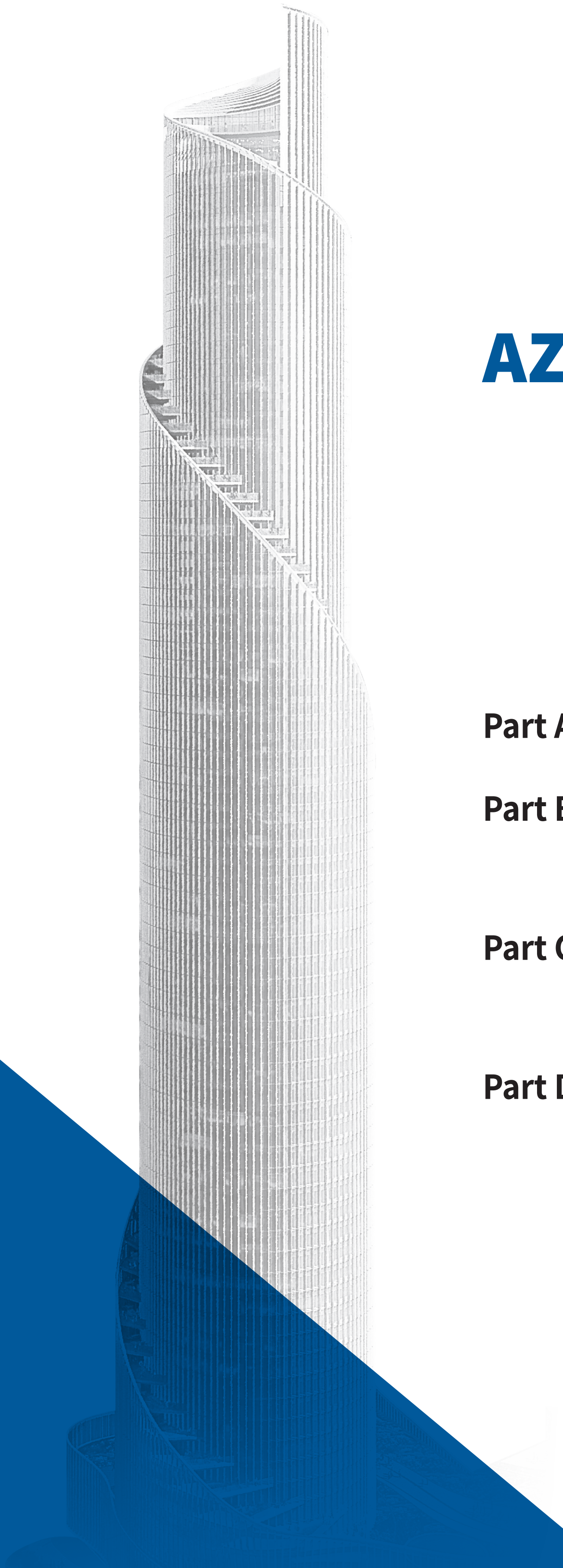
AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q3/2023

Dated 30 September 2023



AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q3/2023
Dated 30 September 2023

Part A | Board Report

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

Part C | Consolidated Financial Statements Dated 30 September 2023

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

PART A

Board Report

Azrieli Group

BUSINESS CARD

The Azrieli Group is focused on the income-producing real estate sector and is Israel's largest real estate company.
In the shopping mall sector, the Group holds several leading malls, including Azrieli Jerusalem mall, Azrieli 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 rental housing sector, in 2022 the Company commenced occupancy of the ~210-apartment residential tower at Azrieli Town built by the Company in Tel Aviv; and during 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. After the report period, the Company sold its holdings (~32.5%) in Compass, a company operating mainly in the Data Centers industry in North America, as stated in Section 1.2.3.8 below. In addition, the Company is developing the Mount Zion Hotel in Jerusalem, and during 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, rental housing 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 38%. 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 51.2 billion

Shareholders Equity NIS 22.8 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

245 thousand sqm | 66% Occupancy

DATA CENTERS COMPANY OVERSEAS

Green Mountain ***

100%

2 RESIDENTIAL FOR RENT PROPERTIES

29 thousand sqm | 100% Occupancy*

DEVELOPMENT PIPELINE – 11 PROJECTS

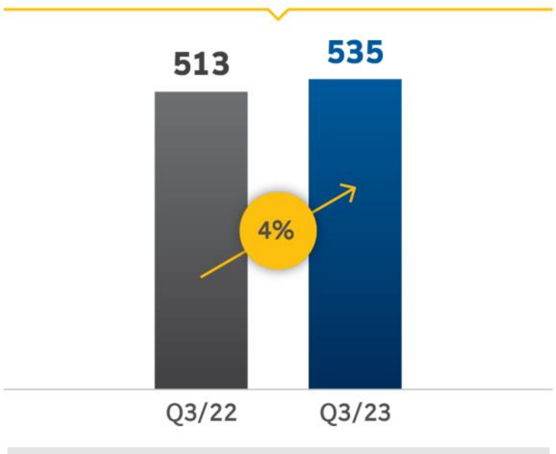
681 thousand sqm |

* Net of properties under lease-up for the first time.
** GLA (gross leasable area) is based on the Company's share.
*** On 4 October 2023, the Group reported the closing of a transaction for the sale of its holdings in Compass, See Section 1.2.3.8 of this chapter for further details.

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

Increase of approx. 4% in Q3 2023 NOI to NIS 535 million compared with NIS 513 million in Q3 2022

NOI

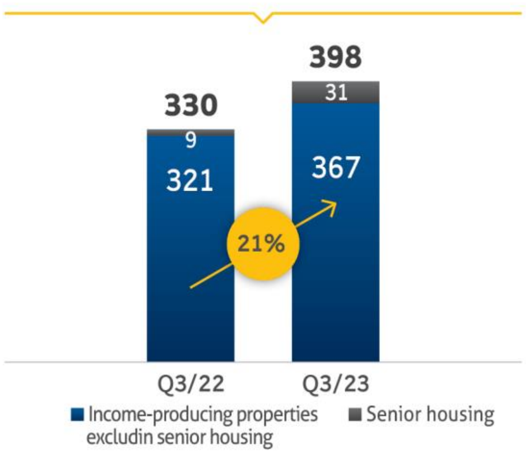


An increase of 7% in Net Profit totaled NIS 352 million in the report period compared with NIS 330 million in the same period last year

Net Profit

Increase of approx. 21% in Q3 2023 FFO to NIS 398 million compared with NIS 330 million in Q3 2022

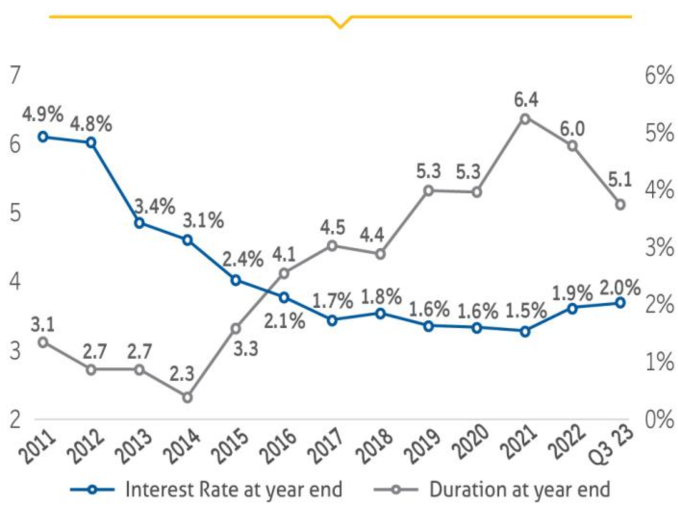
FFO from income-producing real estate business



* According to the ISA, the FFO is NIS 244 million, compared with NIS 128 million in Q3 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 30 September 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 nine and three months ended 30 September 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 31 December 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 30 September 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 30 September 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 30 September 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 22 March 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 30 September 2023.

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

1.2.1. Summary of Reported Operating Segments for the Nine and Three Months Ended 30 September 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 data centers segment, the income-producing property overseas segment (mostly in the U.S.), and the rental housing in Israel segment. The Company also holds the Mount Zion Hotel in Jerusalem and the Red Rock Hotel in Eilat. 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 11 projects in Israel at various development stages, the planned area of which is approx. 681 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. In addition, in the Report Period, the acquisition was completed of all of the share capital (100%) of two companies that operate in the data centers segment in England, as specified in Section 1.2.3.2 below. After the Report Period, a transaction was closed for the sale of the Company's full (indirect) holdings in Compass. For details regarding the notice of the Company's partners in Compass regarding the sale of their holdings in Compass to third parties and the Company's joining the said sale transaction and closing thereof, see Section 1.2.3.8 below.
6. **Rental housing in Israel –** The Group has 2 income-producing projects in the rental housing in Israel segment. In addition, during 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, and a holding of approx. 2.3% of Bank Leumi shares.

In addition, the Company holds the Mount Zion Hotel in Jerusalem, and during the Report Period the Company completed 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]

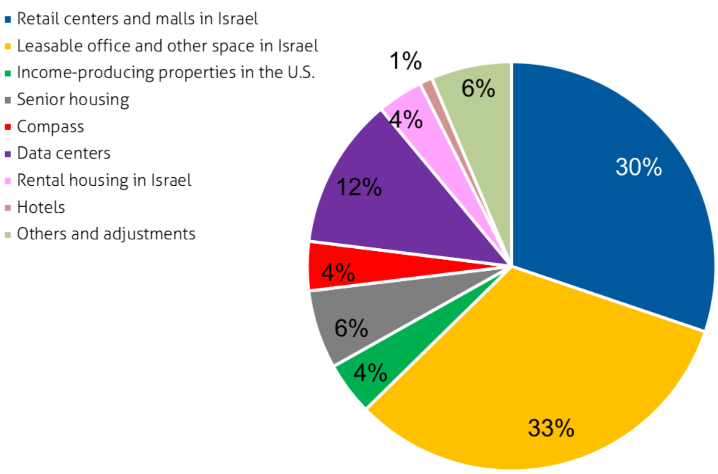
Breakdown of Total Balance Sheet Assets by Operating Segments

Comparison of Segment Assets

As of	30.9.2023	31.12.2022
Retail centers and malls in Israel	15,466	15,121
Leasable office and other space in Israel	16,643	15,875
Income-producing properties in the U.S.	2,153	1,945
Senior housing	3,184	3,122
Asset held for sale – Compass	*993	*1,751
Data centers	6,145	3,551
Rental housing in Israel	1,864	1,666
Hospitality	519	335
Others and adjustments	3,275	5,108
Total	**51,242**	**48,474**

Percentage of Segment Assets out of Total Assets

30.9.2023



* In view of the sale agreement, the assets were presented net.
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. 30%. The other income-producing real estate segments, in the aggregate, constitute approx. 30% of the total balance sheet assets (including an asset held for sale - Compass).

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 23 June 2022, the Company engaged, through a wholly-owned special purpose subsidiary thereof (the "**Buyer**"), in an agreement with an English company (the "**Seller**"), 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 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 19 December 2022, approval was received from the competent regulator in England for the Transaction, and on 23 January 2023 all of the closing conditions were fulfilled and the Transaction was closed. For further details, see the Company's immediate reports of 26 June 2022, 25 December 2022 and 24 January 2023 (Ref. 2022-01-078271, 2022-01-154633 and 2023-01-010848, respectively), included herein by reference.

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

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

On 7 March 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 8 March 2023 (Ref. 2023-01-024873), which is included herein by reference, as well as Section 2.13 herein.

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

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

On 26 February 2023, Mr. Yair Horesh was appointed as Deputy CFO instead of his role as Chief Controller of Accounts and Financial Statements. On this date, Mr. Yaakov Danino entered the role of Chief Controller of Accounts and Financial Statements.

On 26 February 2023, Mr. Gideon Avrami was appointed as Deputy CEO and Head of Properties instead of his role as Head of Offices.

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

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

On November 22, 2022, Dr. Ariel Kor was appointed as a director of the Company. For further details see the immediate report of 23 November 2022 (Ref. 2022-01-140614), which is included herein by reference. On 27 April 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 30 April 2023 (Ref. 2023-01-045594), which is included herein by reference.

On 27 May 2023, Ms. Irit Sekler-Pilosof's office as Deputy CEO and CFO of the Company came to an end. On 28 May 2023, Mr. Ariel Goldstein assumed the role of the Company's CFO.

On 17 November 2023, after 9 years in office, Mr. Oran Dror ended his office as an independent director of the Company.

For further details regarding the above officers, see Sections 26 and 26A of Chapter D of the 2022 Periodic Report, and with respect to Mr. Ariel Goldstein, see the immediate report released by the Company on 26 March 2023 (Ref. 2023-01-031188), included herein by reference.

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

On 30 March 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. The work for the construction of the first building in the project has commenced. For further details regarding the Agreement and the joint venture, see the immediate report released by the Company on 2 April 2023 (Ref. 2023-01-037008), which is included herein by reference.

1.2.3.6. Acquisition of the Red Rock Hotel in Eilat

On 16 April 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 11 May 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 17 April 2023 and 11 May 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 30 April 2023 (Ref. 2023-01-045585), which is included herein by reference.

