022)
The Company's share in assets, net	1,771	998	1,629
Goodwill	126	110	122
The book value of the investment in an associate	1,897	1,108	1,751

	For the three-months Ended March 31		For the year ended Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues	99	54	254
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	(11)	(18)	502
Net profit (loss) for the year	(123)	(64)	4
The Company's share in the loss	(40)	(15)	(80)

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 March 31, 2023		As of March 31, 2022		As of Dec. 31, 2022	
	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)	3,113	2,953	2,403	2,340	2,067	1,897
Bonds (1)(2)	16,103	14,836	13,253	13,786	16,174	15,204
	19,216	17,789	15,656	16,126	18,241	17,101

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

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

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

	As of March 31		As of December 31
	2023	2022	2022
	%	%	%
Non-current liabilities:			
Loans from financial corporations	1.19-7.86	(1.72)-6.16	1.88-7.98

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 March 31		As of Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Financial assets at fair value through other comprehensive income:			
Marketable shares – Level 1	944	1,240	1,025

Note 6 – Segment Reporting

A. General:

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

B. Operating segments:

	For the three-month period ended March 31, 2023								
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Data Centers	residential rentals in Israel	Other	Adjust-ments	Consolidated
	NIS in millions								
	(Unaudited)								
Revenues:									
Total external income	296	245	57	59	73	4	6	(33)	707
Total segment expenses	58	44	29	43	34	1	25	(13)	221
Segment profit (loss) (NOI)	238	201	28	16	39	3	(19)	(20)	486
Net profit from fair value adjustment of investment property and investment property under construction	140	125	1	-	92	-	-	4	362
Unallocated expenses									(54)
Financing expenses, net									(239)
Other expenses, net									(21)
The Company's share in the results of a company accounted for on the equity method, net of tax									(40)
Income before income taxes									494
Additional information:									
Segment assets	15,321	16,091	2,006	3,128	9,552	1,691	346	(3,169)	44,966
Unallocated assets (*)									4,037
Total consolidated assets									49,003

(*) Mainly financial assets in the sum of approx. NIS 0.9 billion and cash and short-term deposits in the sum of approx. NIS 2.3 billion.

Note 6 – Segment Reporting (Cont.)

B. Operating segments (Cont.)

	For the three-month period ended March 31, 2022								
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing property in the U.S.**	**Senior housing**	**Data Centers**	**residential rentals in Israel**	**Other**	**Adjust-ments**	**Consolidated**
	NIS in millions (Unaudited)								
Revenues:									
Total external income	250	216	58	52	50	1	9	(13)	623
Total segment expenses	52	33	28	38	20	-	21	(5)	187
Segment profit (loss) (NOI)	198	183	30	14	30	1	(12)	(8)	436
Net profit from fair value adjustment of investment property and investment property under construction	131	121	-	-	(4)	-	-	4	252
Unallocated expenses									(54)
Financing expenses, net									(211)
Other expenses, net									14
The Company's share in the results of a company accounted for on the equity method, net of tax									(17)
Income before income taxes									420
Additional information:									
Segment assets	13,226	14,273	2,073	2,828	5,371	1,165	304	(947)	38,293
Unallocated assets (*)									5,104
Total consolidated assets									43,397

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

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

	For the year ended December 31, 2022								
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Data Centers	residential rentals in Israel	Other	Adjust-ments	Consolidated
	NIS in millions								
Revenues:									
Total external income	1,106	933	231	221	227	7	34	(69)	2,690
Total segment expenses	230	164	120	161	94	3	90	(22)	840
Segment profit (loss) (NOI)	876	769	111	60	133	4	(56)	(47)	1,850
Net profit (loss) from fair value adjustment of investment property and investment property under construction	362	1,128	(378)	195	(21)	223	-	(28)	1,481
Unallocated expenses									(220)
Financing expenses, net									(1,022)
Other income, net									130
The Company's share in associates, net of tax									(73)
Income before income taxes									2,146
Additional information as of Dec. 31, 2022:									
Segment assets	15,121	15,875	1,945	3,122	8,033	1,666	335	(2,731)	43,366
Unallocated assets (*)									5,108
Total consolidated assets									48,474
Capital investments	995	844	39	123	380	315			

(*) Mainly financial assets in the sum of approx. NIS 1 billion and cash and short-term deposits in the sum of approx. NIS 3.4 billion.