1.2.3.8. Sale of Holdings in Compass

On 20 June 2023, the Company's partners in Compass engaged in an agreement for the sale of holdings in Compass for a sum reflecting a valuation for Compass of US$5.7 billion and a net value of approx. US$2.7 billion (in this section: the "**Transaction**"), and the Company tagged along and sold its holdings in Compass for a similar value.

After the Report Period, on 3 October 2023 and after fulfillment of the closing conditions set forth in the Transaction, the Transaction was closed.

Upon the closing of the Transaction, gross cash flow is NIS 3.2 billion and the expected net cash flow (after a provision for tax and after expenses) is approx. NIS 2.7 billion, of which a total of approx. $44 million will be deposited in trust until adjustments are made to the consideration (if any), in accordance with the mechanisms established in the Transaction. The estimated accounting profit that will be recorded in the Company's income statement (after provision for tax and expenses) is approx. NIS 0.9 billion. Further to the aforesaid, the investment in Compass was classified as a non-current asset held for sale, and accordingly Compass's results were not included in the Company's income statement for Q3/2023.

For further details regarding the Transaction and the closing thereof, including a hedging of part of the cash flows generated by the Company from the Transaction, see Note 3G to the financial statements as of 30 September 2023, and the immediate reports of 20 June 2023 and 4 October 2023 (Ref. 2023-01-067815 and 2023-01-112449, respectively), which are included herein by reference.

The Company's estimation in connection with the expected net cash flow and the estimated accounting profit (after provision for tax and expenses), constitutes forward-looking information, as defined in the Securities Law, 5728-1968, in accordance with the figures held by the Company as of the report date and based on the position of its professional advisors. As of the report date, the Company is still examining the appropriate tax provision, taking into account, *inter alia*, the complexity of the Transaction and the consideration components therefor. As a result, the expected net cash flow and/or the estimated accounting profit (after tax and expenses), may materialize in a different manner, *inter alia*, depending on the results of the examination of the tax provision for the Transaction as shall be presented in the Company's annual financial statements.

1.2.3.9. Financing Transactions

In July 2023, the Company issued Series B bonds of the Company[4], by way of a series expansion, such that approx. NIS 789,850 thousand par value Series B bonds were allotted in consideration for approx. NIS 852 million (approx. NIS 850 million net of issue expenses). In addition, in the Report Period, the Company engaged with banking corporations in short-term loans in the sum of approx. NIS 720 million.

[4] In accordance with a shelf offering report released on 28 June 2023 (Ref. 2023-01-071943), which was released under the 2022 shelf prospectus, which is included herein by reference.

1.2.4. Dividends distributed by the Company

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

On 21 March 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 22 March 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	13 March 2023	4 April 2023	Approx. NIS 698 million	Approx. NIS 16 million
Bank Leumi	22 May 2023	15 June 2023	Approx. NIS 294.5 million	Approx. NIS 6.5 million
Bank Leumi	14 August 2023	7 September 2023	Approx. NIS 735.8 million	Approx. NIS 16.8 million

[5] As of 30 September 2023, the Company has distributable retained earnings in the sum of approx. NIS 19.5 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. On 23 October 2023, the Bank of Israel's Research Department released a macroeconomic forecast which was prepared in the midst of the Iron Swords war which broke out on 7 October 2023 with the vicious attack of the terrorist organizations from Gaza. The forecast is based on the assumption that the majority of the fighting will be concentrated on the southern front, during Q4/2023, and naturally the forecast is characterized by a particularly high level of uncertainty with respect to the duration, scope and character of the war. In accordance with the said forecast, Israel's GDP is expected to grow by 2.3% in 2023 and by 2.8% in 2024 (compared with growth of 3% in each one of the years in the previous forecast of July 2023). The rate of inflation in the next four quarters is expected to be 2.9%. In addition, according to the forecast, in Q3/2024 the interest rate is expected to range between 4% and 4.25%[6].

The Company has loans and bonds linked to the CPI. The rise in the CPI which characterized 2022 continued more moderately also during the Report Period, in which the CPI rose by 3.25%, which 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 34 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.

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% (in July, September and October 2023, the Monetary Committee decided to leave the interest rate unchanged at 4.75%). 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 1.6% and 1% (respectively). The increase in the Construction Input Indices causes a rise in the Company's construction costs in the various projects across the country, because the agreements in which the Company engages with the construction contractors are linked to these indices.

The Iron Swords war (the "**War**") has impacted the Israeli economy, *inter alia* with the temporary closing of businesses, restrictions on work on building sites, restrictions on the activity of the education system, significant recruitment of reservists, declines in prices on TASE, a weakening of the shekel against foreign currencies and a rise in the yields of the corporate bonds. In addition, the rating agency S&P downgraded the credit rating outlook of the State of Israel from stable to negative.

Since the outbreak of the War, the Company has continued its operations, subject to the circumstances and with ongoing monitoring of the security developments and in accordance with the instructions of the Home Front Command. At present, the uncertainty as to the duration and development of the War precludes any possibility to assess the extent of the War's future impact on business activity in Israel and/or on the Company's activity and business results.

The War's impact on the retail centers and malls segment – In view of the impact of the War on the business of

[6] Bank of Israel – press release of 23 October 2023, The Macroeconomic Forecast of the Research Department, October 2023. Bank of Israel website: https://www.boi.org.il/publications/pressreleases/c23-10-23/

some of the tenants in the Company's malls, the Company decided to grant a 30% discount in the rent for the month of October 2023, and a 15% discount in the rent for the month of November 2023, or rent according to a percentage of store revenues as set forth in the contract, whichever is higher (the "**Relief Plan**"). The Relief Plan is subject to conditions, including a decline of at least 15% in the tenant's store revenues in October 2023 compared to October 2022. In addition, the rent and management fees for November 2023 will be paid in four equal installments in January-April 2024[7].

The War's impact on the office and other space for lease in Israel segment – The Company's revenues from the office space in Israel segment have not been materially impacted since the outbreak of the War.

The War's impact on property development – The Company is continuing the development and construction of new properties, as well as expansion and renovation of existing properties. In this context it is noted that the work on some of the properties was suspended at the beginning of the War for a certain period of time and was subsequently resumed, in some cases partially, such that as of the Report Release Date, the Company estimates that there may be delays in some of the projects.

Aid and donations – Since the War broke out, the Group has given support both by financial donations and in-kind donations for civil aid on all fronts, including aid for evacuated families and for businesses in its properties. In this context, the Group has made donations in cash and cash equivalents, until the Report Release Date, of approx. NIS 10 million.

Judicial system reform – For details regarding the legislative changes being promoted by the government in the Israeli judicial system and their possible effects on the Israeli economy, see Section 2.1 of the Company's Board of Directors' Report for Q2/2023 of 17 August 2023 (Ref. no.: 2023-01-094923), included herein by reference.

As of the Report Release Date, and in view of the fact that the events are dynamic and characterized by significant uncertainty as to, *inter alia*, the progress and scope of the War, the legislative changes in the Israeli judicial system and their future impact on the Israeli economy, the Company cannot assess the said impact on its future business, since the degree of impact depends on the degree and scope of materialization thereof. It is the Company's assessment that such factors may have material adverse effects on the domestic economy, including on some of the markets and sectors in which the Company operates, as well as on some of the tenants in the Group's properties. The Company's management estimates that in view of its financial strength, taking into account the total cash and cash equivalents available thereto, low leverage and a significant portfolio of unmortgaged properties, a long loan duration and its ability to raise financing under favorable conditions, and in view of the broad dispersion of the Company's asset portfolio, variety of tenants and business segments, the Company will be able to continue financing its activity and meeting its liabilities.

*The Group's aforesaid estimations with regards to the effects of the War and/or the legislative changes on the Group's results, including the delays in projects under development, 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 protraction of the War and its expansion to additional fronts, a decline in demand, a significant deterioration of the Israeli economy, and various effects of legislative changes.*

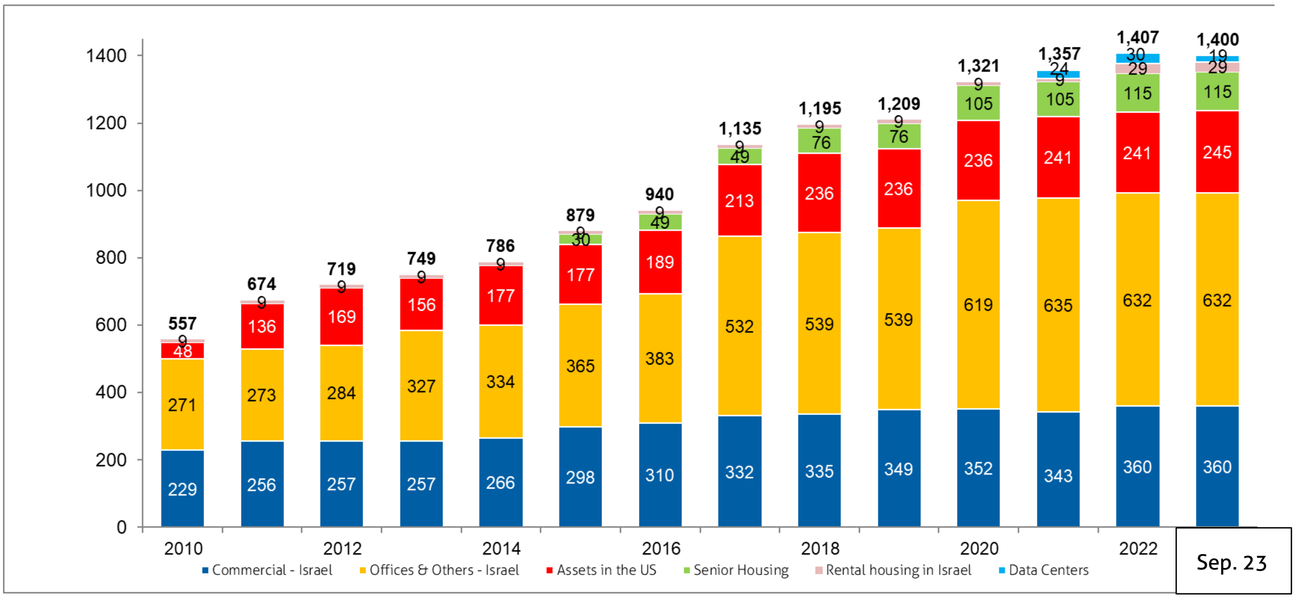
2.2. The Covid Pandemic

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.

[7] Different relief, including higher discount rates, have been determined for Azrieli Mall Hayam in Eilat and Azrieli Hanegev mall in Beer Sheva.

2.3. Consolidated GLA (Gross Leasable Area) Data

As of 30 September 2023



The figures are in thousands of sqm. The areas, as of 30 September 2023 are according to the Company's share excluding Compass.

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 30 September 2023:

- In retail centers and malls in Israel – approx. 99%;[8]
- In leasable office and other space in Israel – approx. 98%;[8]
- In income-producing properties in the U.S. – approx. 66%;
- In senior housing in Israel – approx. 97%;[8]
- In data centers – approx. 93%;[9]
- In 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

---

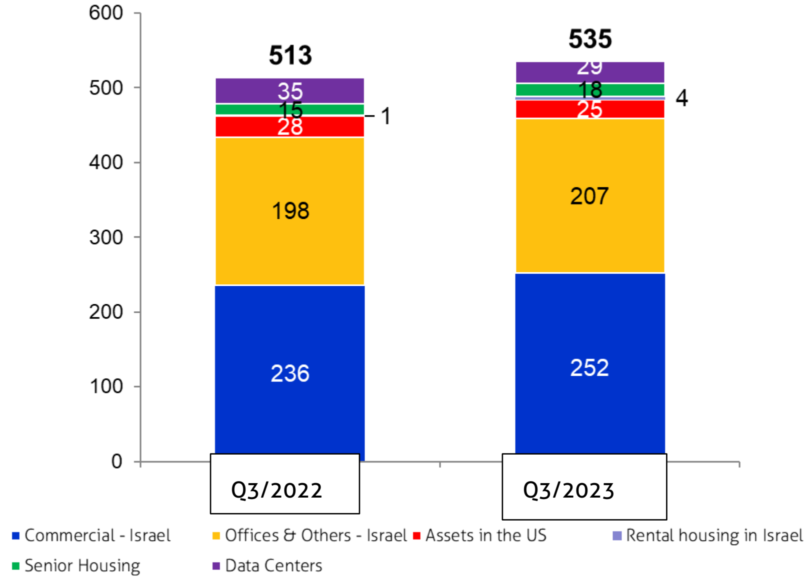
[8] Excluding areas in properties whose construction has been completed and which are in lease-up stages for the first time.
[9] The average occupancy rate was calculated based on the figures of the lease agreements according to a weighted average of GM and the English Companies that were acquired. The 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.

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

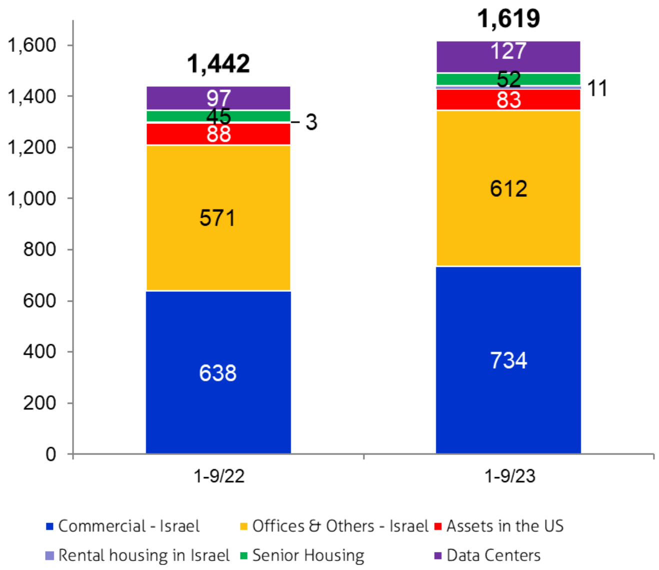
For the purpose of calculating the NOI, on the revenues side – all proceeds from tenants are taken into account (including rent, management fees and other payments), and for the purpose of calculating the costs – all operating expenses in respect of the properties are taken into account, including management, maintenance and other costs.[11]

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



[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



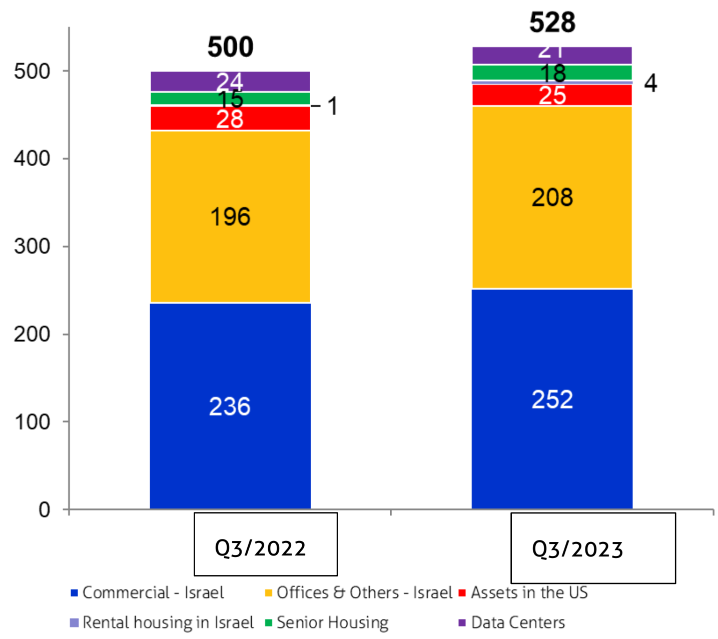
Figures are presented in millions of NIS.

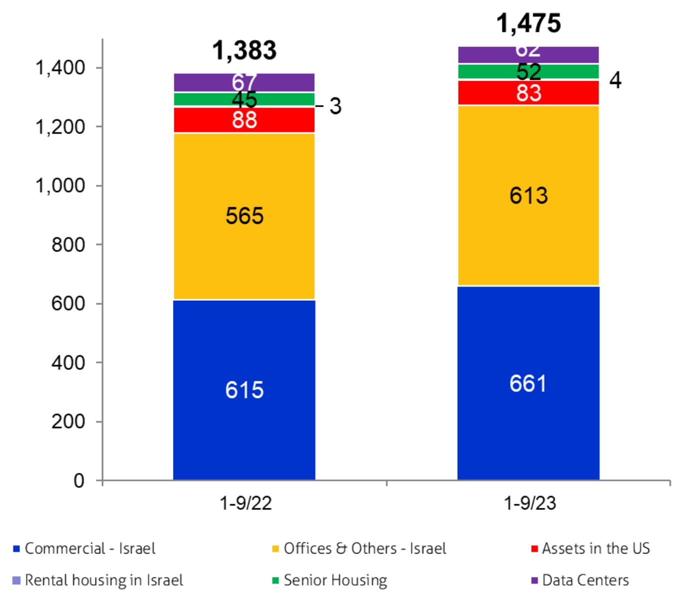
For explanations with respect to the change in the NOI, see Sections 2.9, 2.10, 2.11, 2.12, 2.13 and 2.14 below.

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 and the Red Rock Hotel[16] as of 30 September 2023:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment property in the statement	**43,647**
Net of value attributed to investment property under construction	**2,934**
Net of value attributed to land reserves	**1,270**
Net of value attributed to income-producing senior housing	**2,972**
Net of value attributed to DC properties	**4,550**
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	**1,514**
Total value of income-producing investment property (including the fair value of vacant space)	**30,407**
Actual NOI in the quarter ended 30 September 2023 (excluding senior housing, data centers and	**484**
Additional future quarterly NOI (1)	**35**
Total standardized NOI	**519**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers, and	**2,077**
Weighted cap rate derived from income-producing investment property (including vacant space) (2)	**6.83%**

Financials are presented in millions of NIS.

(1) The figure includes adjustment to NOI as included in the valuations updated as of 30 June 2023, 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) as well as adjustment to the Q3/2023 Index.

(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 segment of 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		For the Nine Months Ended	
	30 September 2023	**30 September 2022**	**30 September 2023**	**30 September 2022**
Net profit (loss) for the period attributable to shareholders	**352**	330	**1,147**	1,468
Net of the net loss from Azrieli E-Commerce (including deduction of excess cost)	**12**	10	**47**	29
Adjustments to profit:[1]				
(Increase) in the value of investment property and fixed assets, net	**(177)**	(174)	**(1,030)**	(1,027)
Depreciation and amortization	**5**	3	**13**	10
Net non-cash flow financing and other (income) expenses	**(24)**	8	**(92)**	(9)
Tax expenses	**62**	61	**314**	232
Net of a dividend from financial assets available for sale	**(17)**	(9)	**(39)**	(31)
Effect of losses (profits) of an associate	**-**	(171)	**77**	(432)
One-time expenses [2]	**3**	59	**45**	79
Total profit adjustments	**(148)**	(223)	**(712)**	(1,178)
Plus interest paid for real investments [3]	**2**	1	**4**	3
Total FFO attributed to the income-producing real estate business [4]	**218**	118	**486**	322
Total cash flow of financing of development pipeline [5]	**26**	10	**65**	24
Total nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations specific to the income-producing real estate business, excluding the cash flow of financing of development pipeline	**244**	128	**551**	346
FFO of associate[8]	**-**	(15)	**(32)**	(28)
Linkage differentials and rate differentials on assets and liabilities (net of tax effect)	**136**	215	**562**	644
Cash flow from incoming resident deposits net of outgoing resident deposits [6]	**32**	15	**63**	71
Net of income from forfeiture of resident deposits	**(14)**	(13)	**(39)**	(35)
Total FFO attributed to the income-producing real estate business, according to the management's approach [7]	**398**	330	**1,105**	998

Financials are presented in millions of NIS.

(1) The below profit adjustments do not include adjustments for 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 Report Period,

consulting and legal costs of transactions and acquisitions.

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

(4) Attributable to the shareholders only.

(5) Calculated based on real credit costs in respect of development pipeline.

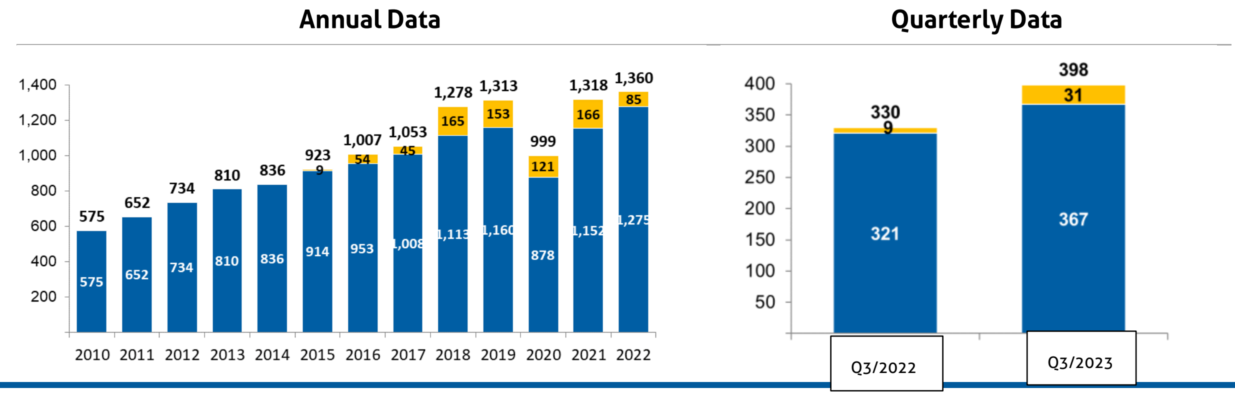
(6) Senior housing residents' deposits will be deemed as incoming or outgoing on the date on which the agreement is signed or terminated, as applicable, and not as they are presented in the cash flow report.

(7) Including FFO from the senior housing segment in the sum of approx. NIS 64 million and approx. NIS 31 million in the nine and three months ended 30 September 2023 (approx. NIS 58 and 9 million in the nine and three months ended 30 September 2022, and approx. NIS 85 million in Y2022).

(8) Due to Compass.

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		
	30.9.2023	**30.9.2022**
Equity attributable to the Company's shareholders in the financial statements	**22,785**	**21,643**
Goodwill created against a reserve for deferred taxes	**(240)**	**(227)**
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	**5,164**	**4,788**
EPRA NRV	**27,709**	**26,194**
EPRA NRV per share (NIS)	**228**	**216**

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

2.8.2. EPRA NTA

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

EPRA NTA		
	30.9.2023	**30.9.2022**
Equity attributable to the Company's shareholders in the financial statements	**22,785**	21,643
Goodwill created against a reserve for deferred taxes	**(240)**	(227)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	**(1,414)**	(1,312)
Other intangible assets	**(26)**	(26)
Plus 50% of the tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	**2,582**	2,389
EPRA Notwithstanding the aforesaid	**23,687**	22,467
EPRA NTA per share (NIS)	**195**	185

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

2.8.3. EPRA NDV

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

EPRA NDV

	30.9.2023	30.9.2022
Equity attributable to the Company's shareholders in the financial statements	**22,785**	21,643
Goodwill created against reserve for deferred tax	**(240)**	(227)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	**(1,414)**	(1,312)
Adjustment of the value of financial liabilities to fair value	**1,566**	937
EPRA NDV	**22,697**	21,041
EPRA NDV per share (NIS)	**187**	174

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

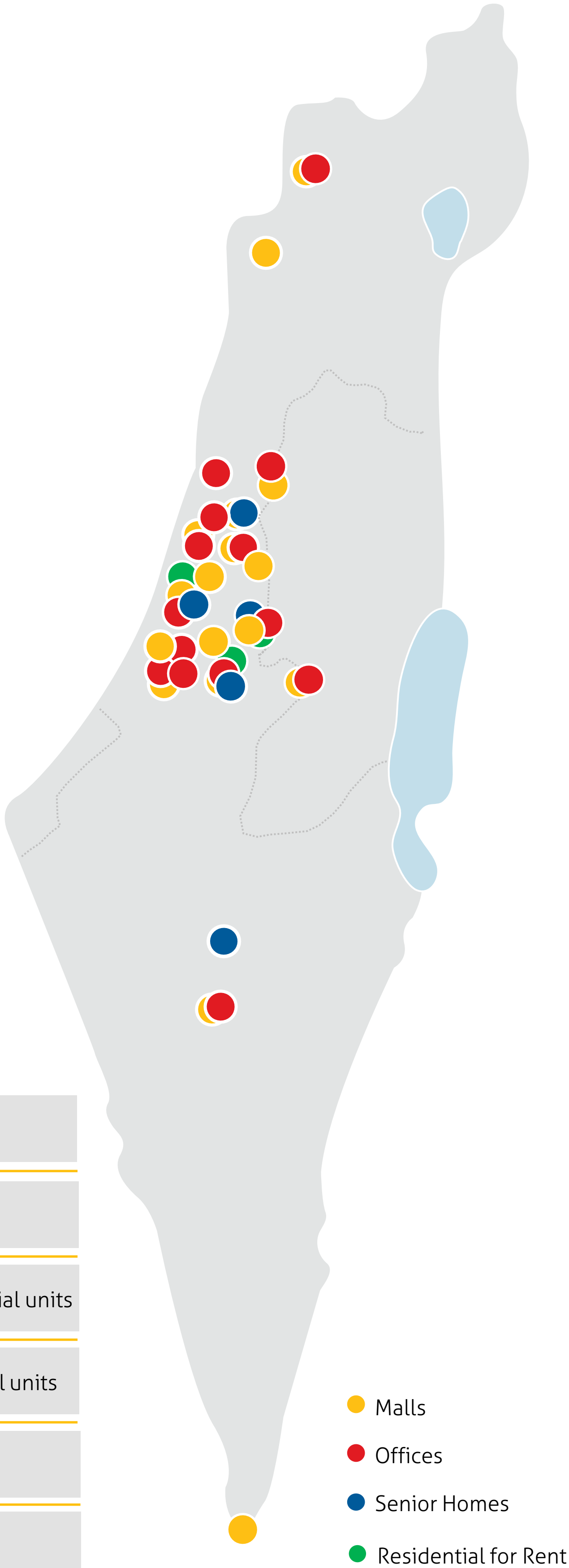
SENIOR HOMES

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	245 thousand sqm	
Total	**1,381 thousand sqm**	



As of September 30, 2023.
GLA (gross leasable area) is based on the Company's share.