Note 7 – Subsequent Events

A. After the date of the Statement of Financial Position, on April 16, 2023, the Company entered into an agreement for the acquisition of the Red Rock Hotel in Eilat (in this section: the "**Agreement**" and the "**Transaction**", respectively). The property, the subject matter of the Transaction, includes all of the seller's rights in the land in Eilat, with a total area of approx. 9,000 sqm on which the Red Rock Hotel in Eilat is built, including existing and future building rights and the hotel's operations and equipment, as well as additional related rights of the seller.

On May 11, 2023 the Transaction was closed and possession of the property was transferred to the Company. On such closing date the Company paid the seller the sum of approx. NIS 130 million.

B. After the date of the Statement of Financial Position, in April 2023, the Company won a tender of Dira Lehaskir - The State-Owned Rental Housing Company Ltd. and the Israel Land Authority, for the purchase of leasehold rights in a site located in Herzliya (near Kibbutz Glil Yam), in consideration for approx. NIS 85 million plus VAT, as well as approx. NIS 19 million in development expenses.

According to the provisions of the tender, the land is intended for multi-family residential construction, for long-term rental for a period no less than 20 consecutive years from the date of closing of the transaction. The project is expected to include 147 apartments and retail space. One half of the apartments in the project will be leased under controlled rent in the sum of 80% of free market rent.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of March 31, 2023

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement

as of March 31, 2023

(Unaudited)

Prepared according to the provisions of Regulation 38D

of the Securities Regulations

(Periodic and Immediate Reports), 5730-1970

Azrieli Group Ltd.

Separate Interim Financial Statement

as of March 31, 2023

(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 March 31, 2023 and for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this separate interim financial information in accordance with Section 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 . Our responsibility is to express a conclusion on the separate interim financial statement for this interim period, based on our review.

Scope of Review

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

Conclusion

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

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

Tel Aviv, May 23, 2023

Azrieli Group Ltd.
Statement of Financial Position

	As of March 31		As of Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	1,754	2,682	2,787
Trade accounts receivable	11	14	14
Other receivables	243	237	223
Current tax assets	94	96	-
Total current assets	2,102	3,029	3,024
Non-current assets			
Financial assets	949	1,245	1,030
Investment property and investment property under construction	17,743	14,994	17,531
Investments in Investee Companies	18,504	14,424	17,533
Loans to Investee Companies	1,885	3,195	1,928
Fixed assets	366	323	355
Other receivables	46	57	48
Total non-current assets	39,493	34,238	38,425
Total assets	41,595	37,267	41,449

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

	As of March 31		As of Dec. 31
	2022	2021	2021
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,413	992	1,112
Trade payables	249	150	346
Payables and other current liabilities	181	158	139
Declared dividend	700	650	-
Current tax liabilities	-	-	31
Total current liabilities	2,543	1,950	1,628
Non-current liabilities			
Loans from financial corporations	259	314	570
Bonds	15,091	12,378	15,178
Other liabilities	36	26	35
Deferred tax liabilities	1,964	2,021	1,965
Total non-current liabilities	17,350	14,739	17,748
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	466	498	514
Retained earnings	18,740	17,584	19,063
Total capital attributable to shareholders of the Company	21,702	20,578	22,073
Total liabilities and capital	41,595	37,267	41,449

May 23, 2023			
Date of Approval of Separate Financial Statement	**Danna Azrieli** **Chairman of the Board**	**Eyal Henkin** **CEO**	**Irit Sekler-Pilosof** **Chief Financial Officer and Deputy CEO**

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

Azrieli Group Ltd.

Statement of Profit or Loss and Other Comprehensive Income

	For the three-month period ended March 31		For the year ended Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues			
From rent and management and maintenance fees, net	278	199	847
Net profit from adjustment to fair value of investment property and investment property under construction	132	129	1,069
Financing	40	57	146
Other	15	16	247
Total Revenues	465	401	2,309
Costs and Expenses			
Cost of revenues from rent and management and maintenance fees	10	7	34
Sales and marketing	6	9	43
G&A	30	30	119
Financing	222	201	920
Other	33	2	87
Total Costs and Expenses	301	249	1,203
Income before the Company's share in the profits of Investee Companies	164	152	1,106
Share in profits of Investee Companies, net of tax	236	203	793
Income before income taxes	400	355	1,899
Taxes on income	(23)	(19)	(102)
Net income for the period	377	336	1,797
Other comprehensive income:			
Amounts that will not be carried in the future to the income statement, net of tax:			
Change in the fair value of financial assets, net of tax	(61)	36	(101)
Amounts that were carried or will be carried in the future to the income statement, net of tax:			
Translation differences from foreign operations	24	107	247
Share in the other comprehensive profit (loss) of Investee Companies, net of tax	(11)	5	22
Total	13	112	269
Other comprehensive income (loss) for the period, net of tax	(48)	148	168
Total comprehensive income for the period	329	484	1,965