Green Mountain	100% Ownership

AZRIELI GROUP'S DATA CENTERS INVESTMENTS (1) (2)

OSL1-Enebakk, Norway

Data center located 20 km outside Norway's capital

Total available capacity **93 MW**

SVG1-Rennesoy, Norway

A former NATO ammunition storage facility converted into a unique, high-security colocation mountain hall data center

Total available capacity **25 MW**

RJU1-RJUKAN, Norway

Colocation data center located at the nexus of hydro-electric power in a historic region of Norway

Total available capacity **40 MW**

OSL2-Hamar, Norway

One of Europe's most sustainable data centers located in Norway

Total available capacity **150 MW**

FRA1-Mainz, Germany (3)

A site located with all amenities in close proximity to Frankfurt.

Total available capacity **54 MW**

LON1-Romford, England

Existing operational data center campus, with significant potential for capacity in one of the key data center markets in Europe.

Total available capacity **40 MW**

(1) As of September 30, 2023.

(2) On 4 October 2023, the Group reported the closing of a transaction for the sale of its holdings in Compass, See Section 1.2.3.8 of this chapter for further details.

(3) Illusatraion

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 revenues reported by the Group's mall tenants in the Report Period (excluding Mall Hayam and retail areas in Azrieli Town) were approx. 5.8% higher than the same period last year. Store revenues reported by the tenants in July-September 2023 were approx. 1.5% higher than the same period last year.

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.
- **Gift cards** – the Group has a designated gift card, Azrieli Time, which may be used in the Group's malls and on its e-commerce platform, Azrieli.com. The card is accepted at all of the Group's malls and covers a huge range of more than 100 dining and entertainment, fashion, shoe and cosmetics brands.

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").

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

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

Balance of the properties in the retail centers and malls in Israel segment – totaled approx. NIS 15.5 billion on 30 September 2023, compared with approx. NIS 15.1 billion on 31 December 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 30 June 2023.

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 112 million and mainly derived from the effect of the rise in the CPI on the properties' value, compared with a profit of approx. NIS 472 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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**9%**	**327**	**300**	**15%**	**925**	**807**	1,106
NOI	**7%**	**252**	**236**	**15%**	**734**	**638**	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 in July 2022, by the rise in the CPI since the lease contracts are linked to the CPI and by the raising of rent in changeovers.

The table below presents the segment's NOI development:

Development of the NOI of the Retail Centers and Malls in Israel Segment				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**252**	236	**661**	615
NOI from properties that were purchased or whose construction was completed in 2022	**-**	-	**73**	23
Total NOI from all properties	**252**	236	**734**	638

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. During the Report Period, a reduction was felt in demand in the segment, and a lengthening of the negotiations for the signing of lease agreements.

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. The Group also complies with international green building standards (LEED) which guide the design, construction and operation of the Group's properties in the segment. Thus, for example, Azrieli Sarona, Azrieli Town and Azrieli Holon HaManor were built in compliance with the LEED Gold standard and Azrieli Rishonim was built in compliance with the LEED Silver standard.
- **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, the strict LEED O&M Gold standard certification was received for the Azrieli Tel Aviv towers and Azrieli Sarona, and LEED O&M Platinum for Azrieli Town.
- **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 16.6 billion on 30 September 2023, compared with approx. NIS 15.9 billion on 31 December 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 30 June 2023.

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 387 million and mainly derived from the effect of the rise in the CPI on the properties' value and from an increase in rent, compared with a profit of approx. NIS 665 million in the same period last year which mainly derived from the effect of the rise in the CPI on the properties' value and from an increase in rent.

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

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

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**6%**	**257**	**243**	**9%**	**748**	**689**	933
NOI	**5%**	**207**	**198**	**7%**	**612**	**571**	769

Figures are presented in millions of NIS.

The NOI in the office and other space in Israel segment was mainly affected by the rise in the CPI, since the lease contracts are linked to the CPI, and by rent increases in tenant changeovers.

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment

	For the Three Months Ended		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**208**	196	**613**	565
NOI from properties slated for demolition	**(1)**	2	**(1)**	6
Total NOI from all properties	**207**	198	**612**	571

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 3.2 billion on 30 September 2023 compared with approx. NIS 3.1 billion on 31 December 2022. The change derives from investments in the segment's properties.

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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**9%**	**62**	57	**11%**	**182**	164	221
NOI	**20%**	**18**	15	**16%**	**52**	45	60

Figures are presented in millions of NIS.

The increase in revenues and in the NOI in the Report Period mainly 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		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**18**	15	**52**	45
NOI from properties whose construction was completed in 2022	**-**	-	**-**	-
Total NOI from all properties	**18**	15	**52**	45

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 and in the Report Period, 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 and in the Report Period, was not reflected in increased demand for office space in Houston. In addition, deterioration in the availability of credit for office properties in view of negative developments in the banking sector deepened in the Report Period.

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. 253 thousand sqm (on a consolidated basis) and approx. 245 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 2.2 billion on 30 September 2023, compared with approx. NIS 1.9 billion on 31 December 2022. The change mainly derives from an increase in the dollar exchange rate as of 30 September 2023, compared with 31 December 2022.

Change due to fair value adjustment of the segment's investment property – profit from a NIS 6 million property value adjustment compared with a loss of NIS 64 million that was recorded in the same period last year, and mainly derived from an increase in the cap rate and an increase in the anticipated investments in some of the properties.

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

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

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**7%**	**63**	59	**5%**	**183**	175	231
NOI	**(11%)**	**25**	28	**(6%)**	**83**	88	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		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**25**	28	**83**	88
NOI from properties purchased in 2022	**-**	-	**-**	-
Total NOI from all properties	**25**	28	**83**	88

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.

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

2.13. Data centers

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

The first step of the Company's entry into the data centers sector was made through an equity investment in Compass, which mainly operates in the data centers sector in North America and also has operations in EMEA. Until recently, the Company (indirectly) held approx. 32.5% of Compass. For further details, see the Company's immediate report of 18 July 2019 (Ref. 2019-01-073885) and Section 1.3.2 of Chapter A of the Company's Periodic Report for 2020, as released on 25 March 2021 (Ref. 2021-01-044625) which are included herein by reference.

According to an agreement signed between the unitholders in Compass, the period of lock-up on the sale of holdings to third parties ended in January 2023, and the Company's partners began the process of exploring the sale of their holdings in Compass. Further to the aforesaid, on 20 June 2023, the Company's partners in Compass had engaged in an agreement for the sale of holdings in Compass for a sum reflecting a valuation for Compass of US$5.7 billion and a net value of approx. US$2.7 billion, and in accordance with the separation mechanisms which apply upon the sale of holdings to third parties after the end of the lock-up period, as set forth in the unitholders' agreement, the Company tagged along and sold its holdings in Compass for the same value. For further details, see Section 1.2.3.8 above, and Note 3G to the financial statements as of 30 September 2023.

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 23 March 2022 (Ref. 2022-01-033196), which is included herein by reference. In addition, 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, 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, and as of the date of the report, the estimated date for the supply of the first 30MW on campus is during H1/2024[18], 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, the English Companies, and through additional mergers and acquisitions. In addition, the Company is examining the possibility to create a global platform, together with other investors, that will hold 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.

[18] The information regarding the estimated date for the supply of 30MW constitutes forward-looking information, as defined in the Securities Law, 5728-1968, the materialization of which is uncertain or which may materialize differently to the aforesaid. The information is based on the plans of the Company and GM and their assessments and assumptions which are uncertain. The information may not materialize due to factors beyond the control of the Company and/or GM and, *inter alia*, as a result of the impact of macroeconomic or sectoral factors or as a result of the risk factors detailed in Section 30.5 of Part A to the 2022 periodic report, the provisions of which are included by way of reference.

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 4 income-producing properties (excluding properties of Compass, the investment in which is presented as a non-current asset held for sale and was realized after the Report Period), 3 properties in Norway through the Company's holdings in GM, and a running data center in East London. After the report date, the Company sold its holdings in Compass, as specified in Section 1.2.3.2 above.

Balance of the Group's properties in the segment – totaled approx. NIS 6.1 billion on 30 September 2023, compared with approx. NIS 3.5 billion on 31 December 2022 (excluding a sum of approx. NIS 5.9 billion and NIS 4.5 billion, respectively, due to Compass). The change mainly derives from investments in the segment properties, the acquisition of the English Companies and revaluation profits that were recognized in the period. Some of the properties are presented according to valuations prepared by independent appraisers as of 30 September 2023, whereas others are presented according to valuations prepared by independent appraisers as of 31 December 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 530 million, compared with a profit of NIS 322 million in the same period last year.

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

Summary of the Business Results of the Data Centers Segment

	For the Three Months Ended			For the Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**(8%)**	**55**	60	**44%**	**235**	163	227
NOI	**(17%)**	**29***	35*	**31%**	**127**	97	133

Figures are presented in millions of NIS.
* A sum of approx. NIS 14 million in Q3/2022 in respect of Compass, no results in respect of Compass were included in Q3/2023.

The increase in revenues and NOI in the data centers segment in the Report Period mainly derived from growth in Compass's business, an increase in the holding rate in Compass and the acquisition of the English Companies, the decrease in the three-month period derives from classification of Compass as a non-current asset held for sale.

Development of the NOI of the Data Centers Segment

	For the Three Months Ended		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**21**	24	**62**	67
NOI from acquisitions/sales of companies	**8**	11	**65**	30
Total NOI from all properties	**29**	35	**127**	97

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 (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 30 September 2023, the balance amounted to NIS 1.9 billion compared with approx. NIS 1.7 billion on 31 December 2022. The main change derives from investments in the properties segment.

Change from fair value adjustment of investment property and investment property under construction in the segment – The loss from the fair value adjustment of investment property of the segment totaled approx. NIS 12 million in the Report Period compared with a profit of approx. NIS 11 million in the same period last year. The properties are presented according to valuations carried out by an independent appraiser as of 30 June 2023.

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 Nine Months Ended			For the Year Ended
	Rate of Change	30.9.2023	30.9.2022	Rate of Change	30.9.2023	30.9.2022	31.12.2022
Revenues	**150%**	**5**	2	**225%**	**13**	4	7
NOI	**300%**	**4**	1	**267%**	**11**	3	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		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
NOI from segment properties owned by the Company as of the beginning of the period	**4**	1	**4**	3
NOI from properties whose construction was completed in 2022	**-**	-	**7**	-
Total NOI from all properties	**4**	1	**11**	3

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 9 February 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 17 March 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 17 March 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, in 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 31 December 2022	1,025
Sale proceeds	-
Investment	-
Total investment as of 30 September 2023 (2)	1,025
Fair value of the investment as presented in the financial statements as of 30 September 2023	1,102
Change in fair value during the Report Period	77
Income from dividends recorded in the Report Period	39

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 30 September 2023.
(2) Before adjustment to changes in fair value during the Report Period.

3.1.2. E-Commerce Platform Activity – Azrieli.com

The Group 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 11 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]	2024	417	377	**445-475**
Check Post Haifa	Retail	10,500	2024	40	80	**140-150**
Total		**41,500**		**457**	**457**	**585-625**
Development Projects in the Medium-Term						
Senior housing Rishon LeZion	Senior housing and retail	37,300	2025	250	219	**490-510**
Mount Zion Hotel	Hospitality	34,000[9]	2025	381	361	**910-940**
SolarEdge Campus	Offices	38,000	2025	444	400	**790-810**
Modi'in (Lot 10)	Offices and retail	37,000	2026	119	122	**570-580**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residences	150,000[4]	2027	1,891	1,115	**2,550-2,750**
Herzliya Glil Yam	Rental housing and retail	19,630	2027	119	124	**380-400**
Total		**315,930**		**3,204**	**2,341**	**5,690-5990**
Total		**357,430**		**3,661**	**2,798**	**6,275-6,615**
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	574	509	**TBD**
Petach Tikva land	Offices and retail	53,000[8]	TBD	97	100	**TBD**
Total		**324,000**		**1,052**	**953**	
Total		**681,430**		**4,713**	**3,751**	

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 30 September 2023.
3. Without capitalizations and tenant fit-outs as of 30 September 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, the Company is working to increase the building rights to approx. 90,520 sqm.
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 11 January 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, according to the approved zoning plan, include 32,170 sqm gross aboveground areas.

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 ~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 ~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, which was received in August 2022, and work on construction of the frame has begun. As of the Report Release Date, the project is under advanced construction stages.

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 9 February 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 17 January 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, receipt of a full building permit was conditionally approved for the project, and in October 2023, a building permit was received for the entire project. For further details, see the Company's immediate reports of 11 May 2021 (Ref. 2021-01-082779) and 18 January 2022 (Ref. 2022-01-007851), which are included herein by reference.

Land in Modi'in (Lot 10) – On 6 October 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 7 October 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. After the Report Period, the Company entered into an agreement for the construction of a new medical center that will be leased to Kupat Holim Clalit on an area of approx. 8,100 sqm on part of the land. The Company is promoting a plan for the addition of approx. 8,000 sqm below-ground which was released for objections.

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 is adjacent to the Azrieli Tel Aviv Center, and is the site of construction of the fourth tower and 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 below-ground 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. In June 2023, the above-ground building permit was received, and the construction work is ongoing.

Rental housing project in Herzliya – 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).

According to the tender's instructions, the land is designated for multi-family residential building, for long-term rentals for a period of no less than 20 consecutive years from the date of completion of the construction. The project is expected to include 147 apartments and retail areas. One half of the apartments in the project will be rented for price-controlled rent, which will be 80% of market-rate rent. For further details, see Section 1.2.3.7 above. The Company is working on promotion of building permits for the project.

Azrieli Town Building E – On 14 May 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 for additional rights totaling 90,520 sqm gross of above-ground areas. In June 2023, after a discussion was held on the objections, the Local Committee's decision was received, conditionally approving the plan, and the Company is working on fulfilling the conditions. An appeal was filed against the Local Committee's decision and a date for a hearing has not yet been scheduled.

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	2024
Status	Under construction

PALACE RISHON LEZION SENIOR HOME

Building rights	37,300 sqm
No. of residential units	275
Estimated completion	2025
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 30 September 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

	30.9.2023	30.9.2022	31.12.2022
Current assets	3,769	3,998	3,677
Non-current assets	47,473	43,622	44,797
Current liabilities	5,376	3,168	4,628
Non-current liabilities	23,047	22,774	21,744
Equity attributable to the Company's shareholders	22,785	21,643	22,073
Equity attributable to the Company's shareholders out of total assets (in %)	44%	45%	46%
Net debt to assets (in %)	38%	33%	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, by the issuance of three bond series by way of expansion thereof in July 2022, and by the issuance of a bond series by way of the expansion in July 2023.

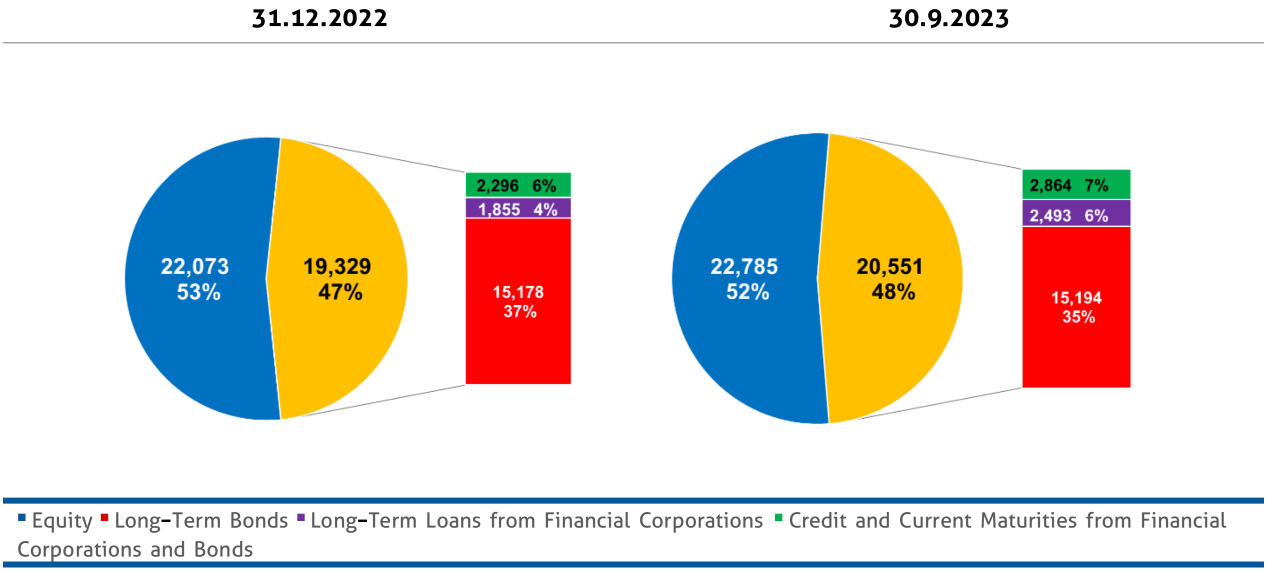
[20] For further details, see Section 21 of Chapter A of the 2022 Periodic Report, which is included herein by reference.

5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group



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

The increase, in the Report Period, of approx. NIS 1,222 million in the total debt mainly derives from the taking of short-term loans, from expansion of the Series B bonds, and from the effect of the rise in the CPI on the linked debt, net of repayment of bond principal and loans.

As of the report date, the Group has a working capital deficit in the consolidated statement of NIS 1,607 million as well as a NIS 56 million working capital deficit in the standalone statement.

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 26 November 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.

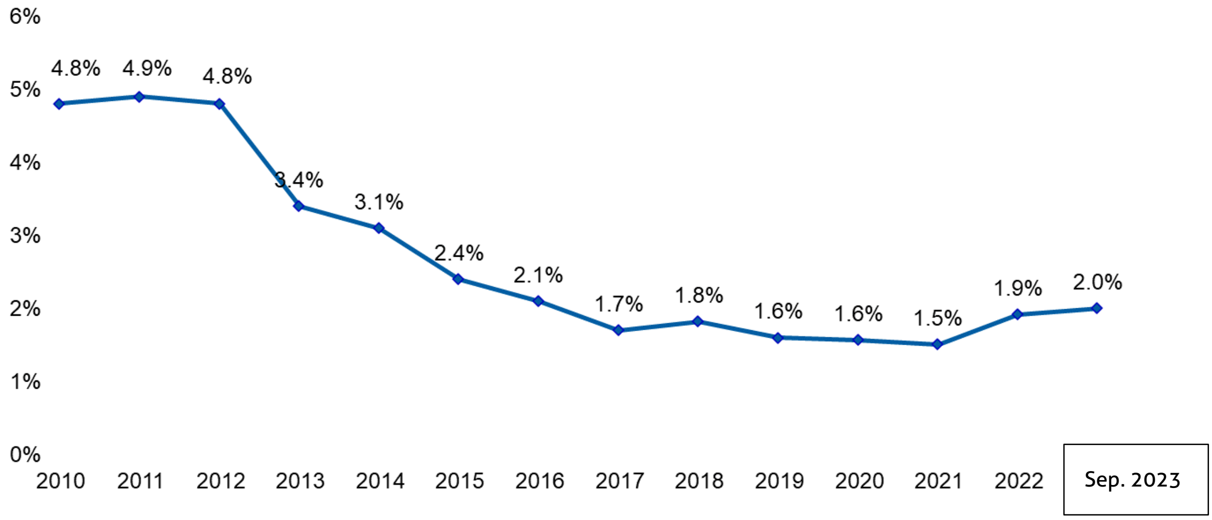
The Group's assessments in this Section 5.2 in connection with its liquidity and the availability of its financing sources are forward-looking information, within the definition thereof in the Securities Law, which is based on the Company's assessments with respect to developments in the markets, inflation 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. During the Report Period, in view of the consideration which was received after the date of the report, from the sale of the Company's holdings in Compass, the Company worked to raise debt with a short duration through the issuance of Series B bonds by way of a series expansion, in the sum of approx. NIS 852 million. For details regarding the debt raising, see Section 1.2.3.9 above. In the Report Period, the Company also engaged with banking corporations in short-term loans in the sum of approx. NIS 721 million.

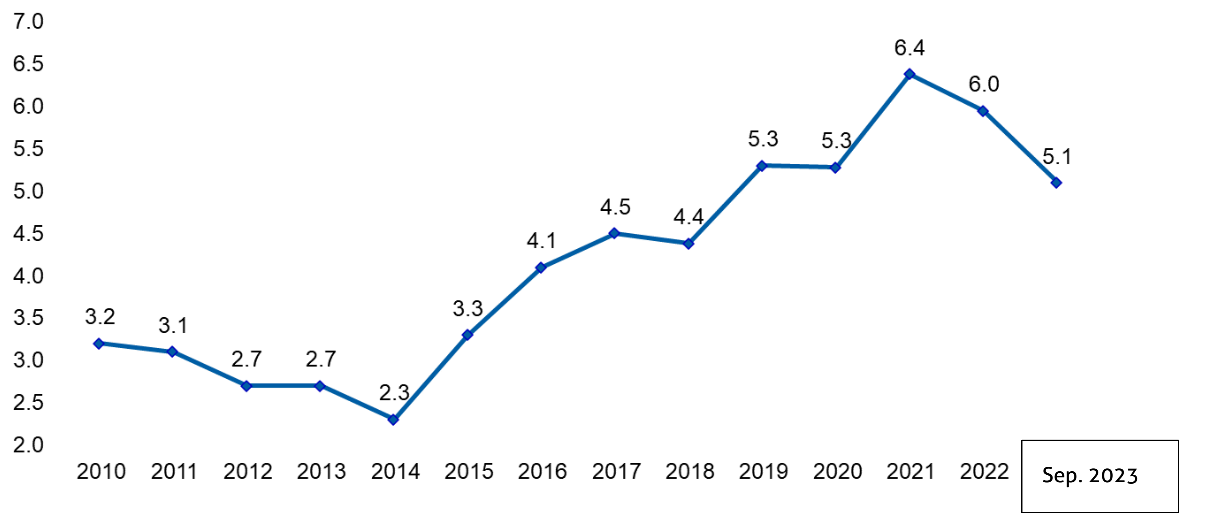
1. Interest Rate as of the End of the Period

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, as well as Section 5 of Chapter B hereto.

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	-	-	-	**20**	****788**	**-**	**808**	**808**
Long-term loans	17,458	1,077	-	***1,208**	**-**	**18,535**	**1,208**	**19,743**
Total	**17,458**	**1,077**	**-**	**1,228**	**788**	**18,535**	**2,016**	**20,551**

Figures are presented in millions of NIS, as of 30 September 2023.
* Most of the loan is protected by interest rate hedging.
** In the Report Period, the Company performed a hedging transaction for conversion of a shekel loan in the sum of NIS 500 million into a linked, fixed-interest loan.

As of 30 September 2023, short-term loans represented approx. 4% of the Group's total financial liabilities. The Company's management estimates that this rate is low and conservative in view of the low leverage ratio and the total unencumbered assets as specified below.

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

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	**2,864**	**412**	**3,276**
2	**1,614**	**381**	**1,995**
3	**1,647**	**360**	**2,007**
4	**2,941**	**274**	**3,215**
5 forth	**11,485**	**1,013**	**12,498**
Total	**20,551**	**2,440**	**22,991**

Figures are presented in millions of NIS, as of 30 September 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 1,044 million in the nine months ended 30 September 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.
- Cash flow deriving from the sale of the Company's holdings in Compass after the date of the report.

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

As of 30 September 2023, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 1.3 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 35.8 billion, in addition to the aforesaid liquid assets of approx. NIS 1.3 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 30 September 2023
Properties in the retail centers and malls in Israel segment	**13,382**
Properties in the leasable office and other space in Israel segment	**16,192**
Properties in the rental housing in Israel segment	**1,864**
Other properties (mainly hospitality and data centers)	**1,182**
The Company's holdings in Compass and Azrieli E-Commerce	**2,047**
The Company's holdings in Bank Leumi	**1,102**
Total	**35,769**

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	**30.9.2023**	**31.12.2022**
Total assets [1]	**51,242**	48,474
Current assets [2]	**3,769**	3,677
Investment property [3]	**43,514**	39,380
Short-term credit [4]	**2,864**	2,296
Loans from banking corporations and other credit providers [5]	**2,493**	1,855
Net bonds [6]	**15,194**	15,178
Total equity [7]	**22,819**	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) Classification of holding in Compass as an asset held for sale, net of decrease in cash balance.
(3) 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.
(4) The increase mainly derives due to a current maturity of a loan in Mall Hayam, current maturity for the expansion of B Bonds and an increase in short-term loans, net of a change in the classification of the GM long-term loan.
(5) 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.
(6) The increase results from the expansion of the Series B bonds plus linkage differentials in the period net of current repayments in the Report Period.
(7) The increase mainly derives due to the comprehensive income in the period, net of a dividend distribution 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 Nine Months Ended		For the Year Ended
	30.9.2023	**30.9.2022**	**30.9.2023**	**30.9.2022**	**31.12.2022**
Net profit for the period attributable to the shareholders	**352**	330	**1,147**	1,468	1,797
Net profit attributable to the shareholders and to non-controlling interests	**352**	330	**1,148**	1,469	1,792
Basic earnings per share (NIS)	**2.9**	2.72	**9.46**	12.1	14.82
Comprehensive income to shareholders and to non-controlling interests	**575**	208	**1,417**	1,535	1,964

Figures are presented in millions of NIS.

The net profit in the Report Period totaled NIS 1,148 million, compared with NIS 1,469 million in the same period last year. The decrease in profit in the Report Period was mainly affected by a decrease in some of Compass's results, a decrease in net other revenues and an increase in tax expenses in the period, an increase in G&A expenses and marketing expenses, net of an increase in the NOI (excluding Compass) in the sum of NIS 156 million and a decrease in net financing expenses.

6.2. Comprehensive Income

The Group's capital and comprehensive income are also affected by various capital reserves, chiefly by capital reserves in respect of changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income and by reserves for translation differences from foreign operations. The difference between the comprehensive income and the net profit as presented in Section 6.1 above, for the nine-month period ended 30 September 2023 mainly derives from profit from translation differences from foreign operations in the sum of NIS 289 million, plus an increase in the fair value of financial assets net of tax in the sum of NIS 63 million, net of a decrease for loss from cash flow hedging in the sum of NIS 93 million. Relative to the three-month period ended 30 September 2023 deriving mainly from profit from translation differences from foreign operations, in the sum of NIS 236 million plus an increase in fair value of financial assets net of tax, in the sum of NIS 106 million and net of loss for cash flow hedge of NIS 119 million.