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

Azrieli Group Ltd.
Statement of Cash Flows

	For the three-month period ended March 31		For the year ended Dec. 31
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows – current operations			
Net profit for the period	377	336	1,797
Depreciation and amortization	1	1	2
Net profit from fair value adjustment of investment property and investment property under construction	(132)	(129)	(1,069)
Financing and other expenses, net	165	113	794
Profit from increase in holding of associate	-	-	(204)
Share in profits of Investee Companies, net of tax	(236)	(203)	(793)
Tax expenses recognized in the income statement	23	19	102
Income tax received (paid), net	(124)	-	31
Change in trade and other receivables	50	(1)	(17)
Change in trade and other payables	40	25	72
Change in employee benefits and provisions	-	1	(1)
Net cash – current operations	164	162	714
Cash flows – investment activities			
Purchase and investment in investment property and investment property under construction	(100)	(80)	(1,042)
Purchase of fixed assets	(12)	(5)	(39)
Investments in Investee Companies	(724)	-	(1,180)
Return of long-term loans from Investee Companies, net	7	209	431
Interest and dividend received	17	1	82
Proceeds from disposition of financial assets	-	86	120
Taxes paid for assets	(60)	(2)	(84)
Payments to institutions for the acquisition of real estate	-	(30)	-
Net cash – investment activities	(872)	179	(1,712)

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

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2023	**2022**	**2022**
	NIS in millions	**NIS in millions**	**NIS in millions**
	(Unaudited)		
Cash flows – financing activities			
Bond offering net of offering expenses	-	-	2,969
Dividend distribution to shareholders	-	-	(650)
Repayment of bonds	(241)	(189)	(796)
Repayment of long-term loans from financial corporations	(29)	(23)	(102)
Short-term credit from financial corporations, net	2	-	1
Deposits from customers, net	-	-	3
Interest paid	(65)	(46)	(232)
Net cash – financing activities	(333)	(258)	1,193
Increase (decrease) in cash and cash equivalents	(1,041)	83	195
Cash and cash equivalents at beginning of period	2,787	2,597	2,597
Effect of exchange rate changes on cash balances held in foreign currency	8	2	(5)
Cash and cash equivalents at end of period	1,754	2,682	2,787

(*) Non-cash transactions, for the three-month period ended March 31, 2023, include a change in other payables due to a dividend in the sum of NIS 700 million (for the three-month period ended March 31, 2022 – NIS 650 million).

Non-cash activity in 2022 includes an increase in payables for credit purchases of non-current assets in the sum of approx. NIS 118 million.

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

Azrieli Group Ltd.

Notes to the Separate Interim Financial Statement

As of March 31, 2023

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, 2022, 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, 2022 and the year then ended.

D. Material Events during the Reporting Period:

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

E. Subsequent Events:

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

Date: May 23, 2023

To:

The Board of Directors of Azrieli Group Ltd.

Azrieli 1,

Tel Aviv

Dear Sir/Madam,

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

We hereby notify you that we agree to the inclusion (including by way of reference) of our reports which are specified below in connection with the shelf prospectus of May 2022:

(1) Review report of May 23, 2023 on condensed consolidated financial information of the Company as of March 31, 2023 and for the three-month period then ended.

(2) Special auditors' report of May 23, 2023 on condensed separate financial information of the Company as of March 31, 2023 and for the three-month period then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

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 | **Yaacov Danino**, Chief Comptroller for Accounting and Financial Statements

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended December 31, 2022 (the "**Most Recent Annual Report on Internal Control**"), the Board of Directors and the management assessed the internal control within the Corporation; based on such assessment, the Board of Directors and the management of the Corporation arrived at the conclusion that such internal control was effective as of December 31, 2022.

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

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

STATEMENT OF MANAGERS:

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

I, Eyal Henkin, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q1/2023 (the "**Reports**").
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
    a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –
    b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
    a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and –
    b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP.
    c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, which may change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 23, 2023

Eyal Henkin | CEO

STATEMENT OF MANAGERS:

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

I, Irit Sekler-Pilosof, represent that:

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the "**Corporation**") for Q1/2023 (the "**Reports**" or the "**Interim Reports**");
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports;
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the Interim Financial Statements and the other information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and -
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation-
   a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and -
   b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP;
   c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, pertaining to the Interim Financial Statements and any other information included in the Interim Reports, which could, in my opinion, change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 23, 2023

____

Irit Sekler-Pilosof | Deputy CEO and CFO