6.3. Results of Operations

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

Results of Operations				
	For the Three Months Ended		For the Nine Months Ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Marketing, general and administrative expenses (1)	73	65	214	182
Net other income (expenses)(2)	13	132	(9)	134
Net financing expenses(3)	209	289	748	824
Income tax expenses(4)	86	90	383	325

Figures are presented in millions of NIS.

(1) The increase in expenses in the current quarter year-over-year and in the Report Period compared with the same period last year mainly derives from consolidation of the results of the English Companies and expansion of the operations in the DC segment.
(2) The decrease in other income (expenses) in the current quarter year-over-year and in the Report Period compared with the same period last year mainly derived from profit from an increase in the holding rate in Compass in the same quarter last year.
(3) The decrease in net financing expenses in the current quarter year-over-year and in the Report Period compared with the same period last year mainly derives from a rise in the CPI at a lower rate compared with the corresponding periods.
(4) The increase in the Report Period compared with the same period last year mainly derives from the recording of deferred taxes due to classification of Compass as a non-current asset held for sale.

6.4. Cash Flows

The following table shows the cash flows generated by the Group in Q3/2023, compared with the same quarter in 2022:

Quarterly Cash Flows		
Quarter	Q3/2023	Q3/2022
Net cash flows generated by the Group from operating activities (1)	463	448
Net cash flows used by the Group for investment activities (2)	929	1,447
Net cash flows generated by the Group from financing activities (3)	464	2,688

Figures are presented in millions of NIS.

(1) The cash flow in Q3/2023 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 535 million (excluding Compass) (approx. NIS 502 million in the corresponding period) plus net senior housing deposits net of income taxes paid.
(2) The cash flow used for investment activities in Q3/2023 was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 952 million, net of interest and dividends received in the period in the sum of NIS 41 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 685 million, for the acquisition of a company that was consolidated for the first time in the sum of NIS 358 million and for investments in companies accounted for on the equity method in the sum of NIS 432 million.
(3) The change relative to the same quarter last year mainly derived from the issuance of bonds in the period, in the sum of NIS 850 million compared with NIS 2,969 million year-over-year.

Cash Flows for the Period

	For the Nine-Month Period Ended 30.9.2023	For the Nine-Month Period Ended 30.9.2022
Net cash flows generated by the Group from operating activities [1]	1,044	1,311
Net cash flows used by the Group for investment activities [2]	2,768	2,225
Net cash flows generated for (used by) the Group for financing activities [3]	(446)	1,709

Figures are presented in millions of NIS.

(1) The cash flow in the nine-month period ended 30 September 2023 and in the same period last year mainly derived from the operating profit of the income-producing real estate in the sum of approx. NIS 1,568 million (excluding Compass) (approx. NIS 1,412 million in the corresponding period), plus net senior housing deposits, net of tax payments in the period.

(2) The cash flow used for investment activities in the Report Period was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of NIS 2,178 million, for the acquisition of a company that was consolidated for the first time in the sum of NIS 228 million, an investment in fixed assets in the sum of NIS 194 million and investments in companies accounted for using the equity method in the sum of NIS 192 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 1,398 million, for acquisitions of companies that were consolidated for the first time in the sum of NIS 477 million, investments in companies accounted for using the equity method in the sum of NIS 433 million, net of proceeds received from the sale of Bank Leumi shares in the sum of NIS 120 million.

(3) The change relative to the same period last year mainly resulted from a decrease in the issuance of bonds in the sum of NIS 2,119 million.

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 22 March 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.

7.3. D&O insurance policy

During the Report Period, the Company's compensation committee approved an engagement for the purchase of an insurance policy for the liability of directors and officers of the Company and the Company's subsidiaries, from 1 July 2023 until 30 June 2024, with limits of liability of U.S. $100 million per claim and in the aggregate, while determining that the engagement is at market conditions and is not material to the Company.

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of 30 September 2023 and Note 3 to the financial statements as of 30 September 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 30 September 2023.

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 6 to the financial statements as of 30 September 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 30 September 2023.

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

Date: 26 November 2023

<u>Annex A</u>

Designated Disclosure to the Bondholders

Annex A - Designated Disclosure to the Bondholders

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

Series	Date of 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	10 Feb. 2015	623.3	**1,091.8**	**1,215.1**	**3.9**	**1,191.7**	**1,192.5**	Fixed	0.65	1 April in the years 2016 through 2025	From 1 October 2015 and subsequently 1 April and 1 October 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
	23 June 2015	600.3											
	30 March 2017	228.8											
	2 July 2023	789.8											
Series D	7 July 2016	2,194.1	**3,092.4**	**3,487.0**	**11.1**	**3,472.2**	**3,311.1**	Fixed	1.34	From 5 July 2018 twice a year on 5 January and 5 July of each of the years 2018 through 2030	From January 2017, twice a year on 5 January and 5 July of each of the years 2017 through 2030	Linkage (principal and interest) to the rise in the CPI for May 2016*	
	30 March 2017	983.6											
	1 Feb. 2018	1,367											
	13 July 2022	625.6											
Series E	22 Jan. 2019	1,215.9	**2,756.9**	**3,068.6**	**13.7**	**3,129.0**	**2,960.9**	Fixed	1.77	On 30 June of each of the years 2022 through 2028	From 30 June 2019, twice a year on 30 June of each of the years 2019 through 2028 and 31 December of each of the years 2019 through 2027	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	19 Dec. 2019	1,216.7											
	20 April 2020	810.7											
Series F	22 Jan. 2019	263.4	**3,294.5**	**3,667.0**	**22.9**	**3,849.2**	**3,544.5**	Fixed	2.48	On 31 December	From 30 June 2019, twice a	Linkage (principal	

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
	19 Dec. 2019	932.6								of each of the years 2025 through 2032	year on 30 June and 31 December of each of the years 2019 through 2032	and interest) to the rise in the CPI for December 2018*	
	20 April 2020	761.9											
	13 July 2022	1,336.5											
Series G	20 July 2021	1,903.6	**1,903.6**	**2,087.5**	**4.6**	**2,071.3**	**1,754.9**	Fixed	0.9	2 July of each of the years 2024 through 2036	From 2 January 2022, twice a year on 2 January and 2 July of each of the years 2022 through 2036	Linkage (principal and interest) to the rise in the CPI for June 2021	
Series H	20 July 2021	1,751.5	**2,677.9**	**2,936.6**	**12.2**	**2,820.4**	**2,465.0**	Fixed	1.69	2 January of each of the years 2032 through 2041	From 2 January 2022, twice a year on 2 January of each of the years 2022 to 2041 and 2 July of each of the years 2022 to 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
	13 July 2022	926.4											
Total		**18,531.7**	**14,817.1**	**16,461.8**	**68.4**	**16,533.8**	**15,228.9**						

* 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 28 June 2023 (Ref.: 2023-01-071943).

   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 12 July 2022 (Ref.: 2022-01-073659).

   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 20 April 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 19 July 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	28 June 2023(*)	AA+ stable	21 June 2015 28 March 2017 2 February 2020 7 February 2021 27 June 2023 28 June 2023
Series D	Midroog	Aa1/stable outlook	ilAa1/stable outlook	29 December 2022(**)	ilAa1/stable outlook	20 July 2016 27 March 2017 28 March 2017 31 December 2017 28 January 2018 31 January 2018 31 December 2019 19 April 2020 27 December 2020 30 December 2021 12 July 2022 29 December 2022
Series E	Midroog	ilAa1/stable outlook	Aa1/stable outlook	29 December 2022(**)	ilAa1/stable outlook	20 January 2019 17 December 2019 31 December 2019 19 April 2020 27 December 2020 30 December 2021 29 December 2022
Series F	Midroog	ilAa1/stable outlook	ilAa1/stable outlook	29 December 2022(**)	ilAa1/stable outlook	20 January 2019 17 December 2019 31 December 2019

						19 April 2020 27 December 2020 30 December 2021 12 July 2022 29 December 2022
Series G	Ma’alot	ilAA+ stable	ilAA+ stable	1 July 2021 (***)	AA+/stable outlook	1 July 2021
Series H	Ma’alot	ilAA+ stable	ilAA+ stable	1 July 2021 (****)	AA+/stable outlook	1 July 2021 12 July 2022

* For Ma'alot’s rating report on the Series B Bonds, see the Company’s immediate report of 28 June 2023 (Ref.: 2023-01-071634), 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 29 December 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 18 July 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 12 July 2022 (Ref.: 2022-01-087970), which is included herein by reference.

PART B

Update of the Description of the Corporation's Business

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of 31 December 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 nine and three months ended 30 September 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**" – 27 November 2023; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – 30 September 2023; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the nine and three months ended 30 September 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; (7) winning a tender for the construction of a rental housing project in Herzliya; (8) sale of holdings in Compass; and (9) financing transactions, see Section 1.2.3 of Chapter A hereof.

2. Dividends

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

On 11 May 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.

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:

Land at the Checkpost Junction – As of the Report Release Date, the project is in advanced construction.

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

SolarEdge campus – In October 2023, a building permit was received for the entire project.

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.

Expansion of Tel Aviv Azrieli Center (Spiral Tower) – In June 2023, an above ground building permit was received for the entire project and the construction work is ongoing.

Azrieli Town E Building – In June 2023, after a discussion was held on the objections in the zoning plan deposited by the Company for the addition of rights in the scope of gross 90,520 sqm above-ground areas, the Local Committee's decision was made, that approved the plan under conditions and the Company is working to fulfill the conditions. An administrative appeal was filed against the decision of the Local Committee, with a date for discussion yet unscheduled.

Rental Housing Project in Herzliya – In April 2023, the Company won the tender of *Dira Lehaskir* (Apartment for Rent) – Rental Housing Government Company Ltd. and Israel Land Authority, for the purchase of lease rights in a complex located in Herzliya (near Kibbutz Glil Yam).

According to the provisions of the tender, the land is designated for a multi-family residential building, for the purpose of long-term lease, for a period of no less than 20 consecutive years from the date of completion of construction. The project is expected to include 147 residential units and retail areas. One half of the apartments in the project will be leased in a supervised rent that will be 80% of the free market rent. The Company is working to promote building permits for the project.

Red Rock Hotel in Eilat – In May 2023, the Company purchased the Red Rock Hotel in Eilat. In this context, the full rights to the land, also known as Parcels 5 and 6 in Block 40187 were purchased, on a total area of approx. 9,000 sqm, on which the hotel is built, including existing and future building rights as well as the operation of the hotel and the equipment therein and other related rights. The Company is working with the planning authorities to formulate a planning outline in order to realize the building rights for the construction of a new hotel. In the interim period, the Company will continue operating the property in its current form.

4. Financing

Non-Bank Financing for the Company

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

Series B bonds of the Company

On 28 June 2023, the Company released a shelf offering report for the issuance and listing on the stock exchange of up to NIS 880,245 thousand par value of the Company's Series B bonds by way of expansion, by virtue of the 2022 shelf prospectus. On 29 June 2023, the Company announced that in accordance with the results of the issuance, approx. NIS 789,850 thousand Series B bonds were allocated in exchange for approx. NIS 852 million (approx. NIS 850 million net of issue expenses). On 2 July 2023, the issue proceeds were received.

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company’s Series B bonds in circulation is approx. NIS 1,092 million.

Series D bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company’s Series D bonds in circulation is approx. NIS 3,092 million.

Series E bonds of the Company

In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series E bonds in circulation is approx. NIS 2,757 million.

Series F 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 F bonds in circulation is approx. NIS 3,294 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.

5. Credit rating

On 28 June 2023 S&P Maalot approved an up-to-date rating for the expansion of the Series B bonds in the amount of up to NIS 790 million with a rating of ilAA+ with a stable horizon. To review the full report of S&P Maalot of 28 June 2023, see the Company's immediate report of 28 June 2023 (Ref: 2023-01-071634), which is incorporated herein by way of reference.

PART C

Consolidated Financial Statements

Dated 30 September 2023

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of 30 September 2023

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements

As of 30 September, 2023

C o n t e n t s

Deloitte.

Auditors' review report to the shareholders of

<u>Azrieli Group Ltd</u>.

Introduction

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of 30 September 2023 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the nine- and three-month periods then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for these interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

Scope of Review

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

Conclusion

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

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

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

Tel Aviv, 26 November 2023

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of 30 September		As of 31 Dec.
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	1,298	3,681	3,404
Short-term investments and deposits	1	4	4
Trade accounts receivable	92	75	78
Other receivables	319	163	170
Inventory	10	9	10
Current tax assets	56	66	11
	1,776	3,998	3,677
Non-current asset held for sale	1,993	-	-
Total current assets	3,769	3,998	3,677
Non-current assets			
Investments in companies accounted for using the equity method	43	2,063	1,751
Loans and receivables	337	382	362
Financial assets	1,108	1,076	1,030
Investment property and investment property under construction	43,514	37,964	39,380
Fixed assets	791	572	605
Intangible and other assets	1,680	1,565	1,669
Total non-current assets	47,473	43,622	44,797
Total assets	51,242	47,620	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 30 September		As of 31 Dec.
	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	2,864	1,214	2,296
Trade payables	668	353	669
Payables and other current liabilities	514	324	308
Deposits from customers	1,329	1,275	1,286
Current tax liabilities	1	2	69
Total current liabilities	5,376	3,168	4,628
Non-current liabilities			
Loans from financial corporations	2,493	2,886	1,855
Bonds	15,194	15,060	15,178
Other liabilities	397	103	105
Deferred tax liabilities	4,963	4,725	4,606
Total non-current liabilities	23,047	22,774	21,744
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	739	373	474
Retained earnings	19,510	18,734	19,063
Total equity attributable to the shareholders of the Company	22,785	21,643	22,073
Non-controlling interests	34	35	29
Total capital	22,819	21,678	22,102
Total liabilities and capital	51,242	47,620	48,474

26 November 2023			
Date of approval of the financial statements	**Danna Azrieli** **Chairwoman of the Board**	**Eyal Henkin** **CEO**	**Ariel Goldstein** **CFO**

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues:					
From rent, management fees, maintenance fees and sales, net	2,221	1,982	779	711	2,690
Net gain (loss) from fair value adjustment of investment property and investment property under construction	1,030	1,027	177	174	1,481
Share in the results of companies accounted for using the equity method, net of tax	(77)	235	-	(32)	(73)
Financing	70	57	23	13	83
Other	39	237	17	212	245
Total revenues	3,283	3,538	996	1,078	4,426
Costs and expenses:					
Cost of revenues from rent, management fees, maintenance fees and sales	672	578	249	211	798
Sales and marketing	70	61	24	24	95
G&A	144	121	49	41	167
Financing	818	881	232	302	1,105
Other	48	103	4	80	115
Total costs and expenses:	1,752	1,744	558	658	2,280
Income before income taxes:	1,531	1,794	438	420	2,146
Income taxes	(383)	(325)	(86)	(90)	(354)
Net profit for the period	1,148	1,469	352	330	1,792

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

(Continued)

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Other comprehensive income (loss):					
Amounts that will not be carried in the future to the income statement, net of tax:					
Change in the fair value of financial assets, net of tax	63	(66)	106	(10)	(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	10	(73)	-	(42)	(48)
Loss from cash flow hedging, net of tax	(93)	-	(119)	-	-
Translation differences from foreign operations	289	205	236	(70)	321
Total	206	132	117	(112)	273
Other comprehensive income (loss) for the period, net of tax	269	66	223	(122)	172
Total comprehensive income for the period	1,417	1,535	575	208	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 nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Net profit for the period attributable to:					
Shareholders of the Company	1,147	1,468	352	330	1,797
Non-controlling interests	1	1	-	-	(5)
	1,148	1,469	352	330	1,792
Total comprehensive income for the period attributable to:					
Shareholders of the Company	1,412	1,530	573	207	1,965
Non-controlling interests	5	5	2	1	(1)
	1,417	1,535	575	208	1,964
	NIS	NIS	NIS	NIS	NIS
Basic and diluted earnings (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:					
Basic and diluted earnings	9.46	12.10	2.90	2.72	14.82
Weighted average of number of shares used for calculating the basic and diluted earnings per share	121,272,760	121,272,760	121,272,760	121,272,760	121,272,760

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

	For the nine-month period ended 30 September 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 Comprehensive Income relating to a Non-Current Asset Held for Sale	Other Capital Reserves	Retained Earnings	Total Attributable to the Shareholders of the Company	Non-Controlling Interests	Total
	NIS in millions									
	(Unaudited)									
Balance as of 1 January 2023	18	2,518	522	(68)	-	20	19,063	22,073	29	22,102
Net profit for the period	-	-	-	-	-	-	1,147	1,147	1	1,148
Change in fair value of financial assets, net of tax	-	-	63	-	-	-	-	63	-	63
Share in the comprehensive income of an investment accounted for using the equity method	-	-	-	2	-	8	-	10	-	10
Translation differences from foreign operations	-	-	-	285	-	-	-	285	4	289
Loss from cash flow hedging, net of tax	-	-	-	-	-	(93)	-	(93)	-	(93)
Classification due to non-current asset held for sale, net of tax	-	-	-	(163)	163	-	-	-	-	-
Total comprehensive income for the period	-	-	63	124	163	(85)	1,147	1,412	5	1,417
Dividend to shareholders of the Company	-	-	-	-	-	-	(700)	(700)	-	(700)
Total transactions with shareholders of the Company	-	-	-	-	-	-	(700)	(700)	-	(700)
Balance as of 30 September 2023	18	2,518	585	56	163	(65)	19,510	22,785	34	22,819

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

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

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the three-month period ended 30 September 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 Comprehensive Income relating to a Non-Current Asset Held for Sale	Other Capital Reserves	Retained Earnings	Total Attributable to the Shareholders of the Company	Non-Controlling Interests	Total
	NIS in millions									
	(Unaudited)									
Balance as of 1 July 2023	18	2,518	479	(129)	114	54	19,158	22,212	32	22,244
Net profit for the period	-	-	-	-	-	-	352	352	-	352
Change in fair value of financial assets, net of tax	-	-	106	-	-	-	-	106	-	106
Translation differences from foreign operations	-	-	-	234	-	-	-	234	2	236
Loss from cash flow hedging, net of tax	-	-	-	-	-	(119)	-	(119)	-	(119)
Classification due to non-current asset held for sale, net of tax	-	-	-	(49)	49	-	-	-	-	-
Total comprehensive income for the period	-	-	106	185	49	(119)	352	573	2	575
Balance as of 30 September 2023	18	2,518	585	56	163	(65)	19,510	22,785	34	22,819

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

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the year ended 31 December 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 attributable to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of 1 January 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 using 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)
Reserves 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 31 December 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 nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – Operating activities					
Net profit for the period	1,148	1,469	352	330	1,792
Depreciation and amortization	16	11	6	3	16
Forfeiture of senior housing residents' deposits	(39)	(35)	(14)	(13)	(47)
Net gain from fair value adjustment of investment property and investment property under construction	(1,030)	(1,027)	(177)	(174)	(1,481)
Net financing and other expenses	710	848	196	326	1,061
Share in results of associates accounted for using the equity method	77	(235)	-	32	73
Taxes recognized in the income statement	383	325	86	90	354
Net income taxes paid	(188)	(9)	(13)	(24)	(29)
Revaluation of financial assets designated at fair value through profit and loss	(2)	16	-	14	9
Change in inventory	-	2	1	-	1
Change in trade and other receivables	(97)	13	(78)	1	42
Change in trade and other payables	22	(2)	99	31	9
Receipt of deposits from senior housing residents	93	175	26	48	210
Return of deposits from senior housing residents	(50)	(36)	(21)	(12)	(54)
Profit from increase in rate of holding of an associate	-	(204)	-	(204)	(204)
Change in employee provisions and benefits	1	-	-	-	1
Net cash – operating activities	1,044	1,311	463	448	1,753
Cash flows – Investment activities					
Proceeds from disposition of fixed assets	1	-	1	-	-
Proceeds from disposition of investment property	-	3	-	3	3
Acquisition of and investment in investment property and investment property under construction	(2,178)	(1,398)	(930)	(685)	(2,003)
Acquisition of and investment in fixed and intangible assets	(194)	(43)	(21)	(21)	(61)
Investments in companies accounted for using the equity method	(192)	(433)	(16)	(432)	(433)
Change in short-term deposits	3	(3)	-	-	(3)
Provision of long-term loans	-	(13)	-	(5)	(13)
Collection of long-term loans	2	2	1	1	3
Interest and dividend received	90	48	41	20	75
Proceeds from disposition of financial assets	1	120	-	-	120
Net proceeds from disposition of investment in investee companies (Annex A)	-	53	-	-	53
Acquisition of companies consolidated for the first time (Annex B)	(228)	(477)	-	(358)	(477)
Taxes paid in respect of assets	(73)	(84)	(5)	-	(84)
Revenues from institutions for acquisition of real estate	-	-	-	30	-
Net cash – Investment activities	(2,768)	(2,225)	(929)	(1,447)	(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 nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – Financing activities					
Dividend distribution to shareholders	(700)	(650)	-	-	(650)
Repayment of bonds	(922)	(796)	(248)	(195)	(796)
Issuance of bonds net of issue expenses	850	2,969	850	2,969	2,969
Receipt of long-term loans from financial corporations	119	1,095	73	45	1,099
Repayment of long-term loans from financial corporations	(183)	(104)	(101)	(42)	(139)
Net short-term credit from financial corporations	730	(562)	7	-	(561)
Repayment of leasehold liabilities	(11)	(2)	(5)	-	(3)
Repayment of deposits from customers	(3)	(2)	(1)	(1)	(3)
Received deposits from customers	3	3	-	2	6
Paid interest	(329)	(242)	(111)	(90)	(355)
Net cash – Financing activity	(446)	1,709	464	2,688	1,567
Increase (decrease) in cash and cash equivalents	(2,170)	795	(2)	1,689	500
Cash and cash equivalents as at beginning of period	3,404	2,886	1,251	1,995	2,886
Effect of exchange rate changes on cash balances held in foreign currency	64	-	49	(3)	18
Cash and cash equivalents as at end of period	1,298	3,681	1,298	3,681	3,404

(*) Non-cash transactions for 2022 and for the nine- and three-month periods ended 30 September 2022 included an increase in payables in respect of purchases on credit of non-current assets in the amount of NIS 164 million, NIS 18 million and NIS 6 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 nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Annex A –					
Proceeds from disposition of investment in investment companies:					
Receivables in respect of sale of investment	-	53	-	-	53

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Annex B –					
Acquisition of companies consolidated for the first time:					
Working capital (excluding cash and cash equivalents)	(10)	31	-	20	31
Investment property	(479)	(814)	-	(682)	(814)
Long-term liabilities including current maturities	261	306	-	304	306
	(228)	(477)	-	(358)	(477)

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

Note 1 – General

A. Azrieli Group Ltd. (the "**Company**") is a company domiciled and incorporated in Israel and whose registered address is 1 Azrieli Center, Tel Aviv. The Company is listed on TASE and is included, *inter alia*, in the "Tel Aviv 35" Index and in the "Tel Aviv Real Estate" Index. The Company has series of bonds (Series B and D-H) that have been issued to the public. The Group's Consolidated Financial Statements as of 30 September 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.), (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 was 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 31 December 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 31 December 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 31 December 2022.

(2) Further to Note 3B to the Annual Financial Statements, as of 30 June 2023, the Group has updated the valuations of some of its investment properties in Israel, which are attributed to the retail centers and malls segment, the office and other space for lease segment and the rental housing segment. In addition, the Group has updated, as of 30 September 2023, the valuations for some of its investment properties in the data center segment.

The valuations were prepared by independent outside real estate appraisers with the appropriate professional qualifications.

Note 2 – Significant Accounting Policies (Contd.)

C. Rates of exchange and linkage basis:

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

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

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

	Representative Exchange Rate of the 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:				
As of 30 September 2023	0.3600	3.824	248.35	248.59
As of 30 September 2022	0.3323	3.543	239.21	238.76
As of 31 December 2022	0.3572	3.519	241.45	240.77
Rates of change:	%	%	%	%
For the nine-month period ended:				
30 September 2023	0.78	8.67	2.86	3.25
30 September 2022	(5.73)	13.92	4.29	4.40
For the three-month period ended:				
30 September 2023	4.05	2.99	0.67	0.77
30 September 2022	(5.49)	1.23	1.04	1.23
For the year ended				
31 December 2022	1.33	13.15	5.26	5.28

Note 3 – Material Events during the Report Period

A. On 21 March 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 5.36 per share), which was paid on 11 May 2023.

B. Further to Note 11H to the Annual Financial Statements, on 23 June 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 23 January 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 30 March 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 3 – Material Events during the Report Period (Cont.)

E. On 16 April 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 11 May 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.

F. On 27 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 completion of the construction of the project. 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.

In July 2023, the transaction was closed and the consideration was transferred.

G. Further to Note 8C to the Annual Financial Statements, in January 2023 an additional round of investment was made in Compass, in the context of which the Company invested approx. US$41.5 million (approx. NIS 144 million), such that after this investment, the Company holds ~32.5% of Compass' members' capital.

On 20 June 2023, the Company's partners in Compass engaged in an agreement for the sale of holdings in Compass for a sum reflecting a valuation for Compass of approx. US$5.7 billion (approx. NIS 21.8 billion) and a net value of approx. US$2.7 billion (approx. NIS 10.3 billion) (in this section: the "**Transaction**"). According to the mechanism set forth in the Compass unitholders' agreement, the Company will tag along and sell its holdings in Compass for the same value. Accordingly, the investment was classified in the current assets as a non-current asset held for sale.

After the date of the Statement of Financial Position, on 3 October 2023, and after fulfillment of the closing conditions set forth in the Transaction, the Transaction was closed.

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

G. (Cont.)

With the closing of the Transaction, gross cash flow is NIS 3.2 billion and the expected net cash flow (after provision for tax and expenses) is approx. NIS 2.7 billion, of which a total of approx. US$44 million will be deposited in trust until the making of adjustments in the proceeds (if any), in accordance with the mechanisms determined in the Transaction. The Company engaged with several financial corporations for future hedging of some of the future cash flows that the Company expects to derive on the Transaction closing date. The expected profit for the Company (after tax, expenses, realization of capital reserves and the hedging transaction) is approx. NIS 0.9 billion.

H. In July 2023, the Company made another public offering of approx. NIS 789.9 million par value of Series B Bonds at a price of 107.8 agorot per NIS 1 par value (discounted at approx. 2.4% relative to their adjusted value), with an effective interest rate of approx. 3.1%, by way of expansion of a bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 852 million, and the net proceeds after attribution of the issue expenses amounted to approx. NIS 850 million.

Note 4 – 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 30 September 2023		As of 30 September 2022		As of 31 Dec. 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)	3,215	3,016	3,099	2,922	2,067	1,897
Bonds (1)(2)	16,602	15,229	16,054	15,289	16,174	15,204
	19,817	18,245	19,153	18,211	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.

Note 4 – Fair Value of Financial Instruments (Cont.)

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

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

	As of 30 September		As of 31 December
	2023	2022	2022
	%	%	%
Non-current liabilities:			
Loans from financial corporations	3.31-8.53	1.30-8.30	1.88-7.98

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 30 September		As of 31 Dec.
	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	1,102	1,071	1,025

Note 5 – Segment Reporting

A. General:

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

B. Operating segments:

	For the nine-month period ended 30 September 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	925	748	183	182	235	13	24	(89)	2,221
Total segment expenses	191	136	100	130	108	2	69	(35)	701
Segment profit (loss) (NOI)	734	612	83	52	127	11	(45)	(54)	1,520
Net profit (loss) from fair value adjustment of investment property and investment property under construction	112	387	6	-	530	(12)	-	7	1,030
Unallocated expenses									(185)
Financing expenses, net									(748)
Other expenses, net									(9)
The Company's share in the results of a company accounted for using the equity method, net of tax									(77)
Income before income taxes									1,531
Additional information:									
Segment assets	15,466	16,643	2,153	3,184	** 6,145	1,864	519	1,993	47,967
Unallocated assets (*)									3,275
Total consolidated assets									51,242

(*) Mainly financial assets in the sum of approx. NIS 1.1 billion and cash and short-term deposits in the sum of approx. NIS 1.3 billion.

(**) Without Compass' assets in the sum of NIS 5,883 million. See Note 3G for further details regarding the sale of the holdings in Compass.

Note 5 – Segment Reporting (Cont.)
B. Operating segments: (Cont.)

	For the nine-month period ended 30 September 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	807	689	175	164	163	4	27	(47)	1,982
Total segment expenses	169	118	87	119	66	1	60	(17)	603
Segment profit (loss) (NOI)	638	571	88	45	97	3	(33)	(30)	1,379
Net profit (loss) from fair value adjustment of investment property and investment property under construction	472	665	(64)	-	322	11	-	(379)	1,027
Unallocated expenses									(157)
Financing revenues, net									(824)
Other income, net									134
The Company's share in the results of companies accounted for using the equity method, net of tax									235
Income before income taxes									1,794
Additional information:									
Segment assets	15,060	15,125	2,268	2,909	7,358	1,305	322	(2,191)	42,156
Unallocated assets (*)									5,464
Total consolidated assets									47,620

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

Note 5 – Segment Reporting (Cont.)

B. Operating segments: (Cont.)

	For the three-month period ended 30 September 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	Consolidated
	NIS in millions							
	(Unaudited)							
Revenues:								
Total external income	327	257	63	62	55	5	10	779
Total segment expenses	75	50	38	44	26	1	23	257
Segment profit (loss) (NOI)	252	207	25	18	29	4	(13)	522
Net profit (loss) from fair value adjustment of investment property and investment property under construction	-	3	3	-	176	(5)	-	177
Unallocated expenses								(65)
Financing expenses, net								(209)
Other income, net								13
Income before income taxes								438

Note 5 – Segment Reporting (Cont.)

B. Operating segments: (Cont.)

	For the three-month period ended 30 September 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	300	243	59	57	60	2	9	(19)	711
Total segment expenses	64	45	31	42	25	1	20	(9)	219
Segment profit (loss) (NOI)	236	198	28	15	35	1	(11)	(10)	492
Net profit (loss) from fair value adjustment of investment property and investment property under construction	143	99	(2)	-	(67)	-	-	1	174
Unallocated expenses									(57)
Financing expenses, net									(289)
Other income, net									132
The Company's share in the results of company accounted for using the equity method, net of tax									(32)
Income before income taxes									420

Note 5 – Segment Reporting (Cont.)

B. Operating segments (Cont.)

	For the year ended 31 December 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 31 Dec. 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 6 – Subsequent Events

A. After the balance sheet date, on 7 October 2023, the Iron Swords war broke out in the State of Israel (the "**War**") and is still ongoing.

The impact of the War on the retail centers and malls segment - In view of the impact of the War on the business of some of the tenants in the Company's malls, the Company decided to grant a 30% discount in the rent for the month of October 2023, and a 15% discount in the rent for the month of November 2023, or rent according to a percentage of store revenues as set forth in the contract, whichever is higher (the “**Relief Plan**”). The Relief Plan is subject to conditions, including a decline of at least 15% in the tenant’s store revenues in October 2023 compared to October 2022. In addition, the rent and management fees for November 2023 will be paid in four equal installments in January-April 2024.

The impact of the War on the office and other space for lease in Israel segment - the Company's revenues from the office space in Israel segment have not been significantly affected since the outbreak of the War.

The impact of the War on property development - the Company is continuing with the development and construction of new properties as well as the expansion and renovation of existing properties. In this context, it is noted that work on some of the properties was suspended at the beginning of the War for a certain period of time and later resumed, in some cases partially, such that as of the report release date, the Company estimates that there may be delays in some of the projects.

B. Further to Note 3G, after the date of the Statement of Financial Position, the closing conditions set forth in the agreement were met, such that on 3 October 2023, the Company sold its holdings in Compass.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of 30 September 2023

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement

as of 30 September 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 30 September 2023

(Unaudited)

Contents

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

Scope of Review

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

Conclusion

Based on our review, nothing had come to our attention that causes us to believe that the aforementioned 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, 26 November 2023

Azrieli Group Ltd.
Statement of Financial Position

	As of 30 September		As of 31 Dec.
	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	626	3,251	2,787
Trade accounts receivable	19	13	14
Other receivables	329	261	223
Current tax assets	33	57	-
	1,007	3,582	3,024
Non-current asset held for sale	1,993	-	-
Total current assets	3,000	3,582	3,024
Non-current assets			
Financial assets	1,108	1,076	1,030
Investment property and investment property under construction	18,071	16,581	17,531
Investments in investee companies	18,171	17,215	17,533
Loans to investee companies	2,413	1,972	1,928
Fixed assets	544	341	355
Other receivables	40	50	48
Total non-current assets	40,347	37,235	38,425
Total assets	43,347	40,817	41,449

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

	As of 30 September		As of 31 Dec.
	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	2,523	1,108	1,112
Trade payables	197	160	346
Payables and other current liabilities	336	153	139
Current tax liabilities	-	-	31
Total current liabilities	3,056	1,421	1,628
Non-current liabilities			
Loans from financial corporations	233	587	570
Bonds	15,194	15,060	15,178
Other liabilities	38	34	35
Deferred tax liabilities	2,041	2,072	1,965
Total non-current liabilities	17,506	17,753	17,748
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	779	413	514
Retained earnings	19,510	18,734	19,063
Total capital attributable to shareholders of the Company	22,785	21,643	22,073
Total liabilities and capital	43,347	40,817	41,449

26 November 2023			
Date of Approval of Separate Financial Statement	**Danna Azrieli** **Chairwoman of the Board**	**Eyal Henkin** **CEO**	**Ariel Goldstein** **CFO**

The information supplementing the financial information attached hereto constitutes an integral part of the Separate Condensed Financial Statements.

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

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Revenues					
From rent and management and maintenance fees, net	858	630	293	226	847
Net profit from adjustment to fair value of investment property and investment property under construction	185	630	1	102	1,069
Financing	92	109	25	19	146
Other	39	237	17	211	247
Total Revenues	1,174	1,606	336	558	2,309
Costs and Expenses					
Cost of revenues from rent and management and maintenance fees	30	24	10	9	34
Sales and marketing	30	27	12	12	43
G&A	93	87	31	28	119
Financing	677	734	192	245	920
Other	40	79	3	75	87
Total Costs and Expenses	870	951	248	369	1,203
Income before the Company's share in the profits of investee companies	304	655	88	189	1,106
Share in profits of investee companies, net of tax	904	915	264	163	793
Income before income taxes	1,208	1,570	352	352	1,899
Taxes on income	(61)	(102)	-	(22)	(102)
Net income for the period	1,147	1,468	352	330	1,797
Other comprehensive income (loss):					
Amounts that will not be carried in the future to the income statement, net of tax:					
Change in the fair value of financial assets, net of tax	63	(66)	106	(10)	(101)
Amounts that were carried or will be carried in the future to the income statement, net of tax:					
Translation differences from foreign operations	285	175	234	(97)	247
Loss due to cash flow hedging	(119)	-	(119)	-	-
Share in the other comprehensive income (loss) of investee companies, net of tax	36	(47)	-	(16)	22
Total	202	128	115	(113)	269
Other comprehensive income (loss) for the period, net of tax	265	62	221	(123)	168
Total comprehensive income for the period	1,412	1,530	573	207	1,965

The information supplementing the financial information attached hereto constitutes an integral part of the Separate Condensed Financial Statements.

Azrieli Group Ltd.
Statement of Cash Flows

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – operating activities					
Net profit for the period	1,147	1,468	352	330	1,797
Depreciation and amortization	3	2	1	1	2
Net profit from fair value adjustment of investment property and investment property under construction	(185)	(630)	(1)	(102)	(1,069)
Financing and other expenses, net	541	655	146	292	794
Profit from increase in holding of associate	-	(204)	-	(204)	(204)
Share in profits of investee companies, net of tax	(904)	(915)	(264)	(163)	(793)
Tax expenses recognized in the income statement	61	102	-	22	102
Income tax received (paid), net	(70)	33	55	(3)	31
Revaluation of financial assets designated at fair value through profit and loss	(2)	-	-	-	-
Change in trade and other receivables	45	(61)	(19)	(86)	(17)
Change in trade and other payables	(14)	35	(48)	28	72
Change in employee benefits and provisions	-	(1)	-	-	(1)
Net cash – operating activities	622	484	222	115	714
Cash flows – investment activities					
Purchase of and investment in investment property and investment property under construction	(327)	(691)	(79)	(475)	(1,042)
Advances paid on account of investment property	-	-	22	-	-
Purchase of and investment in fixed assets	(184)	(25)	(17)	(10)	(39)
Investments in investee companies	(1,352)	(873)	(288)	(767)	(1,180)
Return of long-term loans from investee companies, net	(607)	382	(682)	131	431
Interest and dividend received	90	53	35	20	82
Proceeds from disposition of financial assets	1	120	-	-	120
Taxes paid for assets	(68)	(84)	-	-	(84)
Payments to institutions for the acquisition of real estate, net	-	-	-	30	-
Net cash – investment activities	(2,447)	(1,118)	(1,009)	(1,071)	(1,712)

The information supplementing the financial information attached hereto constitutes an integral part of the Separate Condensed Financial Statements.

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

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Unaudited)		
Cash flows – financing activities					
Bond offering net of offering expenses	850	2,969	850	2,969	2,969
Dividend distribution to shareholders	(700)	(650)	-	-	(650)
Repayment of bonds	(922)	(796)	(248)	(195)	(796)
Repayment of long-term loans from financial corporations	(80)	(76)	(21)	(30)	(102)
Short-term credit from financial corporations, net	730	-	7	-	1
Deposits from customers, net	-	2	-	1	3
Interest paid	(221)	(156)	(74)	(50)	(232)
Net cash – financing activities	(343)	1,293	514	2,695	1,193
Increase (decrease) in cash and cash equivalents	(2,168)	659	(273)	1,739	195
Cash and cash equivalents at beginning of period	2,787	2,597	903	1,527	2,597
Effect of exchange rate changes on cash balances held in foreign currency	7	(5)	(4)	(15)	(5)
Cash and cash equivalents at end of period	626	3,251	626	3,251	2,787

(*) 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 information supplementing the financial information attached hereto constitutes an integral part of the Separate Condensed Financial Statements.

Azrieli Group Ltd.

Information Supplementing the Separate Interim Financial Statement

As of 30 September 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 31 December 2022, and for the year then ended, and the supplementing information 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 31 December 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 6 to the Condensed Consolidated Financial Statements published with this Separate Financial Statement.

Date: 26 November 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 26 November 2023 on condensed consolidated financial information of the Company as of 30 September 2023 and for the nine- and three-month periods then ended.

(2) Special auditors' report of 26 November 2023 on condensed separate financial information of the Company as of 30 September 2023 and for the nine- and three-month periods then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

AZRIELI GROUP

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

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

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

For this purpose, the members of management are:

1 | **Eyal Henkin**, CEO

2 | **Ariel Goldstein**, 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 quarterly report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended June 30, 2023 (the "**Most Recent Quarterly Report on Internal Control**"), the internal control was found to be effective.

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

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

STATEMENT OF MANAGERS:

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

I, Eyal Henkin, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q3/2023 (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: November 26, 2023

Eyal Henkin | CEO

STATEMENT OF MANAGERS:

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

I, Ariel Goldstein, represent that:

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the "**Corporation**") for Q3/2023 (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: November 26, 2023

____

Ariel Goldstein | CFO